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This action is funded by the European Union

ANNEX

of the Commission Decision on the individual measure in favour of The Republic of The Gambia to be financed from the 11th European Development Fund

Action Document for Inclusive Sustainable Growth and Job Creation programme in The Gambia

1. Title/basic act/ CRIS number	Inclusive sustainable growth and job creation programme in The Gambia CRIS number: GM/FED/040-583 financed under the 11th European Development Fund (EDF)	
2. Zone benefiting from the action/location	The Gambia The action shall be carried out at the following location: the action will be implemented throughout Gambia's territory (Components 2 and 3) and targeted areas (Component 1). The project teams for the relevant components should be based in the capital, Banjul, and in targeted areas (Component 1).	
3. Programming document		
4. Sector of concentration/ thematic area	Sector 2: "Inclusive sustainable growth and job creation".	DEV. Aid: Yes[1]
5. Amounts concerned	Total estimated cost: EUR 23 700 000 Total amount of EDF contribution EUR 23 000 000 Total amount of UNCDF contribution EUR 100 000 This action is co-financed by potential grant beneficiaries for an indicative amount of EUR 600 000	
6. Aid modality(ies) and implementation modality(ies)	Project Modality Indirect management with UNCDF (Component 1 and 2) Indirect management with The Republic of The Gambia (Component 3)	

[1] Official Development Aid is administered with the promotion of the economic development and welfare of developing countries as its main objective.

7 a) DAC code(s)	110 – Education 430 – Other multisector 240 – Banking and financial services			
b) Main Delivery Channel	42000 European Commission – European Development Fund			
8. Markers (from CRIS DAC form)	**General policy objective**	**Not targeted**	**Significant objective**	**Main objective**
	Participation development/good governance	☐	X	☐
	Aid to environment	☐	X	☐
	Gender equality (including Women In Development)	☐	X	☐
	Trade Development	☐	X	☐
	Reproductive, Maternal, New born and child health	☐	X	☐
	RIO Convention markers	**Not targeted**	**Significant objective**	**Main objective**
	Biological diversity	X	☐	☐
	Combat desertification	X	☐	☐
	Climate change mitigation	☐	X	☐
	Climate change adaptation	☐	X	☐
9. Global Public Goods and Challenges (GPGC) thematic flagships	Human development Environment and climate change			
10.Sustainable Development Goals (SDGs)	SDG Goals 1 (End poverty in all its forms everywhere) and 8 (Promote inclusive and sustainable economic growth, employment and decent work for all) Secondary SDG Goal(s) : 5 (Achieve gender equality and empower all women and girls) , 13 (Take urgent action to combat climate change and its impacts) and 15 (Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss)			

SUMMARY

This programme contributes to stabilising the economic, social and security situation of the country during the democratic transition by facilitating social inclusion and employment of the youth and most vulnerable groups of the population. By doing this, it is expected to have a positive effect on the irregular migration trend from The Gambia to Europe, which is so far one of the main countries of origin (including for unaccompanied minors).

It will do so through three components:

Component 1: Job creation for the youth and women and equal access to employable skills development.

This project component will focus on 2 main sets of activities:

The first set of activities will aim at creating jobs. Local authorities and communities will be supported in the identification of needs in priority sectors and in planning investments accordingly. A particular emphasis will be placed on making sure investments contribute to climate resilience. Prioritised investments will be delivered through cash for work programmes for youth and women and through procurement to local Micro, Small and Medium sized Enterprises (MSMEs) so that jobs are created in the short to medium term. Workers benefitting from these jobs will be supported in parallel with access to financial (Component 2) and non-financial services (Component 1, set of activities 2) with a view to broaden their medium to long term economic perspectives.

The second set of activities will start with a skills gap analysis in the priority sectors identified. Based on the assessment, the project will provide support to increase the number, quality and accessibility of vocational training schemes offered to youth and women. The vocational training scheme will directly be informed by the priority needs identified with local authorities and communities (Component 1, set of activities 1) and be developed in conjunction with the Financial Services Providers (FSPs) (Component 2). It will be accompanied by supported skill placements trainings wherever possible. Technical assistance and capacity building for SMEs and Technical Service Providers will also be offered, in complement to Component 2. Activities will be implemented in close collaboration with line ministries, the relevant national bodies, in particular the National Accreditation and Quality Assurance Authority (NAQAA) and public and private training institutions.

Component 2: Improved access to finance for the target groups.

This component will undertake activities to facilitate access of MSMEs to financial services first and foremost for the target groups (youth and women mainly). The project will use a market systems based approach (micro, meso and macro) and ensure improved Financial Services Provider (FSP) products respond to market needs, so that available credit is used in a way that actually benefits the real economy. Eventually, overall improvements in the financial services sector will benefit the whole population.

Component 3: Improved access to safety nets and social transfers.

The Gambia remains a country where more than half of the population is poor or extremely poor. Not all Gambian are or will be entrepreneurs, and not all have them will have the opportunities in the short term to get employed. In addition, for some vulnerable categories, some sort of social protection will be needed. In this respect, this component will target those vulnerable groups that cannot (or insufficiently) be reached by the first two components. It will concentrate on providing social safety nets to vulnerable groups, so as to ensure them a minimum level of protection and subsistence and reduce their poverty (with the side-effect of mitigating motivations for migration). These interventions will be framed into the national Social Protection policy implementation plan. While the Government's commitment to poverty reduction and social protection is strong, there are still a number of challenges related to scaling up and prioritizing efforts. The component will also consider introducing digitalisation processes, including for payments, which might contribute to greater efficiency, cost-savings and reduced risk of fraud.

Components 1 and 2 will be implemented by the United Nations Capital Development Fund (UNCDF). UNCDF will delegate to the International Trade Centre (ITC) the activities in the Technical Vocational Education and Training (TVET) sector. Component 3 will be implemented through technical assistance to relevant national authorities and through a Call for Proposals with the National Authorising Office Support Unit (NAOSU) as the Contracting Authority.

1 CONTEXT

1.1 Sector context

Ranked at 175 out of 188 countries, The Gambia is classified as Least Developed by the United Nations Development Programme (UNDP)'s 2015 Human Development Index. With a population of around 1.9 million and a gross domestic product (GDP) per capita of approximately 400 EUR, the country is poor. Already in 2010, The Gambia's national Integrated Household Survey had confirmed that half the population was living below the poverty line, and per capita GDP has been falling ever since[2]. Furthermore, a person living in a rural area was twice as likely to be poor as an urban dweller.

Traditionally, The Gambia's economy has been based on subsistence agriculture, with additional household income coming from cash crops and surpluses in productive years. However, the domestic economy has been undergoing a transformation, as urban coastal areas have grown in size and economic importance.

The urban areas are service based and rely on tourism as a key industry[3]. However, wage growth – which starts at a very low base[4] – is slow mainly because of the poor skills level of the youth which resides mainly in urban areas. Furthermore, the country's fragile economic and social profile makes it particularly vulnerable to a number of potential shocks, which cause further setbacks to the economic and social advances of recent decades. In 2014/15 the double shock of drought, which affected agriculture, and of the Ebola scare, which decimated the tourism industry only just recovering from the 2008 global financial crisis, led to high rising food insecurity rates[5] with consequent migration to urban areas and to Europe.

Migration from the rural areas is contributing to a marked reduction in agricultural labour supply. In the urban areas, migration is placing stress on fragile infrastructures and resources. **Since 2013, overland migration to Europe has grown significantly**. In 2015 alone, 8,500 Gambians sought asylum in Italy[6], equivalent to around 0.5 % of the entire Gambian population. In 2016 arrivals in Italy grew by a further 30 %, and The Gambia remained the 3rd highest country of origin for migrant arrivals in Italy[7].

Presidential elections on 1 December 2016 led to the hand-over of power from former President Yahya Jammeh to the new President Adama Barrow in January 2017, after several weeks of political stalemate and high tension. In this respect, employment and social inclusion will be key challenges to address during his mandate, also with a view to curb migration trends. The Gambia needs all support necessary for the change of paradigm and creation of efficient democratic institutions. Job creation and social inclusion will therefore be particularly targeted, accompanied by investments in sectors (i) generating sustainable and resilient economic growth; (ii) offering opportunities for the creation of

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[2] See IMF 2015 Article IV Consultation with The Gambia http://www.imf.org/external/pubs/ft/scr/2015/cr15272.pdf

[3] According to the Gambia Bureau of Statistics (2012) Services account for about 50 % of GDP, attributed mainly to tourism and the reexport trade. Industry accounts for 12 % and Agriculture 30 %.

[4] Average unskilled wages are about EUR 50 per month.

[5] See CILSS Harmonised Framework of November 2014.

[6] See IOM Dakar Bulletin of Feb 2016 – contact < rodakar@iom.int >.

[7] SEE http://www.consilium.europa.eu/en/policies/migratory-pressures/irregular-arrivals-italy/

SMEs (e.g. through vocational training, technical assistance, access to finance) and (iii) providing safety nets to those most in need, especially those excluded from any economic dividend coming from the transition.

More specifically, youth and women unemployment and underemployment remain major barriers to development. According to the Gambian Labour Force Survey (2012), youth unemployment rate is 38 %. There is a marked differential in male and female unemployment (20.9 % against 38.3 % respectively). According to The Gambia Decent Work Country Programme (GDWBC), the unemployment rate is slightly higher in rural areas (31.1 %) compared to urban areas (28.4 %).

The Gambia's labour market is severely demand-constrained and it is largely accepted that self-employment and enterprise development will be the driving mechanisms to create economic opportunities for Gambians in particular youth and women**.** However, youth face a complex mix of barriers to economic inclusion, such as lack of education programmes that match their needs and lack of access to capital.

In 2016, The Gambia was ranked 163 out of 191 countries in terms of ease of getting credit[8]**.** Based on UNCDF's analysis, it is estimated that more than 90 % of the population is excluded from financial services. The value proposition of financial services providers (FSPs) is quite weak. The business model used by FSPs is dominated by a brick and mortar approach which explains why few FSPs provide services outside the Great Banjul Area. Aside from the Credit Unions (CUs), FSPs charge up to 30 % for business lending and up to 60 % for consumer lending. These high interest rates are the result of i) poor monetary and fiscal policies; ii) lack of capacity of FSPs to understand their clients and design client centric services; and iii) poor institutional capacity of FSPs.

The formal TVET system is currently comprised of 68 licensed and accredited providers by the NAQAA. These 68 TVETs cover the main sectors of economic opportunities such as agriculture, tourism, Information and Communication Technology (ICT), fisheries and construction. About 70 % of registered TVET are located in the Greater Banjul Area (including Banjul city and Kanifing Municipal council). Another 23 % of TVET institutions are located in the West Coast division, which is adjacent to Banjul division. In the rest of the country, two institutions operate in the North Bank (Future in Salikenni Computer Training Centre and Njawara Agricultural Training Centre), one in the Central River (Janjanbureh Training Centre) and one in the Upper River (Gambia Telecommunications and Multimedia Institute). Also there are a number of community skills training centres operated in different parts of the country.

Most sectors in the Gambia have extremely low labour productivity. The country needs to find a way to either help workers move from low paying and low productivity sectors to higher productivity sectors, or to increase the productivity of underperforming sectors.

According to the latest Public Expenditure and Financial Accountability (PEFA) (2015), the resources transferred to subnational level represented in 2013 around 13 % of the total government expenditure. The total of own revenues collected in 2013 by the Local Councils (LCs) amounted to GMD 389,598,729 (an extra EUR 7.7 million). The amounts of public funding at the local level therefore offer an opportunity to promote the creation of jobs for the youth, women and other most vulnerable groups.

Finally, extreme poverty remains widespread in the Gambia, with nearly 40 % of the population existing on less than USD 1 per person per day (Gambia Bureau of Statistics 2010). Income poverty remains concentrated in rural areas, particularly amongst households headed by subsistence farmers and unskilled workers (with poverty rates of 79.3 % and 64.5 % respectively). Household Survey data from 2010 also shows extreme poverty disproportionately affects children as well as adults aged 65 years and above. This group, as well as the disabled and people living with HIV/AIDS and other chronic illnesses, have been identified as being at risk of not benefitting from economic growth due to

[8] World Bank, Ease of Doing Business. 2016

their lack of employability, physical vulnerabilities, greater dependence on care and constrained access to support networks including remittances. Those vulnerable categories are in need of some from of social protection.

1.1.1 Public Policy Assessment and EU Policy Framework

The Gambian Government is currently formulating a new National Development Plan (NDP) to follow the Programme for Accelerated Growth and Employment (PAGE). The NDP will consolidate the gains of PAGE implementation and address challenges within the context of Vision 2020, whilst at the same time mainstreaming the Sustainable Development Goals (SDGs) established in 2015.

Vision 2020's mission statement focuses on three main areas, namely agricultural production, exports and tourism. The vision promotes the concept of trained, skilled, healthy, self-reliant and enterprising Gambians. Furthermore, the promotion of inclusive and sustainable growth and investment in human capital will be at the core of the new NDP four pillar strategy.

The NDP is linked to the National Trade Policy and National Export Strategy which focus on addressing the challenges of competitiveness and export-led economic growth. The trade policy in turn is linked to the MSME Policy. The MSME policy recognises the need to increase access to finance, and provides the following key constraints faced by MSMEs: high interest rates, lack of tailored services for youth, lack of finance for start-ups, limited medium and long term financing, amongst others.

Youth employment policy is outlined in the Gambia National Youth Policy, the National Employment Policy (NEP) and the Entrepreneurship Policy. They all recognise youth employment as a significant and growing problem in The Gambia. In these policies, financial inclusion is considered as an enabler of youth employment.

Although The Gambia National Microfinance Policy (2013 to 2017) will need to be revised/ratified, it must be recognised as an important sector policy document, in particular, with respect to the articles related to formalizing a tiered regulatory system, strengthening of meso level infrastructures, using new technologies, the increasing access to wholesale funding, promoting savings mobilisation, and promoting of responsible finance through the creation of codes of conduct, consumer protection policies etc.

The Decentralisation Act and Policy puts emphasis on localisation of development activities including the strengthening of human and institutional capacities on a country-wide basis. The Local Government Finance and Audit Act, 2004 (LGFA) requires that a council allocates at least 60 % of its budget for development activities excluding the recurrent costs of those activities.

As for gender equality, the National Gender and Woman Empowerment Policy (2010-20) highlights that "employment opportunities particularly in the formal sectors are unfavourable to women due to their low level of education. In this sector, education is a prerequisite but the traditional gender roles and cultural norms have contributed to the general low level of education among Gambian women." Consequently, the policy advocates a gender screening of the National Employment Policy and Action Plan, and a review of the conditions of service and labour laws to ensure gender responsiveness. In addition, it advocates for the promotion of quality and advanced training in ICTs through the establishment and strengthening of skills training centres that are youth and women friendly. Moreover, The Gambia National Gender Policy has a specific objective aiming "To promote the creation of an enabling environment for growth of Micro Small and Medium Enterprises (MSMEs)".

The Gambia already experiences the impacts of climate change. The agricultural sector is significantly affected due to its rain dependent nature. In 2016 the Gambian Government developed the first National Climate Change Policy, recognising increased climate variability with an overall reduction in rainfall of 30 % over the last 30 years. Adaptation will be primarily addressed in the proposed Low

Emissions Climate Resilient Development Strategy (LECRDS) and National Climate Change Action Plan (NCCAP).

As for social protection, the Gambia's first National Social Protection Policy 2015-2025 (NSPP) was designed to contribute to alleviation of poverty and vulnerability in the country, in line with the Government of The Gambia's Vision 2020 and the Programme for Accelerated Growth and Employment (PAGE). Under that framework, most of the social protection schemes are designed to improve food security, address malnutrition and promote access to education. There are no reliable income support schemes to the most vulnerable through cash transfers. Preventative social protection is highly limited in the country and social security packages exclude paid maternity leave packages, leaving women in a very vulnerable situation. Finally, unlike other countries of the region, The Gambia does not have a universal social pension for the elderly or a child support allowance[9].

This Programme is therefore aligned with the national public policy. It is also completely coherent with the EU Policy Framework which is enshrined in the National Indicative Programme Phase II with the Gambia. A core element of this Policy Framework is the new European Consensus on Development "Our World, Our Dignity, Our Future Nov 2016" and, in particular, to aspects of the Consensus related to people, peace, prosperity, planet and partnership.

1.1.2 Stakeholder analysis

Lead ministries and national institutions that should be involved in the Programme include the Ministry of Finance and Economic Affairs (MoFEA), in particular the National Authorising Office (NAO), the Ministry of Trade Industry and Employment (MoTIE), the Ministry of Local Government (MoLG), the Ministry of Environment and Climate Change and the Central Bank of The Gambia (CBG). They also include the Ministry of Basic and Secondary Education (MoBSE), the Ministry of Health and Social Welfare, the Ministry of Higher Education, Research, Science and Technology (MoHERST), as well as the NAQAA responsible for regulation and licensing of all skills training centres.

Component 1: Job creation for the youth and women and equal access to employable skills development.

In addition to national ministries and bodies, key stakeholders for job creation at the local level include local employment actors such as local governments, local communities and target groups, youth and women.

The ITC will partner with institutional training providers in the vocational training and education sector. The project will also work with providers of non-formal training schemes focusing on-the-job learning and apprenticeship programmes. The project will develop partnerships with private sector associations and companies to seek market-oriented skills development and to facilitate dissemination of training services in a sustainable fashion.

For the development and delivery of entrepreneurship support services, potential partner institutions include business development service providers, universities, incubators, international organisations and financial institutions. To ensure the sustainability of the provision of entrepreneurship and business development services, links and synergies are built with local organisations and initiatives such as the Gambia Investment and Export Promotion Agency (GIEPA) and the EMPRETEC initiative - Gambian initiative funded by the UNCTAD and UNDP[10]. Potential stakeholders for sector development, market linkages and dissemination of information on good agricultural and post-harvest

[9] National Development Plan
[10] EMPRETEC-Gambia has been able to train 800 youth in entrepreneurship and establish over 200 businesses.

practices include the sector associations, trade promotion organisations, traders' unions, private sector associations and companies.

Component 2: Improved access to finance for the target groups

The project will employ market systems approach[11] recommended by the Consultative Group to Assist the Poorest (CGAP), which looks at the market system around the delivery and use of financial services to key populations (youth and women). The project will play a catalytic role by providing incentives and building partnerships at each level of the financial market system (macro, meso and micro), including:

- Working with the key market actors to improve and expand financial services in a more cost effective manner to reach the majority of the population. This will include banks and mobile money actors, but also consider MFIs (Micro-Finance Institutions) and other non-bank institutions. Strategically identifying Financial Service providers (FSPs) through a mix of technical vetting and a challenge fund that will also be a vehicle to identify partnerships that would help address different market failures. At this level, the project will be partnering with the most innovative and strongest FSPs in the market (this includes commercial banks, Non-Banking Financial Institutions (NBFIs), and Mobile Network Operators (MNOs). Inviting an FSP operating in another country to start operations in The Gambia could also be a potential tool to increase competition.
- Strategically partnering with the following financial actors: the MoFEA, the Ministry of Youth, the Ministry of Agriculture, the MoTIE and the CBG to improve consultation with key market players, including the private sector.

The project will lead to opportunities related to future interventions with financial partners in the framework of the External Investment Platform (EIP) of the EU.

Component 3: Improved access to safety nets and social transfers.

The Ministry of Health and Social Welfare, the Ministry of Basic and Secondary Education, the Office of the Vice President, the Ministry of Finance and Economic Affairs, the Social Security and Housing Finance Corporation and the National Nutrition Agency (NaNA) are the main government stakeholders. Important national institutions are the National Social Protection Commission, the National Social Protection Secretariat and the National Social Protection Steering Committee. A number of non-governmental organisations (NGOs) are also already active in social protection/transfers and safety nets, as are some international organisations (some EU-funded).

1.1.3 Priority areas for support/problem analysis

Component 1: Job creation for the youth and women and equal access to employable skills development.

Centralised programmes to increase employment have fallen short in anchoring the youth, women and most vulnerable groups in their regions (see section 3.1 on Lessons learnt). There is a potential to orient public funding at local level to promote job creation for youth, women and other vulnerable groups. The action therefore offers to use a decentralised approach to job creation under Component 1. Local authorities have been identified as potential key players in this process as their investment plans offer an untapped potential for short-medium term employment creation through, *inter alia*, cash for work and procurement to local SMEs.

[11] See CGAP's Guidelines for Funders, http://www.cgap.org/sites/default/files/Consensus-Guidelines-A-Market-Systems-Approach-to%20Financial-Inclusion-Sept-2015_0.pdf

Implementation of these plans, and the related investments, furthermore offer the opportunity to introduce important new development considerations in terms of addressing climate change (see section 3.3. on cross-cutting issues) and other elements of sustainability. The Gambia is indeed particularly vulnerable to climate change impacts. There is a need to mitigate these effects. Opportunities for technological "leapfrogging", e.g. through small scale renewable energy, modern infrastructure, ICT or mobile technology will be promoted as appropriate under component 1.

One of the main challenges faced by The Gambia's economy is the absence of skilled labour. Close to 60 % of the labour force has no formal education. According to the 2012 Gambia Labour Force Survey, 10.9 % of the population of 15 years and older had received some vocational training qualification. Another challenge is that technical and vocational skills development suffers from weak links with the market. Equipping young people with the needed skills to meet market demand is critical for building a strong human capital base and promoting sustained growth.

The majority of the TVET centres provide trainings focusing on service sectors such as tailoring & sewing, masonry and carpentry, business management and public administration, computing, ICT and tourism.

The overall employment rate of TVET graduates differs from one year to another. The National Youth Service Scheme (NYSS) and the Gambia Technical Training Institute (GTTI) Tracer Study supported by UNDP found that in 2009 the employment rate of TVET graduates was 44.6 %, but declined during the years 2010 and 2011 to reach 34.7 % in 2013.

The challenge for TVET graduates is not only to get a job; they also have difficulties in setting up their own business due to e.g. lack of access to finance. Combining technical and entrepreneurship training, coordinating training with the private sector and helping young people to start their own business through efficient incubation systems can make technical and vocational training more attractive for the youth. In addition, provision of post-training services such as access to credit, business development support, mentoring and coaching as well as linkages to new markets can provide increased economic opportunities for youth.

Component 2: Improved access to finance for the target groups

The current landscape at the micro level is made up of 12 commercial banks[12], 3 Micro Finance Institutions (MFI)[13], 70 Credit Unions (CUs), 80 Village Savings and Credit Associations (VISACAS), 4 MNOs[14], 11 insurance companies[15] and a good number of informal providers which include 25 remittances companies. In 2016, The Gambia was ranked 163 out of 191 countries in terms of ease of getting credit[16] by the World Bank. From 2008 to 2012 the savings domestic rate of the Gambia was only 5 %. Without an increase in the domestic savings rates, capital available for investment will be limited[17]. The value proposition of FSPs to client is quite weak due to the high interest rates charged. The CUs are the only ones offering interest rates of 15 %. All other FSPs charge an interest rate up to 30 % for business lending and up to 60 % for consumer lending (i.e. Short term loans for salary advances).

Due to the high costs of funds for FSPs in The Gambia[18], the main source of funding of FSPs are the savings mobilised by the public. What is interesting to highlight in the case of the FSPs is their

[12] Access Bank Gambia, Arab Gambia Islamic Bank, Banque Sahelo-Saharienne pour l'Investissement et le Commerce, Ecobank Gambia, First Bank, FiBank, Guaranty Trust Bank Gambia, Mega Bank Gambia Limited, Sky Bank Gambia, Standard Charter Bank, Trust Bank Gambia, and Zenith Bank Gambia Limited

[13] Reliance and Supersonicz and GAWFA Gambia Women's Finance Association

[14] Africell, Quodo, Comium, and Gamcell

[15] Capital Insurance Company Limited, Gambia National Insurance, IGI Gamstar, Global Security, Great Alliance, International Insurance Co, Londongate Insurance, New vision Insurance, Prime Insurance Company, sunshine Insurance, and Takaful Gambia Limited.

[16] World Bank, Ease of Doing Business. 2016

[17] National Development Plan

[18] Provided at 15 % by the Social Fund for Development only to MFIs, VISACAS and CBOs

inability to lend out all of the savings mobilised. For example, of the EUR 491 million mobilised by commercial banks, only EUR 117 million is lent to their clients. Out of EUR 10 million mobilised in savings by the FSP Reliance only EUR 2.5 million are lent out. This could be due to either their lack of capacity to understand their clients and design client centric services or to other weaknesses in institutional capacity.

The institutional weakness of FSPs impacts not only their monitoring capacity and their portfolio quality, but also how they can use information and data in the Management Information System (MIS) to improve their offerings. Lack of information not only drives up costs to clients but also makes the role of the supervisor more challenging to fulfil. Finally, the lack of capacity of FSPs is coupled with the lack of financial capabilities of clients.

FSPs delivery channels are dominated by a brick and mortar approach. However, a quite dynamic Mobile Money industry is emerging. Given the high level of remittances (22 % of the GDP) received, there are also good opportunities to support FSPs to tap into this resource and develop services linked to remittances.

The meso-level is also almost inexistent. There is no available market information. This limits the ability of FSPs to seize market opportunities to respond to client needs. FSPs in The Gambia have benefitted from few, if any, institutional capacity building programmes. The Social Development Fund (SDF), a Fiduciary Financial Institution that serves as the wholesale provider of funds to the MFIs and VISACAS, has also a mandate to provide capacity building services to the MFIs it serves but it also lacks institutional capacities to fulfil that part of the mandate. Finally, there is very limited long-term capital available in the country. The SDF is the only wholesale provider of loans at 15 % interest rate for MFIs, VISACAS and Community Based Organisations (CBOs).

The financial involvement through loans and equity participation by specialised microfinance funds and social investors has so far been limited. This is partly related to the limited size of the market, to the high Portfolio at Risk in a number of FSPs and also to the lack of internationally available information [19].

The worsening Government fiscal deficit and loose monetary policy have contributed to a high domestic interest rate which presently is around 22 % p.a. as of April 2017[20]. This high interest rate is applied by FSPs to their loan portfolios. Another macro level obstacle is the lack of a tiered regulation system which puts pressure on FSPs, in particular on small MFIs, to come up with the capital requirements imposed by the CBG. The on-going control on the government borrowing and enhancement of fiscal and monetary policies by the CBG will gradually lower the interest rate. The low demand for T-Bills by the new Gambian government will force the commercial lenders to go out and market their financial facilities at an affordable price i.e. interest rate.

The Gambia's National Microfinance Policy was developed for the 2013-2017[21] period but unfortunately, it was never implemented. Reviving the dialogue on financial inclusion between the government and the private sector could help push the sector forward faster. There is however, an enabling regulatory environment for Mobile Banking.

Component 3: Improved access to safety nets and social transfers.
Most of the Gambians remain under conditions of poverty or extreme poverty, especially among vulnerable groups. Not all of them will become entrepreneurs; neither will all be in a position to be

[19] National Microfinance Policy
[20] Interviews with CBG
[21] Unfortunately, the team was not able to meet with the National Microfinance Commission which is the coordination body at the Ministry of Finance in charge of monitoring the implementation of the strategy. Therefore, our analysis of the implementing of the strategy is based only on interviews with other stakeholders.

employed in the short-run. Although the population is generally young and dynamic there are vulnerable groups susceptible to exclusion from any dividend economic growth may bring. In order to ensure the inclusiveness necessary to promote social cohesions, there is a need to develop further safety nets and social transfers, so as to streamline national social protection schemes.

Preliminarily work undertaken in 2015[22] identified that priority intervention areas could include social protection support measures for children (low income, orphan, etc.) women (low income, pregnant, widow, etc.), people with disabilities, refugees and elderly persons (pensions). Interventions could consist of minimum health care provision, school meals, disabled support, cash transfer, pensions etc.

However, according to the 2015 National Social Protection policy, the Government's technical and administrative capacity is weak with regard to policy formulation, project design, coordination and support. Social assistance schemes are generally short-term, project based and emergency oriented. Social transfers generally have extremely limited reach and the size of transfers are inadequate for the attainment of basic needs. Social security is only accessible to a tiny minority of formal sector employees and the country has no national health insurance programme. There is also no state-led crop insurance programme for farmers, despite the prevalence of weather-related risks and social services remain weak and under-resourced. Furthermore, the legislative framework has notable gaps, including the absence of a national minimum wage or disability bill. Support is inadequate in peri-urban locations where the extreme poor and migrant families reside. The coverage and level of support to particularly vulnerable groups (the elderly, People with disabilities, HIV) is inadequate and sporadic. Migrants, refugee families, single parents, widows, and child-headed households rarely feature in social protection programming.

The government of The Gambia wishes to progressively allocate budget to build an inclusive social protection system. However, providing a social protection floor for 1.9 million people is currently beyond the fiscal and implementation capacities of The Gambia. Therefore, difficult choices must be made with regard to prioritising particular populations within the National Social Protection Policy (NSPP).

In the first stages of the NSPP, the beneficiary selection processes will prioritise the inclusion of the poorest individuals, households and communities (also referred to as the extreme poor) and those vulnerable to poverty and deprivation due to social vulnerabilities and exclusion. Thus, a preliminary core target group has been identified in the policy consultations, which includes extremely poor individual and households, vulnerable children, the elderly, people with disabilities, the chronically ill, people and families affected by HIV, vulnerable women and youth, refugees and migrants etc.

Actions envisaged under this programme can contribute to social protection policy by developing examples of best practices that can be taken over by national/local authorities, thereby building government capacity, contributing to review and update the policy documents produced.

[22] See "Developing a Costed Minimum Social Protection Package of Interventions in The Gambia" McTaggart 2015

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Political and Economic instability.	M	New Government to work toward political and economic stability.
Exogenous economic shock, environmental catastrophe or terrorist event.	M	Government has in place sufficient mitigation measures to limit the impact of shocks.
Limited improvements in business environment.	H	EU State Building Contract support to improve the Private Sector Enabling Environment.
Limited absorption capacity of the local counterparts.	M	Capacity building for the local counterparts.
Difficulties to find suitable partners for skills development.	L	Maintain some flexibility of implementation plans in order to adjust to capacities and needs in the country.
Unfavourable political decisions.	M	Institutional support to private and public bodies, education institutions.
Social unrest.	M	Engagement of local stakeholders.
Monetary instability / currency fluctuation.	M	Continuous dialogue with stakeholders at different level; provide flexibility in adjusting project interventions.
Lack of deeper analysis as regards access to and control over resources and weak gender mainstreaming might exclude women from benefitting from the action.	M	A gender analysis to inform the programme implementation will be carried out, helping in setting specific gender actions, indicators and targets.

Assumptions

- Government has the administrative capacity necessary to implement changes.
- Political stability during the democratic transition.
- Local counterparts develop the necessary capacities to benefit from project interventions.
- Effective participation by the project stakeholders, target beneficiaries and project partners in the planned project activities in accordance with the set timeline.
- Absence of negative external factors with major repercussion on socio-economic development (e.g. Ebola outbreaks).

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The project builds on lessons learned from the World Bank EUR 21 million funded Community Driven Development Project (CDDP) which supported rural communities in planning, implementing and maintaining social and economic investments in partnership with Local Government Authorities. One of the main lessons learned from the project was the need for capacity building at all levels: local governments, villagers or line agencies[23].

The "job creation" component of the action will be delivered through a decentralised approach that will help mitigate some of these risks. It will use the approach and lessons from the "Local Climate Adaptive Living" (LoCAL) facility of UNCDF, which provides a country-based mechanism to effectively channel and use finance at the local level, through performance-based climate resilience grants (PBCRGs). PBCRGs consist of a financial top-up to cover the additional costs of making investments green and climate resilient and/or to support additional investments for a green and resilient economy. These grants complement regular allocations made by the central level to local governments through intergovernmental fiscal transfer system. LoCAL uses the demonstration effect to trigger further flows, including national fiscal transfers and global climate finance for local authorities, through their central governments.

In the context of The Gambia, LoCAL will focus on job creation and promoting a green and climate resilient economy. It will leverage the experience accumulated since 2010 in 12 countries across Africa, Asia and the Pacific (EUR 30 million). Over the years, LoCAL has learned that effective involvement of the communities, either as construction of local infrastructure schemes or rehabilitation of ecosystems, can create employment opportunities. "Cash for work" opportunities will appear through the prioritisation of investments with youth, women and other vulnerable groups e.g.. for sustainable land management, infrastructure building and other public works. Procurement to local SMEs will also lead to direct and indirect job creation. Effective involvement of the community furthermore increases awareness and understanding of the investment and generate an enhanced sense of ownership.

The project will also build on the lessons learned through the EU-funded Youth Empowerment Project (YEP) launched in February 2017, which is implemented by ITC. Some of the key issues highlighted in the TVET assessment done are the following:

- Focus on key delivery partners with the critical knowledge and capacity to deliver agreed activities.
- Give assistance to TVET institutions in improving their communication with and outreach to youth.
- Improve the quality and relevance of existing TVET institutions in occupational areas with growth potential, e.g. ICT, eco-tourism, and machine maintenance.
- Give support in terms of training resources.
- Ensure training courses content revision frequency and methods.
- Deepen the link between TVET institutions and the industry.
- Focus on in-depth entrepreneurship and business training for interested youth.

[23] See final project appraisal at http://documents.worldbank.org/curated/en/459951474501252158/pdf/000020051-20140626120251.pdf

For the access to finance component, UNCDF will leverage the lessons learned and best practices from 3 of its flagship programmes: YouthStart, MicroLead and Mobile Money for the Poor.

For the safety net/social transfers component, the project will capitalise the lessons learned from a number of social protection systems that have been trialling in The Gambia. Generally, social protection interventions in The Gambia have yet to exploit possible complementarities and synergies in programming, using different targeting approaches, for example. This is mainly due to the lack of a well-established institutional framework to coordinate and provide oversight over implementation, as well as to monitor and evaluate the impacts of social protection measures. There is also weak financial, material, and human capacity of institutions providing social protection services, as well as inadequate awareness of social protection issues from the side of the public.

The School meals programme, often presented as a good and working social protection model providing income support to families as well as encouraging better school attendance, is largely funded through donor contributions and needs to be slowly integrated into the national recurrent budget to ensure better ownership, continuity and sustainability. A Cash Transfers to Pregnant and lactating mothers programme is being implemented by the National Nutrition Agency (NaNA) within the framework of the World Banks's "Result Based Financing for Maternal, Nutrition and Child Health (MNCH)". So far, the limitations of delivering short-term ad hoc transfers on a very small scale in a limited number of districts, has underscored the importance of establishing multi-year, government-run social transfer programmes that can be offered on a cyclical seasonal basis and that can be scaled up or down depending upon the severity of the lean season. A further lesson is that given the high rate of rural poverty, blanket targeting of all women in the target group is more cost effective and reduces targeting errors and risks. Furthermore, it is essential to include Social and Behaviour Change Communication (SBCC) if sensitive social transfer interventions have to achieve good outcomes. Finally, social transfers should be designed in a way to tackle the issue of women's empowerment and build household resilience.

Not tackling such deprivation and inequality is dangerous - it can lead to social tension and violence, particularly for a politically fragile country like the Gambia and may even flare up to conflict.

3.2 Complementarity, synergy and donor coordination

This project will have to coordinate strongly with the "Youth Empowerment Project", YEP, (implemented by ITC) and financed under the European Union Trust Fund for Africa, as the overall objective of the YEP is to develop the economy by increasing training and employment opportunities – for populations prone to migration or returnees to the Gambia. The YEP will improve skills, foster entrepreneurship and create employment along selected value chains. The scoping and assessment of the YEP local partners will be made available for this project. The management by ITC of the activities for the TVET sector under the current project will strongly contribute to the synergies of actions between both projects. The involvement of the NAOSU in the Steering Committee of the YEP will also participate in reinforcing complementarity between the two projects. The complementarity will be strong as well in terms of access to finance, since the YEP will only cover this aspect very marginally.

The project will also coordinate with projects recently funded by the EU in the agriculture/food security/nutrition sector, as well as social protection (cf. the "school meals" programme implemented by the World Food Programme (WFP)).

The integration of the climate change dimension in the project brings complementarity with the EU funded GCCA+ "'Climate Resilient Coastal Zone Planning for The Gambia" project, that should begin in 2018. The project will also complement the 11th EDF National Indicative Programme Sector 3 renewable energy project which aims at bringing investments in solar systems in rural and sub-urban areas.

The project will lead to opportunities related to future interventions with financial partners in the framework of the External Investment Plan (EIP) of the EU. The External Investment Plan will crowd in private investors, where viable business proposals meet social needs, and where limited public funds can attract private money. The Plan will encourage private investors to contribute to sustainable development in countries outside of Europe. The newly created European Fund for Sustainable Development (EFSD) will be the financing mechanism used to support investments by public financial institutions and the private sector.

3.3 Cross-cutting issues

Gender sensitivities and youth skills development opportunities will be taken into account in the specific activities.

To truly achieve inclusive finance for women and youth, products and channels need to be designed with them at the centre (human-centric design) and take into account their various roles in the economy, their lifecycles, time poverty, their access to and control over resources, assets, etc. In addition, laws and regulatory frameworks need to be not only gender and age-neutral but pro-women and pro-youth.

The Gambia already experiences the impact of climate change. Over the past 10 years, the volume of rain has decreased dramatically, with at times very minimal rain during this period compared to the 1970s and 1980s.

Another impact of climate change is severe coastal erosion, linked to sea-level rise. Coastal areas are particularly vulnerable in view of the concentration of socioeconomic and cultural assets. The beaches in the capital of Banjul are vanishing, and in some areas, hotels and other tourism facilities no longer have the coastline they had a few years ago.

Further inland, soil salinisation in riparian areas resulting from sea level rise and saline intrusion is having negative impacts on farming[24]. As for all least developed countries in sub Saharan Africa, adaptation constitutes a top priority for the Gambia (Nationally Determined Contribution, 2016).

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

This programme is relevant for the United Nations 2030 Agenda for Sustainable Development. It contributes primarily to the progressive achievement of SDG Goal 8 ("Promote inclusive and sustainable economic growth, employment and decent work for all"), but also promotes progress towards Goals 1 ("End poverty in all its forms everywhere"), 5 ("Achieve gender equality and empower all women and girls"), 13 ("Take urgent action to combat climate change and its impacts) and 15 ("Sustainably manage forests…)"). This does not imply a commitment by the Gambia benefiting from this programme.

The **Overall Objective** is to reduce poverty through improved inclusive and sustainable growth and employment, targeting specifically youth and women. This should contribute to curb the irregular migration trend of Gambians towards North Africa and the European Union.

[24] GCCA support project to the Gambia for integrated coastal zone management and the mainstreaming of climate change; Ministry of Finance and Economic Affairs

The **Specific Objectives** are

- SO 1) Employability of youth and most vulnerable groups - with an emphasis on the green and climate resilient economy - is increased
- SO 2) Improved access to finance
- SO 3) Improved social protection.

The following **Expected Results** are proposed:

For the first specific objective (SO1):

- ER1.1. Sustainable Employment opportunities for youth and most vulnerable population are created
- ER1.2. TVET, Skills development and apprenticeship opportunities in line with MSME's needs are improved and accessible to the youth and to vulnerable groups in education and skills development for youths and SMEs

For the second specific objective (SO2):

- ER2.1. Regulatory Framework on the financial sector improved

For the third specific objective (SO3):

- ER3.1. Improved social transfers/protection

4.2 Main activities

ER1.1 Sustainable Employment opportunities for youth and most vulnerable population are created

ER1 will make use of the LoCAL facility of UNCDF (see section 3.1) and operate in the lowest tier of local governments in The Gambia (i.e. districts). During the inception phase, the geographical scope of the action will be further assessed and defined. The assessment will include the following dimensions: unemployment levels; capacities and commitment of local governments; local development priority sectors; green economy opportunities; climate challenges; and potential for job creation. During the first year, a limited set of local governments (e.g. 5) from one local government area will be used to test the approach (phase I). From year 2 onwards (phase II), additional local governments from another 2-3 local government areas will benefit from the performance-based climate resilience grants (PBCRGs). The purpose of this phase is to create the conditions for a realistic, viable full national roll-out of the approach (phase III), through a reallocation of domestic resources (e.g. budget support) and/or international finance (e.g. Green Climate Fund).

<u>A 1.1. Capacity building ("learning by doing") and preparation of local government development and investment plans and budgets that foster job creation and green and climate resilient local economies</u>

The project will combine PBCRGs with technical and capacity-building support. The approach will entail reviewing and providing recommendations to strengthen local authorities and their operations throughout the stages of the planning and execution cycle. Reviews and recommendations will address youth and other vulnerable groups participation and gender-sensitive approaches; integration in local development plans, budgets and investments plans and programming; public financial management and procurement; costing, preparation and implementation of climate resilient investments; and performance assessments, monitoring and reporting. In addition the assessment will inform the choice of TVET education for the youth and women in the selected communities (ER2).

Local authorities will then be supported to integrate the dimensions of job creation, green economy and climate resilience in their local development planning and budgeting processes, and cost, prioritise and select investments within the boundaries of the investment menu. Local authorities develop annual investment programmes in a participatory manner to be financed through the PBCRGs. The menu of eligible investments identifies broad areas of actions within the local authorities' remit that can promote inclusive job creation, green economy and climate resilience. The menu includes positive items that are meant to inform the investment planning. It also provides an overview of measures which are not eligible.

A 1.2. Delivery of investments through "cash for work" programmes and procurement to local SMEs, employing youth and women

Selected investments are implemented by local authorities through cash for work programmes and procurement to local small and medium enterprises (SMEs). Three main approaches are used for undertaking the investment: community implementation (or contracting) whereby the beneficiary community directly implements the project (under a formal contract arrangement with the local authority); competitive bidding when local SMEs are hired, as the contractor or service provider based on the most competitive offer; and direct implementation, where local government staff are directly involved – e.g. organizing works, employing labour, buying materials – or where services are delivered directly, such as agriculture officials providing direct training to farmers. All three modalities can be appropriate depending on the specific circumstances and normal practices of the local government. A mix of modalities is also possible – e.g. community implementation with materials purchased by local government officials; or some parts of the work implemented by a specialist contractor, with other parts done by community labour.

A 1.3 Design and implementation of the performance-based country mechanism (LoCAL) that can be up-scaled nationwide and harness international climate finance

Performance of local authorities' operations is appraised on an annual basis. Annual performance assessments review local government performance for the previous year against a set of predetermined performance measures. The performance results inform the allocations for the subsequent year based on a pre-agreed formula. The annual performance assessments support the identification of capacity needs. This strengthens local authorities' incentives for continuous performance improvement and targeting of the most-needed interventions. The annual assessments also provide an opportunity to assess the minimum conditions for the following year before embarking on a new cycle. In the event that a local government does not meet the minimum conditions for the following year, it will not receive the grants, but will receive support in identifying and implementing corrective actions and targeted capacity building. The process throughout allows local governments to identify lessons or recommendations to improve government systems and procedures and the LoCAL mechanism itself with a view to gradually bring it to scale through a phased approach.

ER1.2. TVET, Skills development and apprenticeship opportunities in line with MSME's needs are improved and accessible to the youth and to vulnerable groups in education and skills development for youths and SMEs

A2.1 National TVET roadmap and skill gap assessment for priority sectors

The project will first conduct a roadmap as the starting point of the technical assistance to establish a consensus for action among public and private stakeholders on key strategic decisions: revision of TVET governance, setting priorities in upgrading training offers, development of public-private partnerships and recognition mechanism of informal apprenticeship. During the design stage, the roadmap provides critical information concerning the skills gap and training requirements related to development of promising value chains such as horticulture, aquaculture, construction, IT or tourism. The priority sectors will be selected at this stage, taking into account regional variations. Youth consultations will be key during this stage of the programme design. The final document will be endorsed by the government of The Gambia and will thus become the blueprint for skills development. The activity will create / strengthen platforms engaging different stakeholders engaged in skills development including the Ministry of Basic and Secondary Education (MoBSE), MoHERST, the

Ministry of Trade Industry and Employment (MoTIE), the NAQAA, public and private institutions as well as companies

<u>A2.2 Increase value proposition (quality, affordability and accessibility) of TVET training to youth and women in provinces</u>

There is a need to invest in improving the quality and relevance of selected TVET courses, especially in priority sectors. There should be a private sector engagement mechanism for revising the curricula and identifying the training objectives. The project will ensure the programmes are affordable and that the content is made available in the respective local languages. Where the programmes consist of blended learning the project will facilitate the access to digital content.

Once the curricula is revised based on market needs and in consultation with youth and women, the project will also roll-out existing and new training programmes where the "delivery of investments" under ER1 are implemented. The project will prioritise partnerships that create an institutionalised and sustained training offering. It will also include public-private partnerships to allow for commercial sustainability after the end of the project. This may involve collaboration between public training institutions and companies or public and private training providers.

The project will also support graduates seeking self-employment with complementary entrepreneurship skills training to start or expand a business. This training and business development support provided under the project will build on existing programmes including support provided by the National Enterprise Development Initiative (NEDI), the Start-up Incubator (SIG), the EMPRETEC Programme or the Songhai initiative in the area of agripreneurship.

Furthermore, coordination will be required with the EU-financed Youth Empowerment Project in order to gain economies of scale and avoid overlaps.

<u>A2.3 Improve quality of informal skills training and apprenticeship programmes</u>

For youth leaving the formal education system, traditional informal apprenticeships have a strong appeal as it is easier for them to find a job or start a business after being directly introduced to relevant skills for the local market and existing business networks. Local authorities have expressed their willingness to improve the quality of learning in the informal sector. Informal apprenticeships can be improved through a variety of measures as follows: strengthening masters craft persons' theoretical background and adaptability to technological innovation, certifying the skills mastered by the apprentice (piloting mechanisms for Recognition of Prior Learning), and improving workplace learning with more structured institution-based learning supported by training agreements. As a result of the activity, the quality of skills acquisition should be improved and formally recognised increasing the change to get a formal job or potentially pursue higher education.

<u>A2.4. Technical assistance and seed capital to SMEs to access finance: for SMEs to help go from the planning to the investment ready stage working closely with commercial banks.</u>

Hands on 'learn by doing' support will be provided to individual SMEs to structure and make bankable investments. In the action bankable investments are to be understood as SME proposals or projects that have sufficient collateral, future cash flow, and high probability of success to be acceptable to commercial banks and institutional lenders for financing. This way, the intervention is sustainable and increases the capacity of SMEs to access finance and create a demonstration effect that can be replicated nationwide. The action will support select SMEs to develop in a systematic way a set of bankable investment documents for funding beyond the initial business plan. When appropriate, the project will also provide seed capital (in the form of grant) during the SME structuring, to i) cover cost of technical feasibility studies for SME; ii) meet various types of last mile transaction costs e.g. high transaction fees at financial closure stage.

Targeted seed capital is determined during the SME structuring and is intended to help the SMEs to boost their equity contribution in the capital structure to unlock additional debt funding from local bank. In addition, grants could be provided, only when needed – to cover cost of technical feasibility studies for SME investment in energy, ICT etc. projects. The injection of seed capital (grant) will be undertaken as market conditions have evolved and the seed capital enable the SME projects to become bankable. Also, grants can be provided to meet various types of last mile transaction costs e.g. high transaction fees at financial closure stage. Emphasis will be put on SMEs selected according to sectors where most employment opportunities can be found for youth.

A 2.5 Technical assistance to build capacities of local institutions such as local technical service providers and commercial bank officers (e.g. on risk mitigation strategies for SMEs) and provision of information-enabling resources related to access to finance.

To ensure long term sustainability, national capacity development programmes will be developed and delivered. Capacity development activities will include targeted training for SMEs and institutions at meso and macro levels; banks to be exposed to new and innovative ways to lend to SMEs and will incorporate new financial instruments and structuring that mitigate risks of lending.

ER. 2.1 Regulatory Framework on the financial sector improved

The project will utilise a market system approach for programming which recognises relationships, practices, and incentives amongst market actors and seeks to improve the capability of the system to "perform" more effectively and sustainably. In the case of The Gambia, this means more capable FSPs in providing affordable, appropriate and responsible services, with a human-centric design, to a large number of currently excluded populations (i.e. youth, women MSMEs) over the long-term.

A3.1 Policy/regulatory work to ensure regulatory buy in, build capacity and data capacity and analysis ability

The project will start with a deeper diagnostic of the current regulatory environment that looks at the range of law and policies that impact the market. This will be the beginning of a private - public partnership to engage regulators and providers in a dialogue to build awareness, identify bottlenecks and work together to resolve them. Through our work at the macro level, we will ensure the enabling policy ecosystem supports financial inclusion and ultimately youth employment and women economic empowerment. Below are some examples of the priorities at the macro level that the project will target:

- Working with the government to implement a National Financial Inclusion Strategy and the development and implementation of the National Financial Literacy Strategy
- Coordinating policy alignment across key partners (e.g., working with the World Bank etc.)
- Developing a tiered regulatory framework
- Improving the regulation related to asset repossession to facilitate leasing operations
- Improving policy and regulation on digital and alternative delivery channels for finance

The key partners for this component are the Central Bank of Gambia, Ministry of Finance, and the Ministry of Trade

A3.2 Data driven public private dialogue on Inclusive Finance – with sub-working groups focus on specific issues to solve around digital financial services, youth, women and SME finance.

The project will use data and information to influence the mind-set of key actors, as well as convene, coordinate and improve cooperation between them. The project will start with an initial research that focuses on the supply side issues but, more importantly, identifies customer’s behaviors and needs. This research will put youth and women at the center. Data to start building the industry through knowledge sharing and training to build knowledge and shift attitudes amongst micro, meso, and macro level actors will be used. The project will also convene FSPs and industry associations to share experiences around access to finance to youth, rural women and MSMEs, and challenges (e.g., FSPs unable to reach youth, rural women and MSMEs) and opportunities for partnerships and linkages. Relevant stakeholders will be exposed to visits and supported to attend international and regional conferences on financial inclusion.

In addition to the partners at the macro level mentioned in Activity 3.1, the project will work in this component with the Gambia Microfinance Network (GAMFINET), the Bankers Association and the Social Development Fund. At the micro level, the project will work with the Non-Banking Financial Institutions (NBFIs), Mobile Network Operators (MNOs), Remittances Providers, Commercial Banks. In order to ensure linkages are created with the supply for non-financial services, the project will ensure key-stakeholders such as the Chamber of Commerce, the Youth Chamber of Commerce, the Youth National Council and Networks of women groups are included in this industry dialogue.

A3.3 Funding and technical assistance facility to increase the value proposition of FSPs and extend services to youth, women and MSMEs

After the initial research (activity A3.2), the project will identify the most capable, interested and willing partners for technical assistance to improve their work. The project will work with FSPs – and those innovating services with providers – by providing technical assistance to improve their current product offering and then build a better set of products that are based on customer demand and capability. A heavy focus will be made on the distribution of the services to find cost effective ways to bring services closer to the clients, in particular youth, women and MSMEs both operating in the informal and in rural areas – through innovative services and partnerships. This will also include research on remittances to identify ways to motivate remittance recipients to make better use of the funds they receive -- to spend better, save more, invest as they can.

With the improvements first made through technical assistance, the project will provide support to FSPs to innovate and introduce new services and/or delivery mechanisms and bringing them to scale:

- A grant facility/challenge fund, that will go with some of the Technical Assistance to pilot and scale up client centric products (i.e. leveraging remittances to increase access to finance for MSMEs, second generation digital financial services (Mobile credit), client centric products for youth and women, opportunities of linkage with the informal sector, loans to MSMEs, and other high volume payment opportunities). A challenge fund is a competitive financing facility to access funding. In this case, the project will use it to mitigate risks in markets where business innovation can contribute to increase access to finance. This will be accompanied by technical assistance to ensure the winners can use the funds appropriately.
- A challenge fund that either looks into bringing a greenfield into The Gambia or helping commercial bank(s) going down market. This new market player should also help us to increase competition in the market, and improve the value proposition of FSPs to clients, MSMEs in particular.

For this result, in addition to working with the Non-Banking Financial Institutions, MNOs, Remittances Providers, Commercial Banks, the project will pay close attention to involve TVETs and other youth and women serving organisations so that they develop partnerships that ensure a real integration of financial and non-financial services.

ER 3.1. Improved social transfers/protection

A.4.1 Pilot safety nets/social transfers schemes: This may cover support for children (low income, orphan, etc.) women (low income, pregnant, widow, etc.), people with disabilities, refugees and elderly persons (pensions).

A.4.2: Contribute to review, update and improve the National Social Protection Policy and its operationalisation.

This will be done though launching a call for proposals to be run by the National Authorising Officer Support Unit (NAOSU) with NGOs and International Organisations for A.4.1 and through the provision of Technical assistance (TA) for A.4.2.

4.3 Intervention logic

The programme will facilitate social and financial inclusion of youth and women in sustainable local economies. It will do so, by supporting local authorities and communities to develop investments that in turn can create job opportunities for vulnerable groups through "cash for work" and procurement to local MSMEs. The programme will also expand the quality and quantity of vocational training schemes offered to youths in the country and will increase access to finance using a market systems based approach. In order for economic development to be inclusive, it is important to build social safety protection systems for those not benefitting directly from economic growth, especially vulnerable groups.

The intervention logic is reflected in the attached Log Frame.

The project will be implemented by UNCDF, which will delegate to ITC the TVET activities, and NGOs and/or international organisations selected by NAOSU through a call for proposals. A technical assistance will be procured by NAOSU for activity A.4.2.

ITC in collaboration with the MoTIE and Ministry of Secondary and Basic Education will be responsible for TVET. Starting with a needs and skill gap assessment for the selected local governments and priority sectors, a set of activities will be deployed to expand the number, the quality, and the accessibility of vocational training schemes and financial services offered to youths and women in the country. The assessment will also help the project to better coordinate the type of continuing education and financial services that the youth need to receive in order to fully engage in the local government investment programme either through the cash for work or through local SMEs. A geographical alignment will be sought between the targeted local government areas and the support/expansion of trainings on offer, as well as a close coordination with the FSPs. The vocational training scheme should be accompanied by supported skill placements trainings wherever possible. The institutions will work in close collaboration with the FSPs supported by UNCDF, in order to ensure there is a real integration of financial and non-financial services.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 17 of Annex IV to the ACP-EU Partnership Agreement.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of Regulation (EU) 2015/322.

5.3 Implementation of the budget support component

Not applicable

5.4 Implementation modalities

5.4.1 Indirect management with an international organisation

A part of this action may be implemented in indirect management with UNCDF in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012 applicable in accordance with Article 17 of Regulation (EU) 2015/323.

This implementation entails the overall leadership including signing this contractual agreement with EU, coordination, monitoring and reporting as well as financial accountability. UNCDF is covered for all pillars except pillar 6 by the assessment done for UNDP. UNCDF will delegate to ITC the activities in the Technical Vocational Education and Training (TVET) sector.

This implementation is justified because UNCDF is the UN's capital investment agency for the world's 48 least developed countries. It creates new opportunities for poor people and their communities by increasing access to microfinance and investment capital. UNCDF focuses on Africa and the poorest countries of Asia, with a special commitment to countries emerging from conflict or crisis. It provides seed capital – grants and loans – and technical support to help microfinance institutions reach more poor households and small businesses, and local governments finance the capital investments, such as water systems, feeder roads, schools, irrigation schemes, that will improve poor people's lives. UNCDF programmes help to empower women – over 50 % of the clients of UNCDF supported microfinance institutions are women – and its expertise in microfinance and local development is shaping new responses to food insecurity, climate change and other challenges. All UNCDF support is provided via national systems,

The entrusted entity would carry out the following budget-implementation tasks procurement of goods and services, contracting of partners for the implementation of the activities in The Gambia. This includes launching calls for tenders; definition of eligibility, selection and award criteria; evaluation of tenders and; award of contracts; concluding and managing contracts, carrying out payments, recovering moneys due etc.

5.4.2 Indirect Management with the Republic of The Gambia

A part of this action with the objective of safety nets/social transfers and social protection will be implemented in indirect management with The Republic of The Gambia in accordance with Article 58(1)(c) of the Regulation (EU, Euratom) No 966/2012 applicable in accordance with Article 17 of Regulation (EU) 2015/323 according to the following modalities:

The Republic of The Gambia will act as the contracting authority for procurement and grant procedures. The Commission will control ex ante all the procurement and grant procedures.

Payments are executed by the Commission.

In accordance with Article 190(2)(b) of Regulation (EU, Euratom) No 966/2012 and Article 262(3) of Delegated Regulation (EU) No 1268/2012 applicable in accordance with Article 36 of Regulation (EU) 2015/323 and Article 19c(1) of Annex IV to the ACP-EU Partnership Agreement, the Republic of The Gambia shall apply procurement rules of Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012. These rules, as well as rules on grant procedures in accordance with Article 193 of Regulation (EU, Euratom) No 966/2012 applicable in accordance with Article 17 of Regulation (EU) 2015/323, will be laid down in the financing agreement concluded with the The Republic of The Gambia.

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

	EU contribution (amount in EUR)	**Indicative third party contribution, in currency identified**
5.4.1 – Indirect management with an international organisation. UNCDF (Component 1 and 2)	15 105 000	100 000 EUR
5.4.2 – Indirect management with the Republic of The Gambia • Call for proposals "Support to Safety nets and social transfers in the Gambia" with the Republic of The Gambia (Component 3) • Procurement of technical assistance for updating National Social protection policy (Component 3)	6 000 000 1 000 000	600 000 EUR
5.9 – Evaluation, 5.10 - Audit	200 000	
5.11 – Communication and visibility	45 000	
Contingencies	650 000	
Totals	23 000 000	700 000 EUR

5.7 Organisational set-up and responsibilities

UNCDF will be responsible for the overall management and coordination of components 1 and 2 of the project. UNCDF will delegate to ITC the activities in the Technical Vocational Education and Training (TVET) sector. UNCDF will facilitate coherent coordination and monitoring, reporting, evaluation and effective learning in line with "One UN" principles. UNCDF will ensure that project implementation is aligned to the Government of The Gambia's strategy and plans for addressing stunting in the Gambia. The National Authorising Officer Support Unit (NAOSU) will be responsible for component 3.

A Project Steering Committee (PSC) will be set up comprising the key project stakeholders (MoTIEE, MoLG, Ministry of Finance and Economic Affairs in particular NAOSU, the CBG, Ministry of Environment and Climate Change, Ministry of Health and Social Welfare, Ministry of Agriculture, Ministry of Basic and Secondary Education, the EU Delegation etc.). The PSC will be responsible for oversight, policy guidance and coordination.

A Technical Working Group (TWG) will be set up involving respective technical and M&E experts from each participating UN agency. The TWG is responsible for day to day coordination of field activities.

5.8 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action, including projects resulting from a call for proposals will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, including gender sensitive indicators, using as reference the log frame matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

UNCDF will be designated as a leading focal point for better operationalisation and coordination of the join M&E platform.

UNCDF and ITC have agreed to prepare and conduct joint project supervision missions at least once a year. Supervision missions will be organised closely with NAOSU and the EU and will take place in conjunction with the PSC. Each supervision mission will be performed by experts from UNCDF and ITC. UNCDF will transmit to the EU, bi-annual and annual reports. UNCDF and ITC will provide technical assistance for the measurement of outcomes related to job creation, skills development and access to finance.

5.9 Evaluation

Having regard to the importance of the action, mid-term and final evaluations will be carried out for this action or its components via independent consultants contracted by the Commission.

The mid-term evaluation will be carried out to take stock of project implementation, constraints, challenges and success to guide project implementation and orientations. The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision).

The Commission shall inform the implementing partner at least 30 days in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, two contracts for evaluation services shall be concluded under a framework contract for mid-term and final evaluations.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract for audit services shall be concluded under a framework contract.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above for which a total amount of EUR 45 000 is allocated.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

Indicatively, one procurement is foreseen to be concluded under a service contract during implementation of the action in the first quarter of 2018.

[APPENDIX - INDICATIVE LOG FRAME MATRIX (FOR PROJECT MODALITY) [25]]

The activities, the expected outputs and all the indicators, targets and baselines included in the log frame matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative log frame matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	**Indicators**	**Baselines (incl. reference year)**	**Targets (incl. reference year)**	**Sources and means of verification**	**Assumptions**
Overall objective: Impact	Inclusive and sustainable growth as well as employment of youth and women are fostered.	Unemployment rate of youth and women Poverty rate	38 % youth unemployment rate 38,3 % women unemployment rate 48.4 % poverty rate (32 % in urban areas and 73 % in rural areas)[26]	% progressively decreasing	Government data World Bank data	

[25] Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

[26] UNDP

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Specific objective(s): Outcome(s)	SO 1) Increase employability SO2) Improve access to inclusive finance SO3) Improve social protection.	Employment rate (total and by education and gender) Volume of savings collected (desegregated by gender and age) Number of trainees participating in skills development / TVET programmes receiving an employment offer and/or starting their own business Social security coverage		2,000	•FSP and TVETs MIS •Regional and national data sources •Special (longitudinal study) of youth and women that accessed different combinations of services, gender, age, & location • LQAS Survey • Trainees' post-training questionnaires & interviews	

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Outputs	ER1.1 Sustainable Employment opportunities for youth and most vulnerable population are created	• # of local governments engaged in the mechanism and who benefit from "on-the-job" capacity building • •# of direct jobs created (disaggregated by sex and) • Value of investments delivered by local SMEs (EUR) • # of beneficiaries of the investments (disaggregated by sex and age)	0 0	4 local government areas 6,000 (full time equivalent – during a month) EUR 900,000 500,000	Agreements signed by participating local governments Community contracts; payment records; ; annual performance assessments Tendering documents; contracts; annual performance assessments Population statistics of the target local government areas	Political commitment to participate in the mechanism; Subnational transfers to top up with the LoCAL performance-based grants ; Effective control and monitoring systems from central government to use and strengthen as appropriate.
	ER1.2. TVET, Skills development and apprenticeship opportunities in line with MSME's needs are improved and accessible to the youth	# of new curricula that meet markets needs (also in % compared to existing curricula)	0	7	TVET surveys -Factual evidence and feedback from public/private	- Local counterparts have necessary absorption

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
	and to vulnerable groups. in education and skills development for youths and SMEs	Number of institutions reporting improved performance Total number of trainees successfully completing skills development programme Employability of former students? # of jobs created by SMEs	0 0 0 0	7 3,500 2,000 300	sector programme stakeholders -Reports from partner institutions -Trainees' post-training questionnaires & interviews -Quarterly reports from partners institutions	capacity to benefit from programme interventions - Availability and commitment from implementing partners to engage in project activities Priority sectors identified by rural authorities for delivery of investments contribute to sustained inclusive growths and demand for training
	ER2.1. Regulatory Framework on the financial sector improved	• Regulator approves enabling policies (e.g.		National Financial	•Central Bank reports	Requires UNCDF to

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
		related to tier system, financial education and client protection) • Annual turnover of MSMEs that have accessed and used market information? •% of adult population actively using a digital financial services (DFS) •# of clients using services (% of women and youth) -volume of savings collected (desegregated by gender and age) -volume of remittances (desegregated by gender and age)	No market data available, no market coordination Estimated at <3 % Poor MIS which prevents FSPs to track percentage of women and youth	Inclusion Strategy approved in 2018 Market intervention s are coordinated, and stakeholders actively share best practices and lessons leaners At least 15 % of adults are actively using DFS By year 5, 100,000 youth and women will	•AFI.org, •Press releases and circulars •National Financial Inclusion strategy or Framework •UNCDF assessment •Meetings with bi-laterals & multi-laterals working closely with government •Interviews and ad hoc conversations with market players •Data initiatives: MAP, FinScope, National household Surveys, MSME and SME surveys etc. •FSP MIS	collaborate closely with partners and policy champions to inform progress

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
		-# of loans provided (desegregated by gender and age) -# of financial literacy trainings offered - Net # of new services offered by FSPs		be accessing financial services of which 9,000 will do so to start or expand a business	•Market research reports •LQAS surveys •FSPs quarterly reports to UNCDF •Partner FSP interviews & conversations •Ad hoc conversations with different market actors •Post training surveys (conducted at end of training) can assess client change in client awareness (e.g., improved understanding of financial services and pathways to economic opportunities)	Monetary and fiscal policy changes with new government and reduces crowding out effect UNCDF can flexibly deploy solutions according to market opportunities

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
	ER3.1. Improved social transfers/protection.	# of state actors with improved knowledge and tools in matters of social protection and technical capacity to use them. # of beneficiaries of enhanced social security coverage.	0 0	50 50,000	Reports from partners GBoS National Household Surveys	