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THE GAMBIA

Long-Term Funding for Agricultural Growth, Poverty Reduction, and Food Security

The amount of funding required for meeting both growth and poverty reduction targets as detailed in Brochure 2 (Agricultural Growth, Poverty Reduction, and Food Security: Past Performance and Prospective Outcomes) is estimated based on historical relationships between the level of public agricultural funding and agricultural GDP.

Estimates of this relationship suggest that a 1% increase in agricultural spending raises the sector's growth rate by 0.145% which is lower than the average value of 0.366% across Africa. The long-term projections discussed below are therefore carried out using both the estimated elasticity for the Gambia and the average elasticity of 0.366 for Africa to simulate a more optimistic spending efficiency scenario.

LONG-TERM FUNDING REQUIREMENTS TO MEET THE MIC AND CAADP TARGETS IN THE GAMBIA

Table 1 presents the trend of economic growth and government budget allocations in the Gambia for the last three years while Table 2 presents the projections of long-term funding needs for agricultural sector. The results focus on two scenarios: one based on the weak relationship between agricultural spending and agricultural growth (a low elasticity scenario) and a second assuming the same level of responsiveness of agricultural growth to public spending as observed on average among African countries (a high elasticity scenario).

Successful implementation of the government PRSP agenda will require agricultural spending growth rates of 26.2% under a low elasticity scenario, and 10.4% under a high elasticity scenario. Implementation of the CAADP agenda in Gambia will require annual growth rates in agricultural spending of between 41.4% and 16.4%, depending on the level of responsiveness of agricultural growth to agricultural spending. It is still much lower than agricultural spending growth rate required to achieve MDG1 by 2015: 99.3% under a low elasticity scenario and 39.3% under a high elasticity scenario. Achieving MDG1 by 2025 will require agricultural funding average growth rate of 59.3% under low elasticity scenario and 23.5% if budget efficiency reaches the African average of 0.366.

Implementation of PRSP will require increasing the share of agricultural spending in overall spending from 5.0% over the 2005–2007 period to 16.1% by 2015 under a low elasticity scenario, but almost unchanged (6.0%) under a high elasticity scenario (Table 2). With respect to CAADP, the agriculture share will increase to 31.4% under a low elasticity scenario but only to 8.8% under a high elasticity scenario in 2015. Under the low elasticity scenario, achieving MDG1 by 2015 will require that 52.8% of total budget be allocated to agriculture compared to 6.0% under high elasticity scenario by 2015. With the MDG1 by 2025 scenario, the share of agricultural spending is expected to reach 46.9% and 10.3% before and after respectively under low elasticity and high elasticity scenarios in 2015. In 2025, these shares will be respectively 94.8 and 15.8 if the responsiveness of agricultural growth to agricultural funding does not change.

Figure 1a and 1b present the trend in agricultural spending for PRSP, CAADP, MDG1 in 2015 and MDG1 in 2025 under current agricultural growth responsiveness to agricultural expenditures (low elasticity scenario). The annual amount required to implement PRSP is projected to grow from US$17.4 million in 2009 to US$76.7 million in 2015. To achieve the CAADP target, agricultural budget is projected to grow from US$21.2 million in 2009 to US$169.1 million in 2015. For MDG1 by 2015, agricultural funding is expected to grow from US$42.1 million in 2009 to US$2,638.6 million in 2015 and from US$26.9 million

Table 1: Economic growth and government budget allocations

	2005	2006	2007	Growth rate (%)
GDP (Million Dalasis, constant prices 1976/77)				
Agriculture	191.4	193.4	197.3	1.5
Non-agriculture	719.1	776.7	833.9	7.7
Total GDP	910.5	970.1	1,031.2	6.4
Spending (Million Dalasis, constant prices 1976/77)				
Agriculture	14.1	12.5	13.1	-3.2
Non-agriculture	259.6	274.3	221.1	-6.9
Total Spending	273.6	286.7	234.2	-6.8
Ratios (%)				
Agricultural spending/Total spending	5.1	4.4	5.6	6.6
Agricultural spending/Ag GDP	7.3	6.5	6.6	-4.7
Total spending/GDP	30.0	29.6	22.7	-12.4

Sources: IMF Country Report No. 04/142, May 2004 and IMF Country Report No. 08/325, October 2008 and Gambia Bureau of Statistics.

Table 2: Estimated resource allocation to the agricultural sector

	CAADP		PRSP		MDG1-2015		MDG1-2025	
	Low[1] elasticity (0.145)	High[2] elasticity (0.366)	Low elasticity (0.145)	High elasticity (0.366)	Low elasticity (0.145)	High elasticity (0.366)	Low elasticity (0.145)	High elasticity (0.366)
Growth rate (%)								
Ag GDP	6.0		3.8		14.4		8.6	
Non-AgGDP	6.8		7.1		21.9		9.0	
GDP	6.6		6.3		20.4		8.9	
Ag Spending	41.4	16.4	26.2	10.4	99.3	39.3	59.3	23.5
Total Spending								
2010	16.4	13.6	15.2	13.7	50.4	42.7	22.9	18.1
2015	20.9	13.6	16.1	13.7	68.0	42.7	34.1	18.2
2025							56.4	18.5
Ag Spending/Total Spending (%)								
2010	13.2	7.8	10.0	6.8	17.5	6.8	16.3	8.3
2015	31.4	8.8	16.6	6.0	52.8	6.0	46.9	10.3
2025							94.8	15.8
Ag Spending/Ag GDP (%)								
2010	15.7	8.8	12.3	8.1	26.1	8.9	17.8	8.3
2015	66.4	14.0	34.8	11.2	257.4	14.7	92.5	12.1
2025							2498.3	25.5
Total Spending/GDP (%)								
2010	28.5	26.9	27.4	26.4	32.7	28.9	30.4	27.7
2015	47.3	35.6	38.1	33.8	45.7	22.9	55.8	33.1
2025							778.3	67.9

1 The actual elasticity for The Gambia

2 The average elasticity for Africa

in 2009 to US$46,294.1 million in 2025 to achieve MDG1 by 2025.

It is obvious that the growth rates (99.3% under low elasticity scenario and 39.3% under high elasticity scenario) required for MDG-1 by 2015 are not feasible, it is unlikely that the Gambian government can afford such high agricultural budget growth rates.

INTERNAL AND EXTERNAL RESOURCE MOBILIZATION FOR PRSP, CAADP, MDG1 BY 2015 AND MDG1 BY 2025

Figures 2 to 5 present the sources of financing required to meet the funding levels shown in Figure 1. Estimated amounts of internal and external funding sources are based on the assumption that internal sources will cover only 28.8% of the overall agricultural budget. The annual external funding required to implement PRSP is projected to grow from US$12.4 million in 2009 to US$54.6 million in 2015. To achieve the CAADP target, agricultural budget from external source is projected to grow from US$15.1 million in 2009 to US$120.5 million in 2015. For MDG1, agricultural funding is expected to grow from US$30.0 million in 2009 to US$1,879.2 million in 2015, and from US$19.2 million in 2009 to US$32,970.6 million in 2025.

As suggested above, spending presented in Figure 1–5 have been estimated based on the agricultural growth elasticity with respect to expenditures for Gambia (0.145) which is low compared to the African average of 0.366. This elasticity represents the degree of responsiveness of agricultural sector to government strategy. However, if the Gambian government undertakes key sectoral reforms in order to improve the quality of agricultural spending and therefore reach at least the African average, the nominal level of agricultural funding should be reduced. For example, implementation of a well functioning evidence based monitoring and evaluation system should significantly increase the impact of agricultural spending on agricultural growth and therefore reduce the level of required agricultural funding to achieve targeted agricultural growth rate.

The difference between low and high elasticity scenarios reported in Table 3 illustrates expected gains in terms of reduction in agricultural funding as a result of improved agricultural development strategies at least at the level of African average. Hence, in 2015, funding requirement is expected to fall from US$169.1 million to US$35.7 million for CAADP, from US$76.7 million to US$24.6 million for PRSP, from US$2638.6 million to US$150.6 million for MDG1 by 2015, and from US$46,294.1 million to US$473.1 million for MDG1 – by 2025. These decreases in required funding range from 68% for PRSP to 99% for MDG1 – by 2025 respectively in 2015 and 2025.

Figure 1a: Required agricultural funding under PRSP and CAADP in million USD

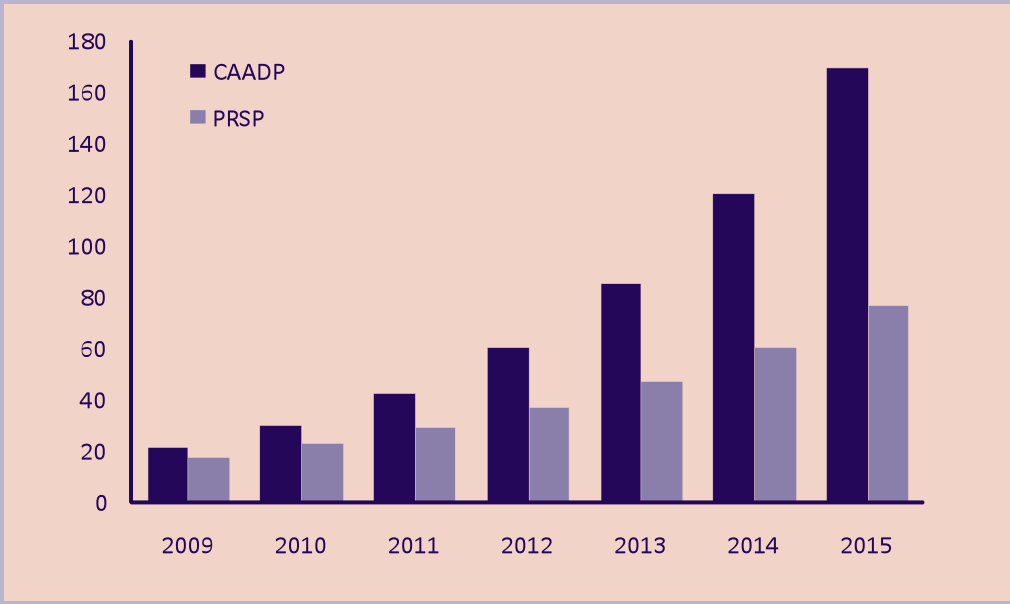


Table 3 Evolution of public expenditure in the agricultural sector under the high and low elasticity scenarios

	CAADP		PRSP		MDG1-2015		MDG1-2025	
	Low elasticity (0.145)	High elasticity (0.366)	Low elasticity (0.145)	High elasticity (0.366)	Low elasticity (0.145)	High elasticity (0.366)	Low elasticity (0.145)	High elasticity (0.366)
2009	21.2	14.4	17.4	13.1	42.1	20.6	26.9	16.2
2010	29.9	16.7	22.3	14.5	83.9	28.7	42.8	20.0
2011	42.3	19.4	28.5	16.2	167.2	39.9	68.3	24.6
2012	59.8	22.6	36.5	18.0	333.3	55.7	108.7	30.4
2013	84.6	26.3	46.8	19.9	664.2	77.6	173.2	37.6
2014	119.6	30.7	59.9	22.2	1323.9	108.1	276.0	46.4
2015	169.1	35.7	76.7	24.6	2638.6	150.6	439.6	57.3
2016							700.4	70.8
2017							1,115.8	87.4
2018							1,777.5	108.0
2019							2,831.8	133.4
2020							4,511.3	164.7
2021							7,187.0	203.4
2022							11,449.7	251.2
2023							18,240.5	310.2
2024							29,059.1	383.1
2025							46,294.1	473.1

Figure 1b: Required agricultural funding under MDG1 by 2015 and MDG1 by 2025 in million USD

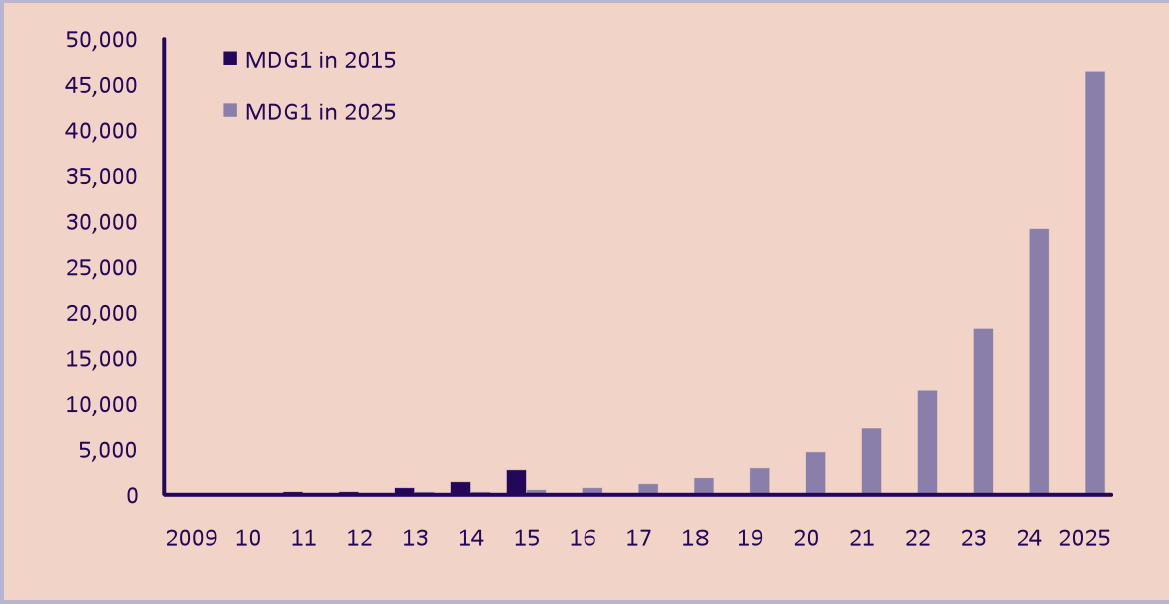


Figure 2: Required internal and external agricultural funding to implement PRSP in million USD

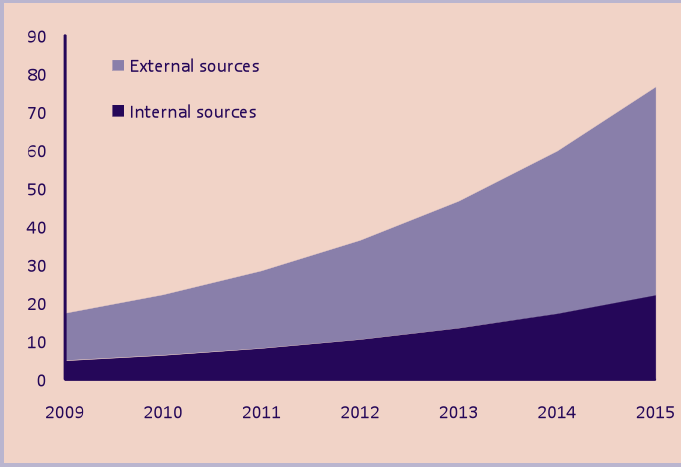


Figure 3: Required internal and external agricultural funding to achieve CAADP in million USD

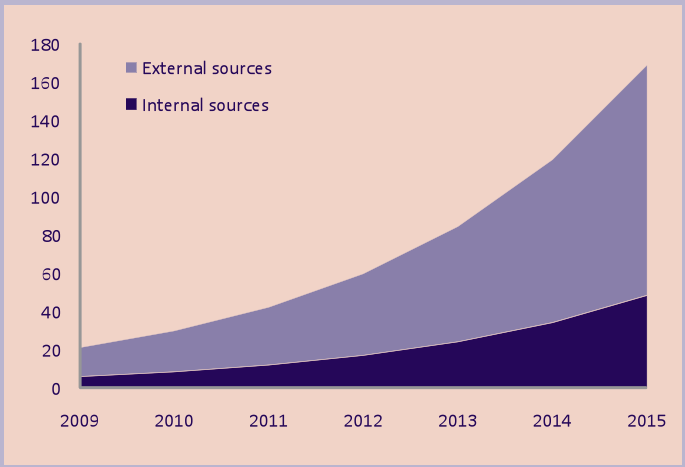


Figure 4: Required internal and external agricultural funding to achieve MDG1 by 2015 in million USD

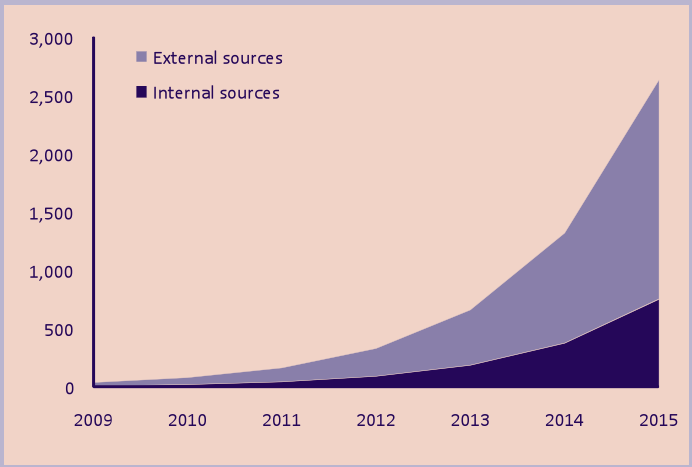
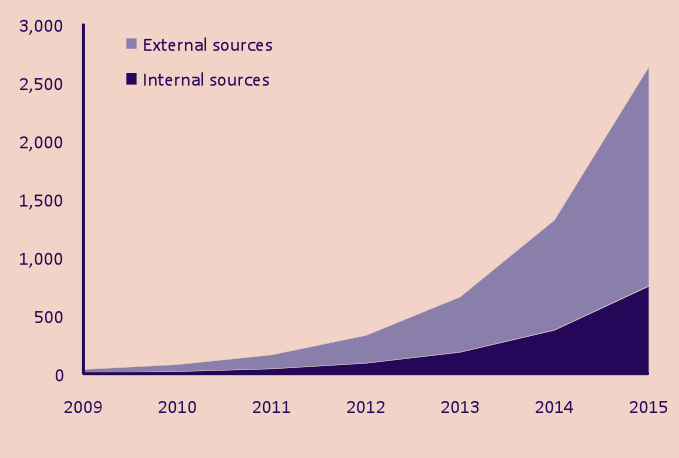


Figure 5: Required internal and external agricultural funding to achieve MDG-1 by 2025 in million USD



Based on the modeling conducted by ReSAKSS-West Africa in collaboration with experts from the Gambia and financial and technical assistance from the Economic Community of West African States (ECOWAS), the African Union Commission (AUC), the International Food Policy Research Institute (IFPRI), United States Agency for International Development (USAID), Swedish International Development Cooperation Agency (SIDA), German Agency for Technical Cooperation (GTZ) and International Institute of Tropical Agriculture (IITA).

REPUBLIC OF THE GAMBIA

Ministry of Agriculture; Ministry of Finance and Economic Affairs; Ministry of Trade, Industry and Employment; Ministry of Forestry and Environment; and Ministry of Fisheries and Waters Resources.

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