



Urban Market Assessment in The Gambia

A feasibility study on cash and vouchers

September 2011



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List of Acronyms

CILSS- Comité permanent Inter-Etats de Lutte contre la Sécheresse dans le Sahel

CFSVA- Comprehensive Food Security and Vulnerability Analysis

FAO- Food and Agriculture Organization

FCFA- West African CFA

FEWS- Famine Early Warning

GDP- Gross Domestic Product

GMD – Gambian Dalasi

MT- Metric Ton

NGO- Non Governmental Organization

USD- United States Dollar

WFP- World Food Program

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1. GENERAL CONTEXT, OBJECTIVES, AND METHODOLOGY

1.1 Context

Global food and fuel prices have once again climbed to record highs in 2010 and 2011, though not consistently for all grains. In many countries, high international wheat prices have fueled sharp increases in domestic wheat prices. Sugar prices have risen by 73 percent since June due to supply shortfalls in Brazil and weather shocks in Australia. While rice prices have increased, the rate has been slower than other grains.

In The Gambia, where domestic production is not sufficient to cover consumption requirements, these international price trends are being felt in local markets. Such fluctuation raises concerns for national food security as international rice imports contribute 30 percent of annual cereal needs¹ and while 57 percent² of the total population lives in urban areas it depends more on markets than farms to sustain itself. The Comprehensive Food Security and Vulnerability Analysis (CFSVA) carried out by WFP in early 2011 found that the average household spent 58.3% of their total expenditure on food.

It is within this context that WFP Gambia solicited a review of how national markets are functioning and explore opportunities for WFP to assist populations vulnerable to food insecurity as a result of decreased purchasing power, making basic household food staples economically inaccessible.

1.2 Objectives

WFP Gambia is presently developing a new country office strategy, taking into account the global and national trends outlined above. The country office has identified the need to further explore the relevance and feasibility of cash and voucher (C&V) tools as a modality to support the most vulnerable groups at risk to food insecurity in Gambia. For this purpose, this assessment had the following objectives:

- To assess if markets are functioning; with emphasis on the likely impact of cash and voucher interventions on markets and other possible constraints.
- To identify relevant stakeholders (e.g. traders, financial institutions, telecommunications companies, other cooperating partners already engaged in C&V activities) and assess their capacities to be involved in future C&V schemes.
- To conduct a cost effectiveness and efficiency analysis of different transfer modalities (food, cash, vouchers) in the Gambian context.

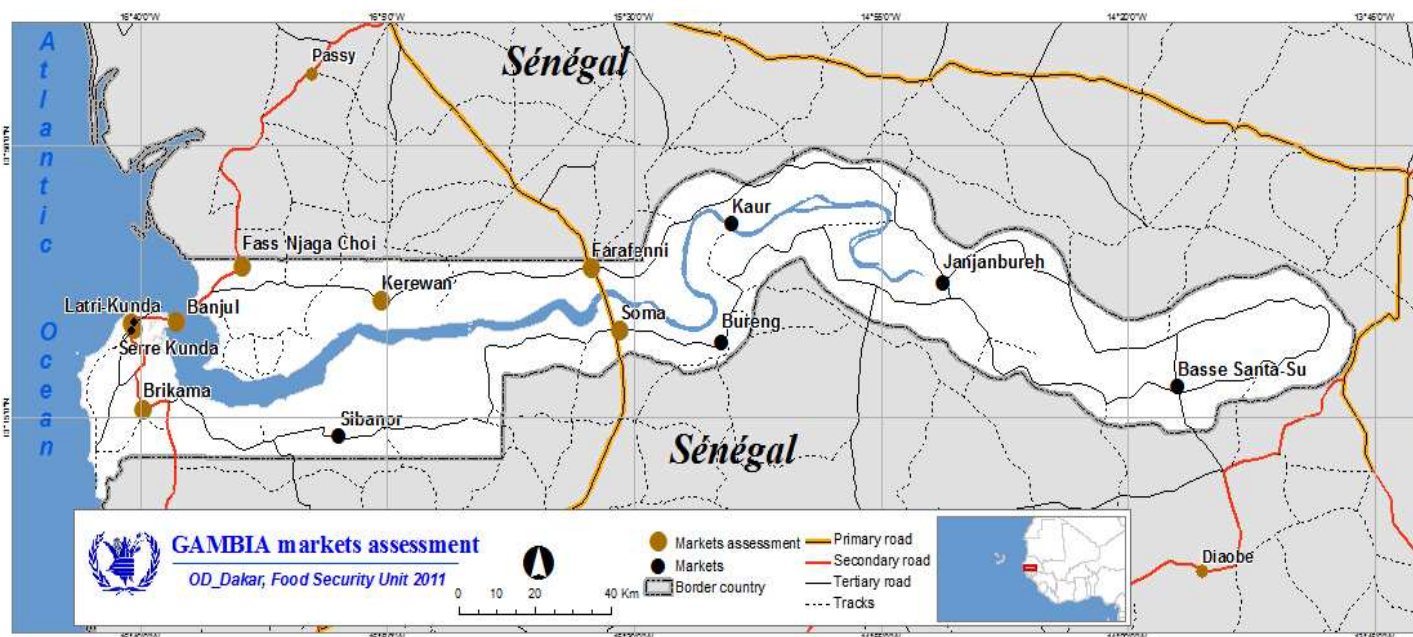
1 Approximately 175 kg/capita - CILSS

2 Migration and Remittances Factbook 2011- World Bank

1.3 Methodology

The assessment is based on primary and secondary data collection. Price data was obtained from the Gambian Ministry of Trade and the Gambian Bureau of Statistics as well as selected local markets.

Map 1: Area of study and markets visited



Primary data was collected on several markets through focus group discussions and interviews with traders. Data collection tools included a market questionnaire, a trader questionnaire and an interview guide for discussions with importers. Markets were selected based on the number of people that use these markets as their primary source of staple food, essentially urban and peri-urban markets. Map 1 shows the location of the markets visited for primary data collection. In each market, information was collected on the current costs of a basic food basket consisting of rice, oil, sugar and salt as well as through semi-structured interviews with randomly selected wholesalers, collectors, and retailers. In Banjul, meetings were held with three out of the five main importers of food commodities in The Gambia.

2. GAMBIA IN CONTEXT

2.1 Macro economy

The Gambia has strived to diversify its customary agriculture and groundnut economy through establishing a re-export trade built up around its port, low import duties, and a significant tourism industry. Between 2005 - 2009, the annual GDP grew 5.7 percent³ primarily driven by construction, wholesale and retail trade, telecommunications and the steady flow of foreign investment and remittances. Nevertheless, in 2007 the effects of the global financial crisis started being felt and had a significant impact on the tourism and residential construction industry as well as the total remittances received which has created a knock on effect to consumer purchasing. The World Bank Migration and Remittances factbook for 2011 reports there are 64,900 emigrants living outside of The Gambia, 3.7 percent of the population. Remittances from abroad provide millions of dollars each year to the Gambian economy (see Table 1). For comparison, in 2008 foreign direct investment and development assistance both brought 100 million dollars into The Gambia⁴. However, there is a large sum of unofficial remittances that is not captured by official estimates. The 2011 CFSVA found that at least 50 percent of households received remittances within the range of 5,000 and 10,000 Dalasi in

³ Trade Policy Review 2010- World Trade Organization

⁴ Migration and Remittances factbook 2011

2010⁵. Despite the increased investment as a result of remittances, the loss of skills may also hamper development and access to basic services as 63 percent of these emigrants have post-secondary education level and over half of all doctors and nurses born in the Gambia migrate to other countries.

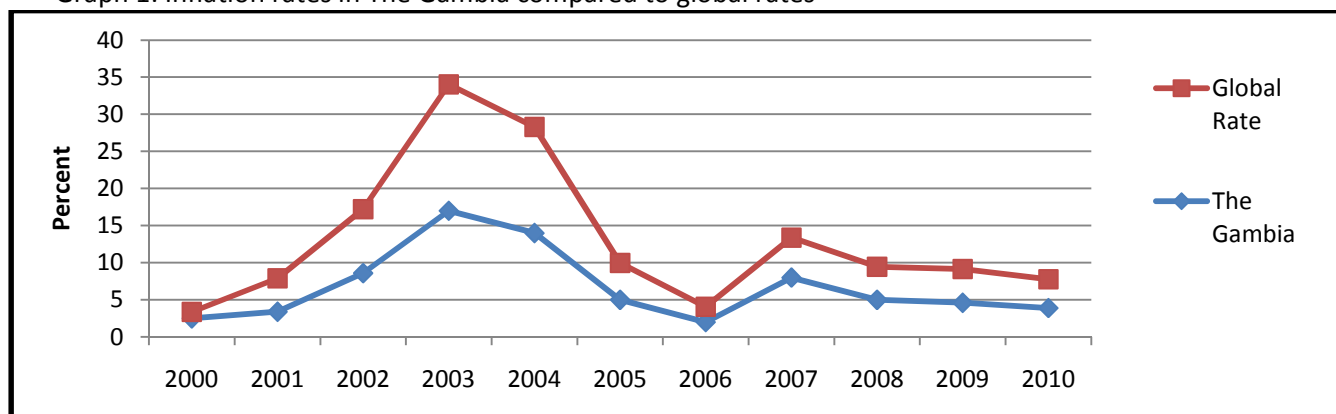
Table 1: Remittances of workers into the Gambia

US \$ millions	2003	2004	2005	2006	2007	2008	2009
Inward remittance flows	65	62	57	64	63	67	60

Source: Migration and Remittances factbook 2011

Having dropped to 2 percent in 2006 from a 17 percent high in 2003, the international food and petroleum prices pushed Gambia's inflation rates to 8 percent in 2007⁶. In response, the Government reduced the duties and taxes on food grains to reduce the impact of rising world food prices on the daily lives of Gambians. Rice being the most concerning commodity, the duty on rice imports was reduced from 15 percent to 5 percent in July 2007 and eliminated all together in May 2008 as prices continued to climb. These measures slowed the inflation rate bringing it to 5 percent in 2008⁷. However to compensate for the lost revenue from rice duties and taxes, Government raised taxes on car parts and used vehicles. Following the stabilization of global rice prices in 2009, the import duty was reintroduced at 5 percent in 2010.

Graph 1: Inflation rates in The Gambia compared to global rates



Source: CIA World Fact book and IMF 2010 World Economic Outlook

For decades The Gambia has served as a regional warehouse to Senegal and other countries in the region. Relatively low import taxes, well-functioning port and customs services, and limited administrative barriers reinforced The Gambia's position as a trading hub. Indirect estimates suggest that re-exports account for between 30-50 percent of all imported food, 80 percent of total exports, 40 percent of The Gambia's total revenue and 50 percent of tax revenues are derived from taxes on international trade. The Gambian economy, especially its public finances, is highly dependent on this trade because imported goods destined for re-export pay the normal import duties. However, recently re-exports have declined due to a combination of reasons, including harmonization of import and sales taxes in the region, and improved port and customs operations in Senegal and other neighboring countries.⁸

⁵ Comprehensive Food Security and Vulnerability Analysis- The Gambia- WFP April 2011

⁶ Initiative on Soaring Food Prices(ISFP) 2008

⁷ Trade Policy Review 2010- World Trade Organization

⁸ From entrepot to exporter and eco-tourism- Gambia roundtable conference

2.2 Food supply and demand

Despite the efforts to diversify the Gambian economy, agriculture still makes up the largest share of the national GDP (29 percent⁹) while cash crop activities, primarily groundnut cultivation, are the main income earner for 36 percent¹⁰ of the population. Agriculture production in The Gambia remains principally rain fed and non-mechanized; leaving the typical agricultural family that cultivates less than 3 hectares for both household subsistence and income generation highly vulnerable to erratic rainfall and variable production levels each year. Yields are particularly low, on average between 0.75 and 1 MT per hectare.¹¹

Table 2

Indicators on land availability in 2005		
I.	Tot. cultivated area (all crops)	518,708 ha
II.	Tot. cultivated area (cereals)	346,263ha
III.	Area cultivable/cap (rural pop.)	0.5 ha
IV.	Area cultivable/agric. holder	6.5 ha
Tot. crop area/holder		4.0 ha
V.	Tot. cereal area/holder	2.3 ha

Source: NASS 2009/2010 and 2005/2006- draft

Grains such as millet have traditionally dominated domestic cereal production in the past, but more recently rice has become the preferred staple food. Approximately 92,000 MTs of rice and about 40,000 MTs of wheat flour are imported each year.¹² Gambia is highly dependent on international markets, as rice imports assist in covering the 30 percent national food deficit¹³. Efforts are being made to reduce this dependence through increased new technology and domestic production, but the majority of rice cultivation in Gambia is also rainfall reliant and though total paddy production has increased significantly¹⁴ according to the National Agricultural Statistics Survey (NASS), the average yield remains low at 0.75 to 1 MT per hectare¹⁵.

Though net cereal production is increasing in The Gambia, population growth is also rising steadily and pushing the country's cereal requirements above local production yields. As a consequence, the cereal gap has steadily grown between 1991 and 2007 and in years with poor rains such as those in 2007, the national grain deficit ballooned to 150,000 tons, half the annual cereal requirements for the country.

⁹ *Gambia National Agricultural Investment Plan- 2011-2015*

¹⁰ *Comprehensive Food Security and Vulnerability Analysis- The Gambia- WFP April 2011*

¹¹ *NASS 2009-2010*

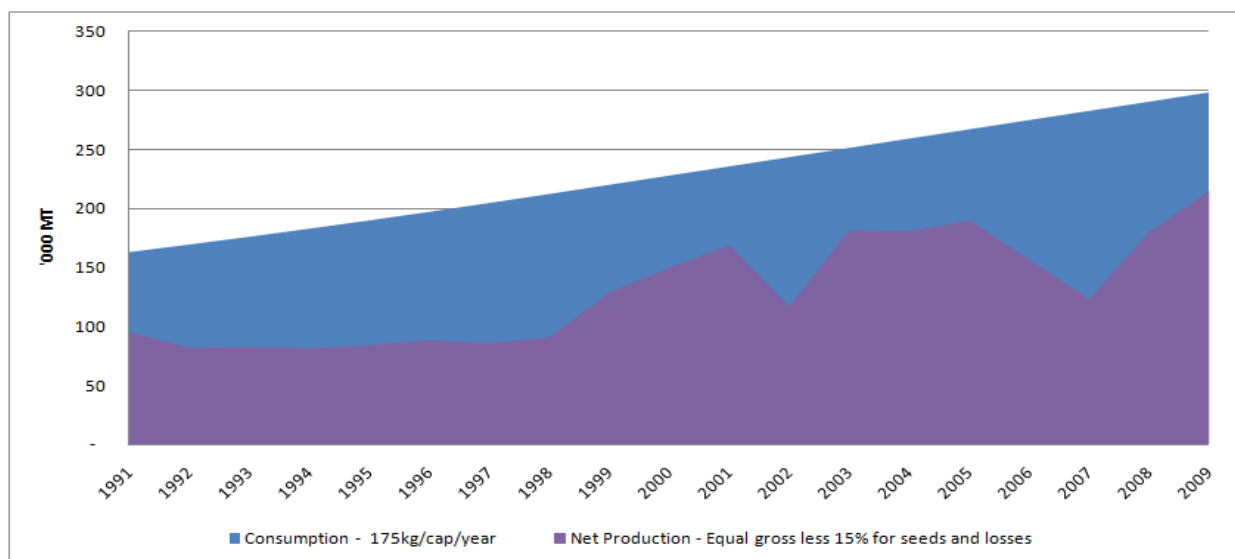
¹² *Initiative on Soaring Food Prices(ISFP)2008*

¹³ *Cross Border Trade and Food Security in West Africa, March 2010*

¹⁴ *Doubled to 68,000 MT in 2009 and 118,000MT in 2010*

¹⁵ *Daa Nyeeno Food Security and Market Information Bulletin for The Gambia 17 August 2011*

Graph 3: Net cereal production vs. consumption needs 1991- 2010



Source: Planning Services- MoA (WFP- CFSVA-2011)

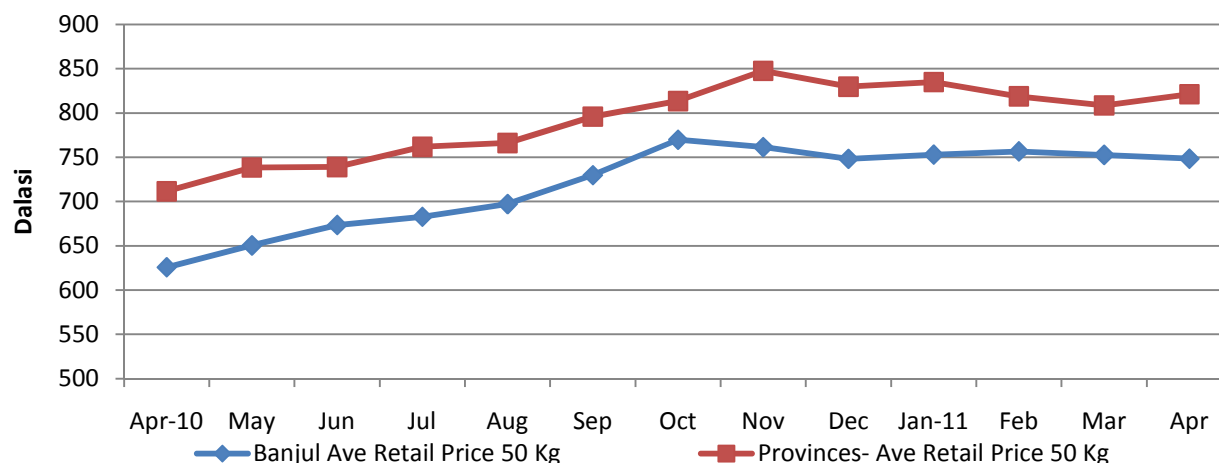
As a net rice importer, producing less than 50% of the total national food requirements, the Gambia will remain susceptible to market fluctuations for the foreseeable future. With over half of the population living below the national poverty line, poor households are highly susceptible to minor changes in their economic conditions, in particular high price increases. The average Gambian household spends 58% of their total income on food and this heavy reliance on markets represents a challenge to access or buy food in the market and ultimately on household food security. (Source: WFP, CFSVA 2011).

2.3 Household food security and livelihoods

Over 630,000 Gambians are net food buyers who often bear the brunt of food price volatility at the detriment of their household food security¹⁶. Such rises in food prices have implications for those households on the poverty line that might likely be pushed further into extreme poverty. The current levels of rice retail prices (Graph 4) will likely affect poor households' ability to access adequate food in both urban and rural areas, but particularly among urban populations given their greater dependence on imported rice. The majority of families in urban areas earn a living through cash paid activities, thus purchase all or the majority of food consumed in the household from local markets.

¹⁶ WFP data collected 2008 ISFP

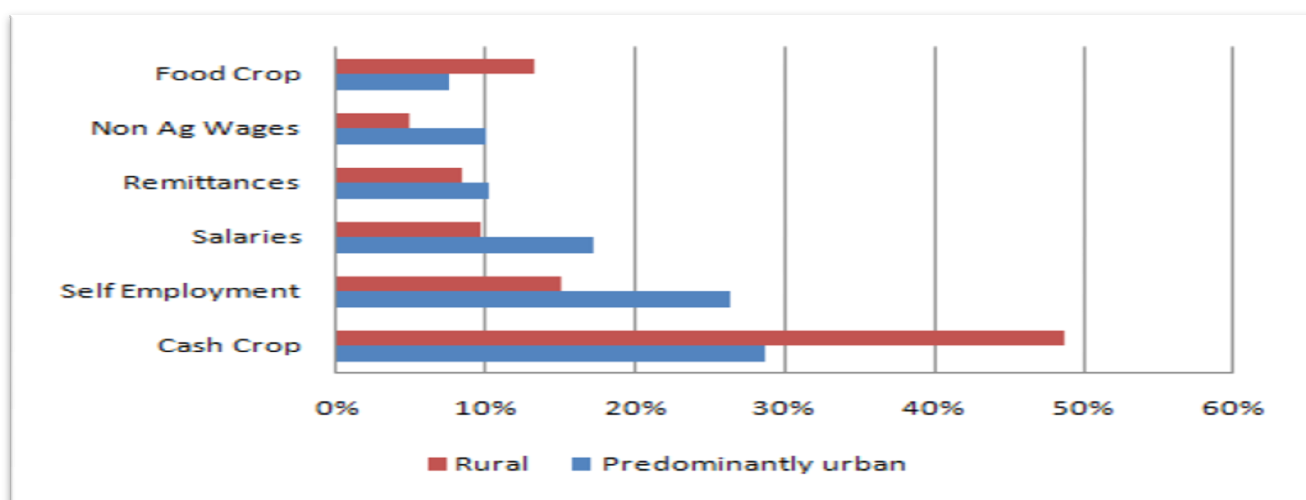
Graph 4: Evolution of average retail price for 50 Kg bag of rice



Source: Department of Trade

In the recent CFSVA, WFP examined household food security through collecting information regarding the population's primary source of income or livelihood, expenditure patterns, eating habits and coping strategies in times of crisis. The survey found that the sale of cash crops is the main income base for the majority for households in urban areas (29 percent), though not as predominate as in rural areas (48 percent). Households that are self employed (26 percent) and that earn salaries from the private or public sectors (17 percent) are the two second main livelihood groups in urban and peri-urban areas of The Gambia. The highest incidence of food insecurity and vulnerability (approximately 15 percent) is found in the non agricultural wages group where the proportion of such households is predominately higher in urban areas such as Banjul, Kanifing, and Kombos. Cash crop (13 percent) and self employment (11 percent) groups also have an above average incidence of food insecurity and vulnerability. Households that are reliant on a salary as the main source of income had the highest incidence of food insecurity alone (1.2 percent), which implies that these households are more likely to have more difficulties in access to adequate and/or quality food.

Graph 5: Proportion of households according to livelihoods



Source: 2011 CFSVA The Gambia

Groundnuts are the primary cash crop grown in The Gambia and cash crops are the mainstay of 36 percent of households nationally. Groundnut yields however have been very erratic and the industry has slowly collapsed over the last thirty five years as domestic exports decreased 80 percent from USD 49 million in 1975 to USD

9.6 million in 2004¹⁷. The crisis is due to a series of factors over the years such as weak global prices, economic reforms, poor seed quality, declining soil fertility and financial woes with the groundnut marketing and processing plant, SONACO in Senegal. As a major contributor to the household economy, the groundnut crisis has strangled the livelihoods of producer households through reduced income and ultimately affecting the purchasing power of those farmers and urban to rural laborers who have most commonly been the poorest within the rural population.

Households that rely on cash crops as their main source of income are also frequently net food buyers, buying the majority of the food consumed in the household from the market. This means that as groundnut prices and yields decline, the households' purchasing power is adversely affected and in turn the quantity and quality of food consumed in the household declines as well. An additional aggravating factor to food security is the tendency of farmers to sell the bulk of their produce following the harvest in order to meet immediate household needs such as repayment of food debt, school fees, or healthcare. As a result of poor marketing arrangements for groundnuts, farmers are often forced to sell at uncompetitive prices and the following year during the 'lean season' (July-September), they will buy or take on credit the same goods at double the price they sold them. This often creates a cycle of debt that keeps small farmers at a disadvantage.

As populations produce less subsistent crops and livelihood strategies shift from rural-based to urban-based economies, the causes of food insecurity becomes multifaceted. In the case of the Gambia, subsistence agriculture is no longer enough to feed the average 8.3 person household for twelve months and given that the groundnut industry is no longer as lucrative as in the past, households have limited livelihood options sufficient to cover all household needs, especially in a context of inflationary prices.

3. MARKET CHARACTERISTICS

3.1 Market structure and concentration

Importer/Distributor- The importation market in Gambia is highly concentrated with only five to six major players (mostly Lebanese families) that import over 90 percent of all goods coming through the port. While such concentration implies that a very small number of actors control the overall availability and price setting, the Government of The Gambia has been able to maintain a relationship with this group of importers that enables it to keep an eye on activities and at times, reach a gentleman's agreement on the setting of local prices as was the case in 2008. Through the assessment team's discussions with these main importers, it also appears that there is fierce competition and possibly some animosity amongst the group that may also discourage "cartel" type price fixing or hoarding.

The importers are financed through bank loans in foreign currency with very high interest rates. Such credit conditions coupled with volatile international commodity prices has made this line of business more risky over the last few years. Each of the importers interviewed referred to 2008 as a critical year that changed how things currently operate. Prior to 2008, national stocks remained stable and predictably increased or decreased according to seasons and the change in demand. However all of the large importers experienced significant profit loss that year when the government strongly encouraged the purchase of more rice stocks because of concerns about a global supply shortage. At the same time as global prices had reached historical highs, new imports were ordered, but when the stocks arrived the retail prices were out of reach for most consumers. Shortly after the global prices started to slowly recede and the importers found themselves with warehouses full of 'expensive' rice. In order to make some profit margin, the importers and the Gambian government established a sort of gentleman's agreement that allowed traders to sell these stocks while keeping prices relatively contained. It now seems importers are more wary of these types of market fluctuations that were unknown prior to 2007. National stocks have since remained adequately controlled,

¹⁷ *Gambia National Agricultural Investment Plan- 2011-2015*

but importers have reduced the quantities of each order buffering the risk of irregular price fluctuations. This new way of managing risks has not changed anything for the consumer, however this new way of managing national stock levels may hold greater risks if not monitored properly or if global supply chains react differently than Gambia's importers foresee.

Wholesale/Semi-wholesale- The wholesale market is more competitive than the importers' one and largely dominated by Mauritanian and Fula traders. The largest of these agents are located on Picton Street in Banjul or in Serrekunda market where 15-20 agents supply the large majority of semi-wholesalers in the provinces, typically selling 5 and 15 tons (100-300 bags) at a time. The difference between wholesalers and semi-wholesalers is merely that semi-wholesalers not only sell in bulk, but also in retail quantities.

In the regional markets such as Brikama or Farafenni, clients of semi-wholesalers buy between 1 and 10 bags and customers range from small retailers to households with the means to buy in bulk. Small retailers may be owners of village boutiques or small traders who sell in the weekly markets or 'lumos'. In urban markets, the number of semi-wholesalers is still very limited to 5-10 maximum. In the case of Soma market, several semi-wholesale/retail shops were actually owned by the same person meaning that although there were a number of shops in town, there was virtually no competition.

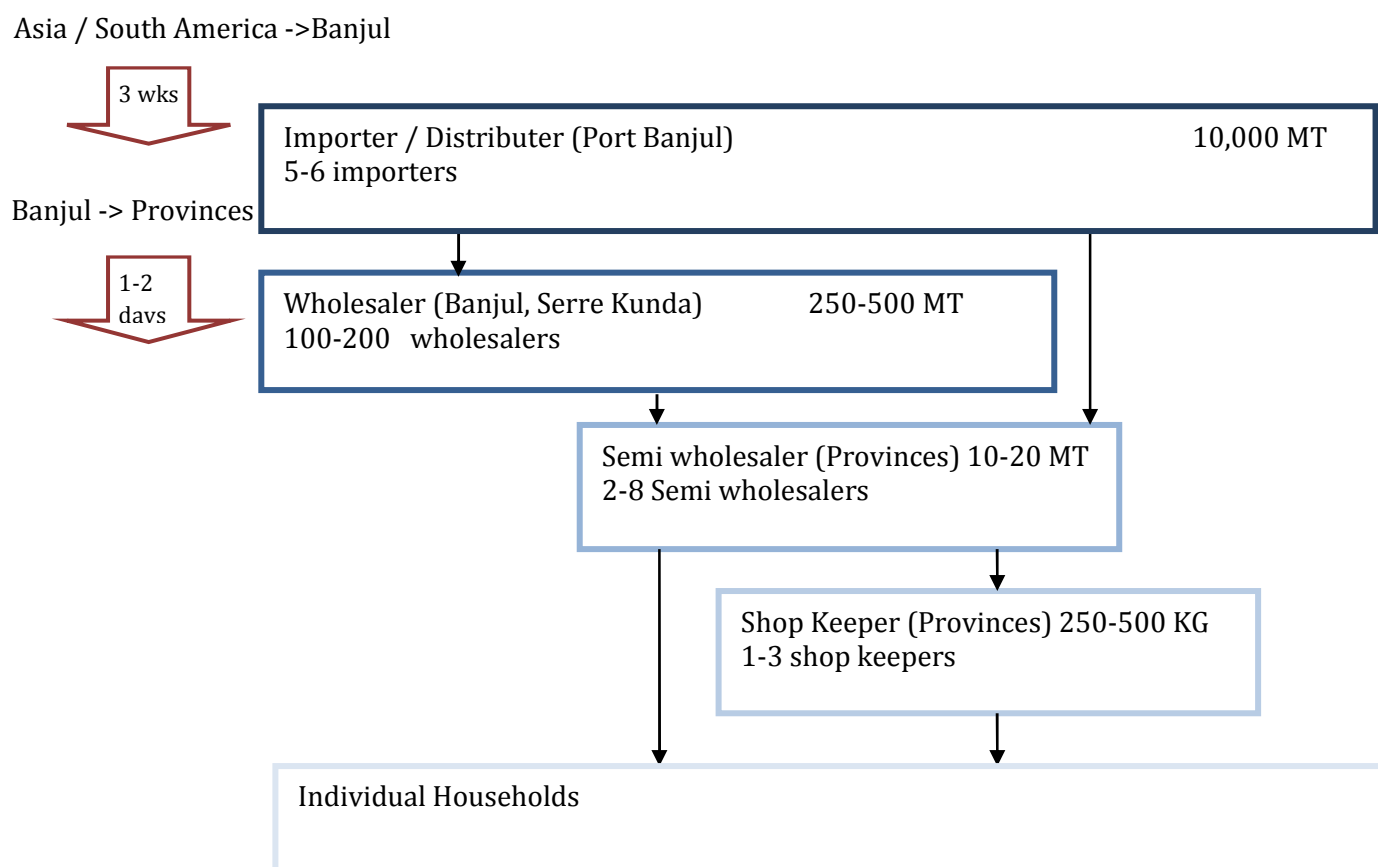
Semi-wholesalers frequently buy stocks on credit from their distributors. The credit system is linked to the quality of past business relations and the level of confidence between the two parties. These relationships are built over time and are very informal with no legal ramifications if the loans are not repaid, yet critical for any future business deals. The terms of repayment depend not only on the relationship with the distributor, but also the quantity of goods bought on credit. A semi-wholesaler will typically buy between 250 and 500 bags of rice from importers every two weeks to one month depending on the prices and purchasing power of clients. Under these circumstances, the wholesaler will likely have between one to two months to repay the credit. On the other hand a semi-wholesaler that buys between 10 and 20 bags, or one truck, will be normally expected to reimburse their credit to the wholesaler within two weeks of purchase.

The wholesalers met during the assessment were very cautious when asked if they have a bank account. Though all of them use the rural banks to send money to their distributors in Banjul, almost all of them do not have a bank account of their own. Accounts and bookkeeping is scarce with only very large transactions noted in Arabic as the Mauritanian traders speak Arabic and Wolof and the Fula speak Peul with some French.

Retail- The smallest retailer is actually where most household-level purchases are made because sale quantities are much smaller, frequently sold in 'cups' that are equivalent to a half a kilo or one kilo. These traders typically buy between 5-10 bags of rice from the semi-wholesalers. Semi-wholesalers sell their stocks primarily in bags, but in the provinces some may also be retailers.

Retailers also use the credit system to secure supplies with terms very similar to the above group. Since the peak of food prices in 2008, more small traders have defaulted on loans and lost their credit privileges with wholesalers, because of the volatility of markets. Typically quantities taken on credit are smaller and turnover is much shorter and goods taken on credit are paid back in a matter of days.

Table 3: Market structure for rice in the Gambia



3.2 The Market system

Similar to market systems found throughout West Africa, The Gambia has three main types of markets¹⁸: the weekly rural market, or *lumo*, the assembly market and the urban consumer market.

In rural areas, most exchanges take place on the weekly markets where crops, livestock and artisanal products are traded with mostly imported manufactured goods. These markets play a crucial part in the collect of local produce and cash crops. During the lean season, the *lumo* will adapt to function as a supply source for cereals. Rural markets coexist with a limited number of shops that remain open throughout the week and allow continuous trade in imported goods and cash crops. The Gambia's markets are well linked and both retailers and wholesalers can order and receive their provisions within three days of the order.

Urban consumer markets meet urban areas' demand through supplies brought in from the port or from other larger provincial markets. These are 'permanent' markets where high volumes are exchanged daily. Semi-wholesalers and retailers are active for a wide range of food products on such markets. Urban consumer markets can accommodate hundreds of retailers. Supply on these markets is abundant and diversified with constant movement of goods up country or to neighboring countries.

¹⁸ Referenced from *Cross-border Trade and Food Security in West Africa: the Western Basin*, March 2011—CILSS, FAO, WFP, FEWSNET

3.3 Market connectivity and integration

Road transport is the principal means for both in-country and cross-border transportation of passengers and goods. The current condition of the entire road network is generally poor due to the lack of routine maintenance though extensive reconstruction works are underway and may assist in easing transportation problems.

The River Gambia flows through the middle of the country, separating it into two banks: north and south. Ferry crossing points are crucial for national linkages and also form part of the regional transport network. Inefficient crossing points between road and river transport pose significant challenges to regional integration and logistics. The two most important crossing points with a regional dimension are Banjul-Barra and Farafenni (TransGambia). Due to heavy traffic and limited ferry capacity, these crossing points always have long lines of merchandise filled vehicles that may take days to clear.

Transport prices for goods from Banjul to the provinces are set by the Transporters' Union and must be respected by all transporters operating in the country. As expected, these prices increase with distance from Banjul (Table 8), but there is a slight difference in transport costs for markets on the Northern Bank where trucks require a ferry to cross the river such as in Fass or Farafenni even though they are physically closer to Banjul.

Table 4: Examples of transport and handling costs in markets visited

Market	Distance from Banjul (kilometers)	Dalasi per 50 Kg bag	
		Transport	Handling
Fass (North Bank)	20	25	3
Brikama	35	16	3
Farafenni (North Bank)	115	40	3
Soma	180	38	3

In spite of such hurdles, grain markets in general and rice in particular are relatively well integrated. As a result, markets are well supplied and prices are fairly stable while following the same seasonal trends as throughout the Sahel with the lowest prices just after harvest in September or October and rising slowly as household stocks diminish, peaking in July or August each year.

A simple method to measure market integration is based on the Pearson correlation coefficient estimate between prices from two markets. A positive and statistically significant correlation coefficient indicates that the two markets are possibly integrated. Absence of price correlation means that markets are not linked through trade (which may occur for various reasons) and prices are determined independently from one market to another. For example the correlation coefficients between the USA and Canada are between 0.92 and 0.95. Analysis of prices in Table 5 show a correlation coefficient of 0.9 for the price of imported rice sold at retail markets with the exception of Basse Santa Su, the market in far eastern end of The Gambia, with the coefficient of 0.8. Such concentration of actors would normally imply a greater risk of speculation or hoarding, pushing prices higher than the national markets, yet the involvement of the Gambian government in the monitoring of national rice stocks and weekly market prices as well as regular dialogue with importers and traders is effective in maintaining adequate supplies as well as stable prices.

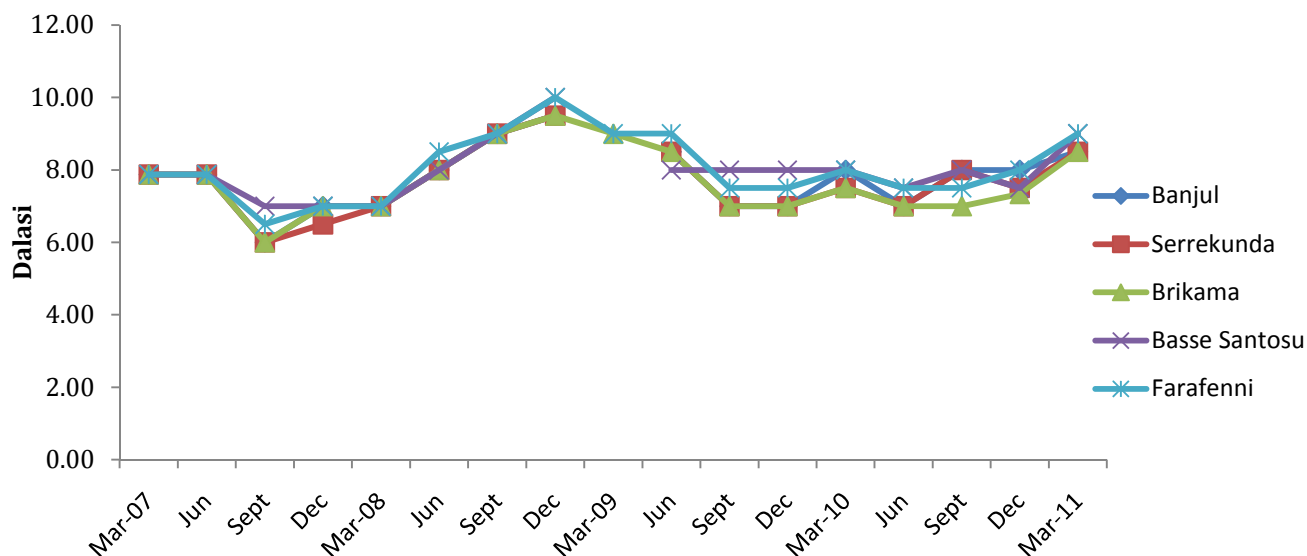
Table 5: Correlation coefficients, imported rice, 2007-2010

	Banjul	Serrekunda	Brikama	Basse Santa Su
Banjul				
Serrekunda	0.90			
Brikama	0.91	0.92		
Basse Santa Su	0.77	0.81	0.83	
Farafenni	0.91	0.87	0.90	0.82

The issue of how various traders would be able to meet an increased demand was discussed with each of the respondents. Overall the semi-wholesale and retail merchants in urban areas responded that they would be able to restock in less than a week. Where problems may occur in the ability to replenish stocks is with the smaller retailers who neither has as much access to credit nor the investment capacity to self finance. However this does not mean that supply needs would not be met in the case of a cash transfer intervention in urban areas, but that the smallest traders would not be the most adequate partner. If cash transfers were to be implemented in more rural areas, inflation or supply bottlenecks would still be a risk and strong monitoring systems would need to be put in place to survey inflation.

Price data from The Gambian Bureau of Statistics collected 2007-2011 indicates that market prices in Banjul across the various markets in country follow the same trends, illustrating that communication of prices between Banjul and the rest of the country is quite fluid. Because Gambia is a rather small country with reasonable infrastructure and regular communications between traders, prices in the urban markets outside of the capitol follow very closely those in Banjul.

Graph 6: Price of rice in markets from March 2007-2011

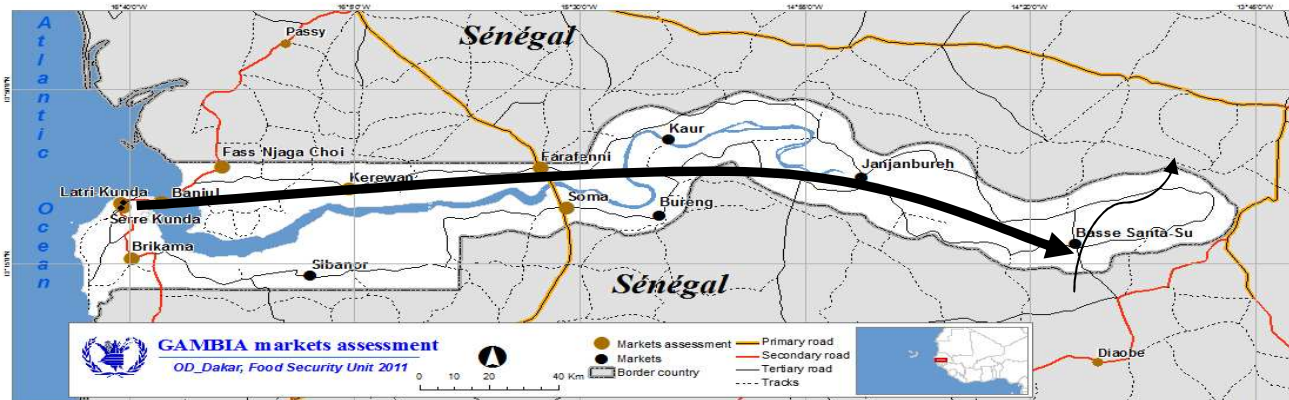


Source GBOS

Gambia's competitive port facilities, porous borders and undervalued exchange rate with neighboring CFA countries, notably Senegal and Guinea Bissau, make a healthy environment for cross-border trade. Though some of the re-export trade is thought to have been affected by the strengthening of the Dalasi over the past ten years, the Western Basin cross-border trade assessment (CILSS, FAO, FEWS, WFP 2010) points out the importance of the role The Gambia plays in the long distance trade within the West Africa region. The most commonly re-exported commodities are imported rice, vegetable oil and sugar, yet it is estimated that one-quarter of Guinea Bissau's cashew production is exported through Banjul. Senegal has long been a purchaser

of Gambian produced coarse grains and groundnuts. Groundnut processing plants in Senegal demand a large portion of the regions production and groundnut prices in Senegal have a direct influence on the income of Gambian producers. Coarse grain prices are often more attractive in Senegal, leading grains to be sold on the other side of the border, however if the supply and demand dynamics change, alternative food flows are possible as well.

Map 2: Imported rice trade flow



4. CASH TRANSFER PROSPECTIVES AND MODALITIES

In a context where food security is caused primarily by problems with access to food, owing to high prices rather than lack of food, The Gambian context justifies a closer look at how relevant cash transfers can serve as a response to addressing food insecurity and how markets are likely to react. In the previous section, the assessment examined the general market structure and concentration of the main market actors. Analysis of prices in four markets and their correlation coefficients over a period of four years indicates the markets within Gambia are well integrated and trade flows are consistent year round. Retailers have very short stock replenishment lead times and traders were consistently confident that in their ability to meet the needs if they had a 25 percent increase in demand.

Analysis suggests that within this context, cash transfers would be an appropriate instrument to address food insecurity. Table 6 outlines the three critical areas that can determine the suitability of cash transfers and highlight areas where monitoring may need additional support to ensure the response remains effective.

Table 6: Outline of essential market criteria for cash and voucher programs

Criteria		Gambia context
Stable food supply	✓	The importation of cereals for local consumption as well as re-export to neighboring countries assures a healthy pipeline of locally preferred commodities in the local markets
Easy and regular access to local markets	✓	The majority of communities have at least one boutique within the village, but also have yearly access to weekly 'lumos' that provides a wider variety of goods from various vendors
Markets functioning: integrated, price transparency, no monopolies	✓	Market prices are closely monitored and tracked by three government agencies and WFP has just initiated a coordinated market monitoring system. Price monitoring reflects that markets are well integrated all year throughout the country.

In order to understand the tradeoffs between different types of transfer modalities, table 7 outlines the various advantages and disadvantages of each option.

Table 7: Advantages and Disadvantages of possible transfer modalities in urban areas

Modality	Advantage	Disadvantage
Cash – distributed through Banks	<ul style="list-style-type: none"> - Flexibility for use of transfer - Opportunity for ‘bank-less’ to have more involvement with formal financial sector. 	<ul style="list-style-type: none"> - Few withdrawal points or ATM out of greater Banjul area - Possibility of higher transport costs on the part of beneficiary if not based near urban center - Possible issues with ID or opening of accounts - More difficult to monitor usage
Voucher – distributed through Banks and exchanged in shops	<ul style="list-style-type: none"> - Voucher can be cash based or linked to various types of commodities - Monitoring of use with shops more feasible 	<ul style="list-style-type: none"> - Voucher can be exchanged for cash with various vendors-> smaller value for beneficiary - Heavy administration system needed to accommodate distribution and compensation to vendors - Creation of parallel system, difficult for beneficiaries to understand value, often loose change - Risk of counterfeit vouchers
E-voucher – Mobile Money SMS	<ul style="list-style-type: none"> - Cash-based or commodity-based or both. - Will only need partner with Telecommunication Company who has their own agreements with banks and merchants. - Private sector driven with user uptake likely to move faster because of familiarity with same initiatives in other countries in the region. - Cash accessible virtually throughout the country - Free subscription - Money can be withdrawn in stages - Follow-up computerized cash transfers offered by the company - Opportunity for WFP to use platform to send sensitization SMS-nutrition/education 	<ul style="list-style-type: none"> - New technology for Gambia, will take time for vendors and users to understand potential - Vendors may not understand English so alternative language may be needed. - Shop bookkeeping may not be sufficient to closely monitor use of “mobile Money”
Food – WFP	<ul style="list-style-type: none"> - Structure in place - No risk of end user confusion - More cash efficient in the Gambian context 	<ul style="list-style-type: none"> - No flexibility of use for alternative household priorities - Risk of sale on the market in exchange for cash

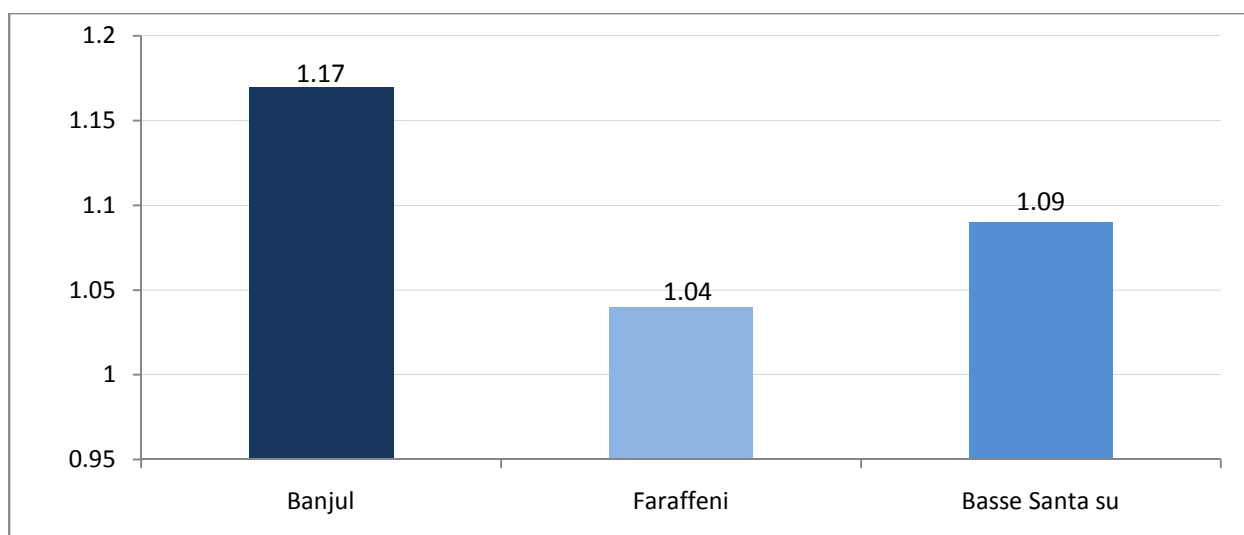
In WFP, the alpha analysis is used to compare relative cost efficiency between in-kind assistance and cash/voucher based interventions. This is a simple and effective proxy indicator of cost efficiency which is determined by dividing the cost of purchasing a given commodity at a retail outlet close to the beneficiary by the cost of the WFP procuring, shipping and delivering that same commodity to the beneficiary. The formula is written as;

$$\frac{\text{Local market price}}{(\text{WFP commodity cost} + \text{External transport} + \text{LTSH})}$$

An alpha value greater than 1.0 indicates a greater cost efficiency in the WFP delivering in-kind food whereas a value lower than one indicates that, if feasible, cash based interventions would be a more cost-efficient option.

In Banjul we find an alpha value of 1.17, indicating that there is a 17 percent difference compared to the distribution of food aid in Banjul. This can be explained by WFP's competitive prices for all of the food commodities that make up the food basket. In Faraffeni and Basse Santa Su, the alpha values are only 1.04 and 1.09 respectively. These lower values may be attributed to the fact that Faraffeni and Basse Santa Su markets are major crossroads for a multitude of goods originating from or destined to Cassamance, Guinea Bissau or even Guinea Conakry.

Graph 7: Alpha Value¹⁹ in Banjul, Faraffeni, Basse Santa Su, June 2011



SOURCE: GBOS AND FOB WFP JUNE 2011

The alpha value greater than 1 implies that WFP food distributions are more cost efficient. The alpha value contributes to a greater comparative analysis of cash transfers versus in kind food aid, however the advantages and disadvantages that do not have a monetary value as those outlined above in Table 7 must be

¹⁹ Details of food basket in Annex 3

incorporated into the analysis and cross checked with future program objectives to establish if in kind food delivery is actually cost effective²⁰.

5. POTENTIAL PARTNERS

Telecommunications

The growing telecom industry offers a lot of potential for prospective cash transfer projects in Gambia and the two largest mobile telephone companies are gearing up to launch Mobile Money schemes in the coming months. Equivalent to those in East Africa and quickly gaining speed elsewhere in the world, Mobile Money offers a new mobile banking service for the thousands of people who do not have a bank account as well as an alternative to receiving remittances by way of other official money transfer services such as Western Union.

Both companies are interested in discussing how their new product may be used to reach eventual beneficiaries. Gamcel's plans for mobile money are not as advanced or well formulated as Africell's so the assessment team was not able to get clear transaction costs and other operation details. Considering the overall service coverage and services provided, Africell would be the most appropriate partner for an e-voucher cash transfer scheme.

Company	SMS Technology	Coverage
Gamcel	-E-voucher to sell talk time	100% greater Banjul
	-Mobile Money services to be launched end 2011	50% in Provinces
Africell	-E-voucher to sell 'Airtime'	93% of Gambia
	-Mobile Money services to be launched end August	99% of mobile users in Gambia

When the mobile money service is launched, Africell's transfer commission will be between 2-3 percent of the total amount of money transferred. In the case of an agreement with WFP, this may be negotiable depending on the size of the project and the full amount of funds to be transferred from WFP to beneficiaries as well as costs for some of the services below (beneficiary lists, monitoring and sms transfer). An SMS e-voucher services would be the best transfer modality for the following reasons:

- Mobile phones are widely and commonly used by all groups of Gambian society. This is higher in urban areas where network coverage is better
- Mobile money or e-vouchers offer the opportunity to transfer money rapidly and securely
- Beneficiaries will be able to cash the e-voucher or directly buy merchandise at any participating agent throughout the country
- Transfer sums do not need to be used all at one time, but can be withdrawn over a period of 2 months
- Subscription to Africell mobile money is free, but if the recipient is not an Africell user, money can still be sent through Africell to the other telephone service provider
- Factored into the WFP service agreement, Africell can computerize all beneficiaries and send SMS
- Computerized monitoring services are also offered by Africell and system can be used for future WFP awareness building initiatives
- Through a partnership with Africell, this eliminates the need for an additional partnership with financial institutions

²⁰ Cost effectiveness includes analysis of benefits that are inappropriate to monetize (i.e. beneficiary preference, impact on food diversity and overall households health, or access to education)

Financial institutions

The assessment team also visited the two commercial banks with the most branches within and outside the wider Banjul area: Trust Bank and Guarantee Trust Bank, as well as Reliance financial services, the latter being a micro-finance institution.

Table 9: Financial institutions

Institution	No of Branches	Minimum opening Savings Account balance
Trust Bank	11	D 250.00
GT Bank	15	D 200.00
Reliance	20 (including agencies in Provinces)	D 25.00

Recognizing the potential to reach a large number of presently un-banked families, each institution was eager to establish a relationship with WFP and to adapt various existing services to accommodate the needs and requirements for any potential cash component project.

All three of the financial institutions would be able to accommodate cashing of checks or a voucher designed in conjunction with the bank, however Reliance Financial Services is the only establishment where potential beneficiaries can set up an account without significant investment. Reliance also has a much more extensive geographic coverage than any other bank in The Gambia and specifically targets small and medium sized businesses or petty traders. Reliance could also be used by traders to cash in vouchers.

6. PARTNER ROLES AND RESPONSIBILITIES

6.1 Technical partner

The roles and responsibilities of the technical partner will follow the three steps outlined below:

Step 1: In parallel with the final registration of the beneficiaries with operational partner, technical partner agents are responsible to:

- provide smart cards to beneficiaries non subscribers;
- give mobile phones to beneficiaries;
- register for free to the beneficiaries money transfer service company;
- educate all beneficiaries during their recording procedures for transferring money

Step 2: After funds are transferred from WFP to the technical partner, the technical partner will be responsible for:

- Conduct a daily transfer to XX beneficiaries over a period of XX days in order to cover XXXX beneficiaries in a week. This will prevent the distribution points or vendors from becoming overwhelmed by the influx of beneficiary customers.
- Return to WFP a list of all the transfers
- Highlight any the problems encountered during the cash transfer
- Mention the problems solved and addressed by the technical partner
- Resolve outstanding issues by deploying agents to work in tandem with the partner.

Step 3: The technical partner will also present WFP with the documents that will follow the withdrawals by the beneficiaries.

6.2 Operational Partner

This assessment was carried out in the context of a general review within WFP Gambia and not for a program conceptual design to address a specific problem. Therefore, due to the small numbers of NGO partners present in the Gambia and their limited geographic coverage, the assessment focused less on the potential implementing partners and more on potential technical partners with the ability to most effectively carry out the most appropriate transfer method. Further discussions and evaluation of potential partners would need to be carried out as specific projects are being developed.

The assessment team did meet with Concern Universal who has limited experience in cash transfers during last year's flood response, though the organization could be considered as a potential partner, the organization neither have significant experience nor technical capacity to act as a key resource.

As plans for the pilot phase progress, a further assessment of potential implementing partners should be carried out looking at NGOs, civil society and government agencies. WFP's country office in The Gambia is quite small and the program and operational capacity is currently not sufficient to be the primary implementer for such an endeavor. In spite of this, while assessing potential implementing partners, an internal evaluation should examine what internal capacity exists and what needs to be developed.

Roles and responsibilities of the implementing partner -

The roles and responsibilities of the implementing partner will follow the three steps outlined below:

Step 1: targeting, identification and registration of beneficiaries

- In partnership with local authorities and local actors, target the most vulnerable households in identified geographic areas in conjunction with WFP
- Conduct audit of targeted beneficiaries (sample 15 percent of targeted population);
- In parallel with the registration, ensure that agents of the technical partner correctly distribute SIM cards and / or phones to beneficiaries who need.
- Develop official list of beneficiaries and share with WFP.

Step 2: Awareness

- In partnership with local authorities and local stakeholders, ensure that sensitization and advocacy messages are indeed disseminated throughout the program.

Step 3: Monitoring and Evaluation

- Conduct a baseline survey of targeted beneficiaries and develop complimentary monitoring system in conjunction with technical partner activities.
- Resolve any issues highlighted by beneficiaries, WFP or other partners by deploying monitors, working in tandem with the technical partner (Telecommunications Company).

7. CONCLUSION AND RECOMENDATIONS

The commodity flows across the different types of markets (urban consumer, and weekly 'lumos') are fluid year round. The WFP CFSVA found that communities surveyed have good access to daily and weekly 'lumo' markets throughout the year and the availability of main food items in these markets is good. The availability of local products such as vegetables, tubers or coarse grains fluctuate according to the season, but imported goods for instance cooking oil, rice, sugar, onions, potatoes, and eggs are available in the majority of areas. Should WFP choose to implement a strong cash component; markets in targeted areas need close monitoring of items available.

Gambia's road network is relatively good connecting main rural villages and feeder roads to more remote areas. The ferry system that connects the north and south trade routes is not the most efficient and is slow and tedious for large trucks yet it is not the physical access that hinders access to food. More accurately it's

the economic access of households that typically spend over half of their income on foodstuffs and are very exposed to price fluctuations that erode their purchasing power.

Market analysis highlights strong integration and correlation as prices follow similar trends. Markets are well supplied and prices are fairly stable following typical seasonal trends with prices reaching annual lows just after harvest in September or October and rising slowly as household stocks diminish, reaching their peaks during the lean season in July or August each year.

Despite the limited number of wholesalers and retailers along the market chain, analysis of prices suggests that the market for imported rice is relatively integrated. The government's monitoring of national rice stocks, weekly market prices and regular dialogue with importers and traders is effective in maintaining adequate supplies as well as stable prices. Such a small number of primary importers and wholesalers still present a risk of monopolizing or hoarding; any cash transfer program would require close market price monitoring and dialogue with the government and main traders.

Markets have a very strong capacity to respond to additional demand; however the risk of inflation is greater due to sparse competition between traders. The issue of how various traders would be able to meet an increased demand was discussed with each of the respondents. Overall the wholesale and retail merchants in urban areas responded that they would be able to restock in less than a week. Retailers have very short stock replenishment lead times and traders were consistently confident that in their ability to meet the needs if they had a 25 percent increase in demand. Where problems may occur in the ability to replenish stocks is with the smaller retailers who have neither as much access to credit nor the investment capacity to self finance. If cash transfers were to be implemented in more rural areas, the risk of inflation or supply bottlenecks may be a risk.

The Gambian market environment functions smoothly and presents a good opportunity to slowly build capacity within WFP and partners to shift various program elements into cash components. In a context where food security is caused primarily by problems with access to food owing to high prices rather than lack of food, in depth market analysis has indicated the appropriateness of cash transfers. Analysis of prices over a period of four years suggests the trade flows are consistent year round, the WFP CFSVA data also reveals that households have continuous access to permanent or weekly markets. Though traders were unaware of SMS transfer technology at the time of the assessment, responses were optimistic regarding any type of cash or voucher type scheme, however considering the language barriers with many of the Mauritanian traders, a holistic sensitization period will need to be envisaged. SMS 'mobile money' would be the most effective and conducive to the Gambian context. In function of the defined project objective, a full cash or commodity voucher would be feasible and a joint cash/commodity voucher would be appropriate as well.

Recommendations –Preparation of pilot project

- Closely monitor the evolution of mobile money and adoption of technology by population and medium to small traders
 - Engage key partners in discussion of urban poverty indicators; establish pilot monitoring system to slowly build understanding of urban livelihoods and work with partners to begin discussing intervention thresholds (price ceilings) and criteria.
 - Establish most appropriate period for transfer to ensure efficient use and greatest impact: For example, prior to lean season to prevent seasonal debt, at the onset of academic year and before main agriculture season.
-

Recommendations- Operational implementation

- Outline prospective contractual agreements and costs with Telecommunication company (Africell)
 - Evaluate the most appropriate implementing partner and evaluate internal capacity.
 - Define monitoring strategy to ensure adequate understanding of end user expenditure as well as extensive market surveillance.
-

ANNEX 1: SWOT analysis of Cash and Voucher programs in Gambia

<p>STRENGTHS</p> <ul style="list-style-type: none"> – Lighter or less demanding logistic structures – Time efficient in reaching Eastern Gambia – Markets are functioning and integrated as well as accessible to the population throughout the year – Gambian population are net buyers of coarse grains and customarily use markets as main source of provisions – Grains and other commodities available in the markets throughout the year – Cash and vouchers inject cash and work with the local economy – Cash and vouchers allow beneficiaries to choose items most suitable for their household – The use of cash or vouchers may reduce stigmatization and empower typically marginalized groups. 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> – Demands strong in house administration and finance capacity – Operational planning and implementation is lengthy due to the unfamiliarity of cash and voucher – Purchasing power of cash and voucher beneficiaries may be eroded by inflation – Beneficiary incurs transportation costs and potentially transaction costs
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> – Two out of four telecommunications companies in Gambia are launching ‘mobile money’ schemes within 2-6 months – WFP has increased vulnerability and price monitoring capacity in house – Long standing school feeding program can be used as platform to initiate vulnerability discussions and possible launch cash transfer project 	<p>THREATS</p> <ul style="list-style-type: none"> – As ‘mobile money’ technology is not yet extensively understood, traders may be reluctant in the beginning and lack skills – Many small shop keepers are Mauritanian and do not speak English, therefore sensitization and branding will have to take this into account – WFP Gambia presently does not have adequate M&E staff capacity to effectively monitor the administration and post distribution follow up of cash transfer programs. – Operation support will shift from primarily logistic based capacity to heavy finance support and current capacity is insufficient

ANNEX 2: Contacts in Banjul

Ministry of Trade Independence Drive	Ousman Bojang Senior Economist	
SAM 6 ECOWAS Avenue P.O. Box 184 Banjul, Gambia	George Madi Chairman Managing Director	+220 422 6666 Sam.madi@gamtel.gm
CONTICOM Continental Commodity 14 Liberation Avenue Banjul, Gambia	Mohamed Taher	+220 422 7125 taher@conticom.ww eagle.com
Gamfood Trading 13 Hagan Street P.O. Box 1438 Banjul, Gambia	Abbas Akar	+220 422 2385 gamfoodtrading@gmail.com
Guaranty Trust Bank 56 Kairaba Avenue P.O. Box 1958 Banjul, Gambia	Alhajie Saihou Denton Group Head Public Sector Babou Gai Corporate Affairs Kolawole Emmanuel	+220 422 4504 Alhajie.denton@gtbank.com +220 437 6371-4 Babou.gai@gtbank.com +220 437 6395 Kolawole.emmunuel@gtbank.com
Trust Bank 3-4 ECOWAS Avenue P.O. Box 1018 Banjul, Gambia	Ibrahim Salla General Manager Corporate	+220 422 3150 Ibrahima.s@tblgambia.com
Gamcell P.O. Box 541 Mamadi Maniyang Highway Banjul, Gambia	Kebba Bojang Senior Manager Customer Services	+220 439 8142 Kebab.bojang@gamcel.gm
Africell Gambia 43 Kairaba Avenue P.O. Box 2140 Banjul, Gambia	Milad Khairallah Business Development and Market Research	+220 740 0000 mkhairallah@africell.com
Reliance 46a Kairaba Avenue P.O. Box 4645 Banjul, Gambia	Ismaila Faal Executive Director	+220 439 0626/71 ifall@reliancegambia.com

	Lamine Faye Loan Officer-Ferrafenni Fa Burahma Supervisor-Ferrafenni	+220 705 7161 +220 787 7534
Concern Universal Ousman Dan Fodio Str P.O. Box 2164 Fajara Gambia	Patricia Wall Country Director	+220 449 4473 Patricia.wall@concern-universal.org

Annex 3: Alpha Value Calculations

Commodities	Bissau Price USD / Ton JUNE 2011	WFP FOB Price USD / Ton June 2011	External Transport USD /Ton	LTSH USD / Ton	WFP Price / Ton	Alpha Value
Rice (25% broken)	597	403	95	109	607.00	0.98
Pulse- green peas	858	600	95	109	804.00	1.07
Vegetable oil	1866	1215	95	109	1419.00	1.31
Salt	373	149	95	109	353.00	1.06

Source GBOS June 2011, EMOP WFP

1.11

Commodities	FERRAFENI Price USD / Ton JUNE 2011	WFP FOB Price USD / Ton June 2011	External Transport USD /Ton	LTSH USD / Ton	WFP Price / Ton	Alpha Value
Rice (25% broken)	634	403	95	109	607.00	1.05
Pulse- green peas	933	600	95	109	804.00	1.16
Vegetable oil	1866	1215	95	109	1419.00	1.31
Salt	224	149	95	109	353.00	0.63

Source GBOS June 2011, EMOP WFP

1.04

Commodities	Basse Price USD / Ton JUNE 2011	WFP FOB Price USD / Ton June 2011	External Transport USD /Ton	LTSH USD / Ton	WFP Price / Ton	Alpha Value
Rice (25% broken)	672	403	95	109	607.00	1.11
Pulse- green peas	1119	600	95	109	804.00	1.39
Vegetable oil	1866	1215	95	109	1419.00	1.31
Salt	187	149	95	109	353.00	0.53

Source GBOS June 2011, EMOP WFP

1.09

ANNEX 4: Cash Transfer Pilot Project Gambia - Risk Analysis

Statement of Risk	Underlying Causes	Potential Implications	Response Contingency	Risk (manageable or un-manageable)	Severity Acceptable Yes / No
Price inflation or fluctuation	<ul style="list-style-type: none"> -<i>External:</i> World market fluctuations (food and fuel) -<i>Internal:</i> Crop yield and seasonal influence 	-Distributed cash not sufficient to satisfy basic food needs	<ul style="list-style-type: none"> -Continued monitoring of market prices -Adjust cash value based on market price -Change from cash to food 	manageable	yes
Market closure / Supply shortages	<ul style="list-style-type: none"> -Natural disasters (flooding) -Political unrest (elections 2012) 	-Food not available for purchase	<ul style="list-style-type: none"> -Continued monitoring of market prices -Change from cash to food 	manageable	yes
Corruption and fraud	<ul style="list-style-type: none"> -External intervention (local authority or administration, politicians, influential people) -Unreliable IPs and financial institutions -Manipulated beneficiary lists 	<ul style="list-style-type: none"> -Negative impact on WFP reputation -Reduced amount of cash for beneficiaries -Cessation of Cash Pilot Project 	<ul style="list-style-type: none"> -Transparency/sensitization -Verification of beneficiaries -Cash directly paid to beneficiaries -Different levels of control -Complaint mechanism -Post-distribution monitoring 	manageable	yes
Security	<ul style="list-style-type: none"> -Conflicts (jealousy) between beneficiaries and/or non-beneficiaries 	<ul style="list-style-type: none"> -Beneficiaries have their money stolen -Delay of Cash Project 	<ul style="list-style-type: none"> -Community identifies beneficiaries -Transparency/sensitization -Secure locations 	manageable	yes
Capacity of financial institutions	<ul style="list-style-type: none"> -Small number of institutions -Small geographical coverage 	<ul style="list-style-type: none"> -Limited geographic coverage - High transportation costs for 	-Selection according to WFP standards and guidelines	manageable	yes

		beneficiaries -Lack of proper financial follow up	-Monthly cash payments -Close monitoring by WFP		
Implementation capacity of CO Gambia	-No with Cash Projects -Small number of staff	-Delay or poor quality of Cash Project -Negative impact on WFP reputation	-Recruitment of additional staff for Cash Project (operation and program) -External assistance by Regional C&V expert -Training of staff on C&V issues and monitoring -Detailed documentation	manageable	yes
Availability and capacity of implementing partners	-Few potential partners with adequate coverage and experience -Insufficient number of experienced staff	-Delay or poor quality of Cash Project -Negative impact on WFP reputation -Conflict with beneficiaries and local authorities	-Anticipate extended preparation and training phase - capacity building activities in the area of cash -Close monitoring of activities	manageable	yes
Use of cash for non-intended purposes	-Social obligations - transfer amount too high -Purchase of items not improving the nutrition or food security of the household	-Negative impact on food security and nutritional status of beneficiaries -Lack of diversity in the beneficiaries food basket	-Community sensitization including awareness and reflection sessions -Close monitoring -Coordination with other actors -Establish clear criteria to select the most vulnerable beneficiaries	manageable	yes