

**THE REPUBLIC**



**OF THE GAMBIA**

**MINISTRY OF ECONOMIC PLANNING AND  
INDUSTRIAL DEVELOPMENT**

**FINAL REPORT ON THE EVALUATION OF THE  
IMPLEMENTATION OF THE BRUSSELS PROGRAMME  
OF ACTION FOR THE LEAST DEVELOPED COUNTRIES  
FOR THE DECADE 2001-2010 IN THE GAMBIA**

**MAY 2010**

# **NATIONAL REPORT ON THE EVALUATION OF THE BRUSSELS ACTION PLAN FOR THE LEAST DEVELOPED COUNTRIES 2001-2010**

## **1. Introduction:**

The Programme of Action for the Least Developed Countries (LDCs) for the Decade 2001-2010 adopted on 20 May 2001 in Brussels aims at improving human conditions of the population of the LDCs and provide a framework for partnership between LDCs and their development partners "to accelerate sustained economic growth and sustainable development in LDCs, to end marginalization by eradicating poverty, inequality and deprivation in these countries, and to enable them to integrate beneficially into the global economy". The Programme, based on shared but differentiated responsibilities or mutual commitments of the LDCs and their development partners in seven interlinked policies and measures, recognizes that success in attaining its objectives will depend critically on the effective follow-up, implementation, monitoring and review at the national, regional and global levels.

This appraisal is a response towards the fulfilment of obligation by all Least Developed Countries (LDCs) to undertake a comprehensive appraisal of the implementation of Brussels Programme of Action (BPoA) for Least Developed Countries for the decade 2001 – 2010.

This appraisal came at a time when the Global Economy is trying to recover from the Global Economic and Financial crisis which resulted to a deep downturn affecting real and financial sectors. During these times The Gambia has witnessed an increase in the intensity of Global natural disasters with awesome force of nature registering a number of manmade catastrophes and other calamities. These situations disrupted daily lives, hence, requiring basic necessities such as food, shelter, clothing and medical care to stabilise the situation.

Also, this appraisal occurs at a time when The Gambia Government finalised two Poverty Reduction Strategy Programme II (PRSP II) Annual Progress Reports in 2007 and 2008, a Millennium Development Goals Status report in 2007 and MDG status report as well as recently concluded mid-term review of PRSP II 2007-2011. These reviews and the status report represent suitable means for the evaluation of the Brussels Programme of Action 2001 – 2010 to present progress made in achieving sustainable economic growth and development and combating poverty.

Following the 2006 mid-term review of the progress report on Brussels Programme of Action, reducing poverty remains a strong policy agenda of the Gambia. Despite progress made in meeting the set targets for PRSP II of reducing poverty to 40 percent by 2011 and the MDGs to 15 percent by 2015, the Gambia still faces challenges such as household size and composition, age, gender of household and head and high unemployment rate in the urban area particularly among the youths.

## **2. NATIONAL DEVELOPMENT PLANNING PROCESS**

### **2.1 Key Actions in undertaken in National Development Strategy**

The National Development Process in The Gambia is multifarious with a clearly define structure. The process recognised Cabinet as the approving authority, whilst overall planning remains with the National Planning Commission (NPC)<sup>1</sup> under the auspices of the Office of the President and macro-economic planning rest with the Ministry of Finance and Economic Affairs (MOFEA).

The NPC and MOFEA are responsible in linking the budget and the priorities of the Country to ensure that sustainability of the PRSP programmes are adequately covered in the budget through a Medium Term Expenditure Framework. It therefore recognises that macro-economic stability, growth for MDG based poverty reduction is the main focus and core policy framework. It thus emphasises the need to match efforts to promote sustained economic growth with specific poverty reduction interventions aimed at enhancing income and reducing income and non-income inequalities in a coordinated policy approach. This is through continued macro-economic reforms, improved public sector management, increased priority for human development, and enhanced participation in the development process.

Whilst “The Gambia Incorporated Vision 2020” remains the socio-economic development strategy for the period 1996-2020, its building block is MDG based PRSP. As the Country’s medium term framework, the PRSP II process and its implementation involves all Ministries and covers civil society, the Private sector, Local Government Authorities and non-state actors. All these agents are part of the steering committee and task forces to monitor and guide the PRSP priority programmes to ensure that the strategy remains relevant to people concern. Presently, refined tools for implementing the strategy as well as the management

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<sup>1</sup> Recently the NPC was subsumed into the newly created Ministry of Economy, National Planning and Industrial Development

framework highlights national ownership, results orientation and mutual accountability as core dimensions of the framework.

However, The Gambia faces daunting challenges impacting the implementation of the Brussels Programme of Action. These include the negative and indirect impact of the sharp decline in global economic activity, high maternal mortality ratio and lack of trained, skilled and motivated personnel and inadequate medical equipments, and natural disaster caused by heavy downpour of rains.

### **3. PROGRESS AND CHALLENGES IN THE IMPLEMENTATION OF THE BRUSSELS PLAN OF ACTION**

In line with progress made in achieving the principal target of the BPoA to attain GDP Growth rate of at least 7 percent per annum, significant progress towards macroeconomic stability was made, through improved value added from all sectors of the economy resulting to an average real GDP growth of 6.9 percent a year between 2003 and 2007. However, the Government ensured continued restrictive monetary policy stance aiming at controlling inflation and relying on open Market Operations to manage liquidity in the economy. Hence, The Gambia successfully met all quantitative and structural benchmarks established under the PRGF programme hence reaching HIPC completion point in 2007 coupled with debt relief of US \$ 513.5 million.

The Gambian has successfully stabilized the economy over the last decade. A tightened monetary policy helped to stabilize the exchange rate and to lower the annual rate of inflation to single-digit levels. Prudent macroeconomic policies and increased external financing helped real GDP growth recover from a drought-induced decline in 2002 to average about 6 percent annually during 2003-06 and average of 24 percent per annum investment to GDP, a percentage to meet the BPoA of 25 percent.

Maintaining fiscal discipline will be critical to the achievement of macroeconomic objectives<sup>2</sup>. The Government had taken steps to strengthen public financial management and accountability. The launching of the Integrated Financial Management Information System in January 2007 is a key step in improving budget execution and monitoring, and should facilitate the establishment of an effective

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<sup>2</sup> Containing the government's domestic borrowing requirement is needed to help lower real interest rates from their current very high levels, and thus stimulate private investment as well as create fiscal space for increasing priority government expenditures

commitment control system and better alignment of budget execution with PRSP priorities.

The Central Bank of The Gambia (CBG) had taken steps to enhance its monetary operations and to address the breakdown in internal controls that led to monetary policy lapses in the early 2000s. The program includes measures to tackle remaining weaknesses and vulnerabilities, and to strengthen the operational independence of the CBG.

The Gambia's macroeconomic performance has helped real GDP growth recovered from a drought-induced decline in 2002 to average about 6 percent annually during 2003-2006, outpacing estimated 2.8 percent annual population growth. The fastest growing sectors are hotels and restaurants (reflecting increased tourist arrivals), construction, and telecommunications. The Government also succeeded in reducing inflation from a peak 21 percent per year in August 2003 to annual rates below 3 percent since June 2005.

To consolidate recent macroeconomic achievements and promote sustained high growth and poverty reduction, the Government completed a second Poverty Reduction Strategy Paper (PRSP II), which integrates the Millennium Development Goals (MDGs) into its objectives. It targets annual growth of 6-7 percent between 2007 and 2009, annual inflation in the range of 2-4 percent, and fiscal basic balance surpluses of about 3 percent of GDP a year to reduce domestic public debt to a sustainable path. Based on indications from donors, the program projects a significant increase in net external financing which will allow for increased growth-promoting and poverty-reducing government spending. Structural reforms include measures to enhance internal controls and operational independence of the central bank to underpin macroeconomic stability, strengthen public financial management and accountability to ensure that public resources are used effectively and efficiently, and deepen financial intermediation.

#### 1. Significant reduction in extreme poverty (MDG1)

Over the years, the Government has formulated macroeconomic policies to target growth and financial reforms to enhance public financial management to induce economic growth and reduce poverty. However, the Government has made public investments to sustain more rapid growth and improvement in investment and business environment for increased employment opportunities. In support of these measures, Government conducted three studies and used overall poverty and food poverty to estimate head count index. In the MDG status report 2007, it is concluded

that overall poverty levels have been on the rise and that poverty is generally a rural phenomenon.

2. Developing human and institutional resources to support sustained growth and sustainable development (MDG2-6)

The Government with the support of the donor community and NGO have put in place policies and programmes to improve access to education and creating a conducive learning environment. In this connection, the following measures have been put in place:

- Mainstreaming Madrassas into the national education system
- Partnership between government, international and bilateral agencies in the promotion of access to education, particularly promoting girls education
- The provision of schools in many parts of the country to make education accessible to all
- Broadening the Madrassa syllabus to include English language etc.

With regards to MDG 6-Combating HIV/AIDS and other diseases, the government has put in place a national HIV/AIDS policy and a strong political leadership. As a result, a National AIDS Council has been established. Currently a Global Fund Round 3 HIV/AIDS grant is currently being implemented. There are major interventions to increase prevention programmes as well as the establishment of home-based care; People living with HIV (PLHIV) support groups, provision of Voluntary Counseling and Testing (VTC) services, prevention of parent to child transmission of HIV/AIDS and Anti-Retroviral therapy are provided.

3. Removing supply side constraints and enhancing productive capacity and promoting the expansion of domestic markets to accelerate growth, income and employment generation.

In recent years, the agriculture sector has been formulating and implementing a number of policy programmes and projects such as Participatory Integrated watershed Management Project (PIWAMP), Rural Finance Project (RFP), Special Programme for Food Security (SPFS), and Farmer managed Rice Irrigation Project (FMRIP) and has made considerable achievements. The dissemination and cultivation of NERICA (New Rice for Africa) rice from 2007 to date has been outstanding. This, coupled with the emergence of commercial farming, is an indication that the prospects for greater and diversified agricultural output are promising. Furthermore, evidence has indicated that land degradation has also slowed down. The Expanded Rice Production Initiative

with Republic of China on Taiwan (ROC) successfully cultivated 7000 hectares with additional 8000 hectares expected to be under production in the second year of the project.

### **3.1. Fostering people centred policy framework**

Real GDP growth increased from a drought-induced decline in 2002 to an annual average of 5.7 per cent. However, significant progress towards macroeconomic stability was made, through improved value added from all sectors of the economy resulting to an average real GDP growth of 6.9 percent a year between 2003 and 2007 with agriculture, construction, telecommunications and tourism as the prime movers of growth. The question is why the improved performance in GDP is not translating into poverty reduction?

Tourism is the leading foreign exchange earner followed by re-exports trade and then exports of domestically produced goods. The main commodity export, groundnut, which is the principal crop in the agriculture sector, was affected by drought in the 2002-03 season thus leading to a decline in groundnut export in 2003, hence deepening the average level the external current account deficit from less than 4 percent of GDP between 1999-2003 to about 13 percent between 2004 and 2005. This situation showed a 0.3 percent GDP growth in 2005 and improved to 3.4 percent, in 2006, 6.0 percent in 2007, 6.3 percent in 2008 and dropped slightly to 5 percent in 2009

A noticeable depreciation in both the nominal and real effective exchange rates during 2001–03 revealed the impact of weak fiscal and accommodative monetary policies that stimulated inflation and led to a depletion of international reserves. Average annual inflation rose from less than 1 percent in 2000 to 17 percent in 2003. A tightening of monetary policy from late-2003 stabilized the nominal exchange rate and reduced inflation to low single-digit levels in 2005. However, food price inflation which remained at 9.0 percent during the last seven months of 2007 fell to 8.2 percent and 8.1 percent in January and February 2008 respectively. The moderation during the first three months of 2008 is attributed to decline in both food and non food inflation. Consumer price inflation declined by about 400 basis points to record 2.6 percent at end November 2009 thus fell by 5.7 percentage points. However, end period inflation decreased substantially by 4.0 percentage point to 2.6 percent at end November 2009 compared to the same period in 2008.

Between 2001 and 2005, investment to GDP ratio maintained an average of 24 percent due to increase in the average level of Foreign Direct Investment (FDI) from about 3 percent of GDP between 1999 -2003 to 11 percent between 2004 -2005. The bulk of FDI in the last few years has gone to building tourism sector infrastructure. On the other hand, the availability of external financing in the form of loan and FDI pushed the current account deficit (see The Gambia: selected issues and statistical appendix IMF Country report No/126 –Tsidi Tsikata et.al)

In other words, Foreign Direct Investment (FDI) has replaced official loans as the principal source of financing for the current account deficit. In general, availability of external financing in the form of loans and FDI emerged to drive the current account deficit. A debt sustainability analysis conducted jointly by staffs of the Fund and World Bank indicated that The Gambia is debt distressed, and will remain so despite receiving debt relief under the Heavily Indebted Poor Countries and Multilateral Debt Relief Initiatives. Thus, sustainability of the external position will be enhanced by greater reliance on non debt creating flows such as FDI.

It is however quite necessary to have economic growth that raises average household incomes and household consumption. With all expectations that some of the achievements made in some instance, recording positive growth rates would have translated into poverty reduction. In The Gambia, growth is measured by GDP using the production approach thus not necessarily hold that increase in average GDP per capita will contribute to poverty reduction. This approach in determining GDP according to a growth poverty relationship seem to sideline the relationship between average household incomes and household consumption because it sums up gross value added or the difference between the value of output and the value of all goods and services use in the production process. However, determining GDP using production approach means that if the bulk of output is produced by foreign-owned companies, their growth will have little effect on the population's average consumption and little effect on poverty. Although all alternative approaches measuring GDP seem to yield equivalent results, the expenditure approach to measure GDP would serve more beneficial, for statistical purposes, as it helps to monitor more closely the domestic Absorption so as to direct more appropriate policy and better translate economic growth into poverty reduction.

### **3. 2. Good governance at national and international level**

The Country 's good governance implies a commitment to the democratic process and its institutions, the laws and the independence of the judicial bodies, a capable government and the promotion of fundamental human rights. Though not yet a signatory, The Gambia, is committed and hence recognized the Africa Peer Review Mechanism, the Extractive Industry Transparency and the Kimberly Process.

Against this backdrop, the Government of The Gambia with the support of the UNDP had in 2000 pursued a widespread understanding of the concept of good governance aimed at enlightening the decision-making processes to facilitate community engagement and participation in sustainable poverty reduction initiatives, short and medium-term capacity development within key national institutions. In referring to institutional development process in key governance issues and reforms, a National Governance Secretariat was established at the Policy Analysis Unit, Office of the President to oversee and monitor activities and progress of governance institutions and to coordinate donor assistance for governance. Within this outfit, a Monitoring and Evaluation component was incorporated in the governance programme. By way of close consultations with key stakeholders and governance institutions, indicators, benchmark and target on good governance were adopted to ensure effective implementation. In the scope of implementing the programme, the Secretariat, in collaboration with key stakeholders and various Project Implementation units, the following reforms were made, Civil Service Reform, Support to Decentralisation, Judicial systems and process, Civic Education, Parliament systems and processes, Support to Independent Electoral Commission.

In the area of financial governance the Government of The Gambia executed structural reforms by creating The Gambia Revenue Authority (GRA) The Gambia Bureau of Statistics (GBoS), National Road Authority (NRA), Central Project Management & Aid Coordination Directorate (CPM&ACD) and Public Finance Management Strategy.

In terms of governance performance, The Gambia is considered and ranked in the context of six aggregate governance indicators namely: Voice & Accountability; Political Stability and Lack of Violence/Terrorism; Government Effectiveness; Regulatory Quality; Rule of Law and Control of Corruption.<sup>3</sup> Rankings on these governance dimensions are based on percentile rankings and corresponding to a 90

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<sup>3</sup> Source World Bank – Governance matters 2009, worldwide governance indicators 1996-2008

percent confidence interval means that there is 90 percent probability that governance is within the indicated range. Observing sources reported by different International Bodies, all the indicators recorded high probability except Voice and Accountability with between 45 – 50 percent. In all the indicators, Political Stability, Control of Corruption reached the 90 percent probability, whilst Rule of Law 85 percent, 70 percent Government Effectiveness and Regulatory Quality 60 percent. In terms of Corruption Perception ranking, The Gambia, from a yearly index 2002 – 2009, is ranked 106 in 2009 out of 180<sup>4</sup>.

### **3.2.1. Future of Governance Challenges in The Gambia**

Lessons learnt from programme implementation suggest that UNDP CPAP 2007 - 2011 is considered the instrument that is placed as the pillar toward the definition of the strategic vision of The Gambia in the governance area. In this connection, the approach will strengthen the democratic process through enhanced capacity building, improved opportunity for gender equality, mainstreaming human rights into national policies, strengthened key governance institutions and sustainable and transparent electoral processes and systems to sustain democratic principles. The following programmes and projects attempt to address Governance challenges:

Support to the Electoral Process in The Gambia

Strengthening Capacity of the Media Groups and CSOs

Civil Service Reforms and Institutional Capacity Development

Strengthening the National Response to HIV/AIDS

Support to the National Assembly

Capacity Enhancement of Women in the Decision making Process

Support to Public Finance Management

### **3.3. Building Human and Institutional capacities**

Enhancing quality and healthy living and nurturing a learning society, which are the ultimate object of eliminating poverty, forms the cornerstone of the Education and

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<sup>4</sup> Worldwide Corruption Perception Ranking of Countries Published by Transparency International

Health policies. In this connection, the greatest achievements in meeting the National Poverty Reduction objectives, targets and MDGs has been the social service sector, basic education, primary health and safe drinking water.

### **3.3.1. Education**

The 2004-2015 Education policy ensures that the right to quality education for all is upheld and that Education for All is achieved. At lower basic level, for the period 2001/2002 – 2007/2008 the Gross Enrolment Rate (GER) increased from 82 percent to 92 percent including the Madrassa enrolment. In the same period, the GER for boys recorded a slight increase from 85 percent in 2001/2002 to 87 percent in 2007/2008, while the GER for girls registered a considerable increase from 80 percent to 92 percent respectively. With respect to upper basic education, there has been significant rapid expansion between 2001/2002 and 2007/2008 with enrolment increasing from 42,094 to 66,025 depicting a GER growth from 43 percent to 65 percent. This represents an average growth rate of enrolment of 15 percent, hence surpassing the target of 12.7 percent. On the other hand, the period 2005/2006 to 2007/2008 registered a drop in GER for boys from 62 percent to 58 percent compared to an increase from 56 percent to 60 percent in GER for girls.

The Education policy accords high priority to Madrassa enrolment that synchronises with the national curriculum. With the establishment of a Madrassa support program, about 149 registered Madrassas participated in the program doubling the number initially planned. Madras's accounted for 65 percent enrolment in primary schools between 2004 – 2007/2008 and 16 percent for lower basic school which recorded an increase of 10 percent ten years ago. From 2000 – 2008, Madrassa increase the lower basic GER from 66 percent to 87 percent in region 5 and 47 percent in region 6, hence making a significant impact in these two regions.

However, the education sector has registered significant successes, including expanded access to education across all levels of the school system particularly girls in the rural areas. The expanded vision of basic education in the Gambia which comprises early childhood education, adult and non-formal education and formal schooling of none years (i.e. grades 1 to 9) was implemented and stands a successful model in Africa. While the text book rental scheme has been abolished, the student text book ratio of 1:1 for core subjects at the lower basic level has been achieved. Notably, the transition from basic primary level to upper basic level increased from 72 percent in 1998 to 2005 as a result of phasing out primary school leaving certificate examination, hence exceeding the 50 percent target of the transition rate from basic

level (Grade 9) to the senior level (Grade 10). Currently, the Country met Primary School enrolment and Gender parity in enrolment.

The Gamworks Agency through funding from the African Development Bank implemented the classroom construction of 110 to 113 classroom blocks, 20 staff quarters, 20 boreholes, provision of furniture for 159 classrooms and the construction of 2 new senior secondary schools at Bansang and Diabugu.

In area of tertiary education, there were significant increases in the enrolment at the Gambia College (GC), the Management Development Institute (MDI), the Gambia Technical Training Institute (GTTI) and the University of the Gambia (UTG) by 12 percent, 68.3 percent and 92 percent in 2008 respectively. This translate to number of enrolment of 2579, 1382, 2231 and 1760 for GC, MDI, GTTI, and UTG respectively

### **3.3.2 Health**

For the poor disease poses a threat to the survival of the household. Therefore to ensure prevention and provide treatment for those affected, the Government with the support of Development Partners aim at access to universal access to basic package of health services. In this connection, the major diseases targeted are Malaria, Tuberculosis, HIV and AIDS, Pneumonia and Diarrhoeal diseases. The Gambia has not met the Infant Mortality Rate (IMR) and Maternal Mortality Rate (MMR) of the MDG. During the last 10 years, HIV prevalence has reduced but the trend is not reversed.

In the case of Malaria the uncomplicated cases in 2008 reduced from 225, 248, in 2007 to 217, 421, likewise, uncomplicated malaria in pregnancy followed the same trend with reduction from 23, 337 in 2007 to 14, 336 in 2008. These improvements is a result of several interventions relating to increased used of Insecticides-Treated Nets (ITNs; improve environmental management, quick response to medical aid; expanded Intermittent Preventive Treatment (IPT) country-wide; monitor drug resistance; intense resource mobilisation for malaria control program and the introduction of new intervention strategies such as In-door Residual Spraying (IRS).

As for Tuberculosis (TB) the cure rate for patients rose from 67 percent in 2003 to 84 percent in 2006 surpassing the WHO target of 80 percent while treatment rate increased from 7 percent in 2005 to 88 percent in 2006. The detention rate defaulters and transfer rates have been reduced to 3 percent and 1 percent compare to 2003 levels of 19 percent and 8 percent respectively. TB case detection rate for 2006

remains at 64 percent and rose to 70 percent in 2007 and 77 percent in 2008 which is above the WHO target of 75 percent. Reported cases of Pneumonia had been reduced for both less than or equal to and greater 5 years old age groups and showed marked improvement for less than 5 years reducing from 141, 559 in 2005 to 41,670 in 2008 respectively. With coverage of 90 percent in 2008 for childhood immunisation across country, the immunisation rates for The Gambia are amongst the highest in Africa.

In the area of physical access to health services, it has continued to improve during recent years. Health facilities including village clinics and village health services ensure availability of health care within a radius of 5 kilometres, thus increasing the geographical access and reducing the distance test health go the nearest health facility.

Goal 4,5,6 of the MDGs: All health related and aim at reducing child and maternal mortality. They also respond well to investments in basic social services and to the rising incomes of the poor. The indicator was a HIPC trigger resulting to its inclusion in PRSP II annual report.

### **3.3.3 Water and Sanitation**

The pronouncement of a national sanitation Policy in The Gambia is based on a vision for improved sanitation services for all. In this drive, there are three essential elements; Access to the use of portable water, Access to the use of adequate facilities (public Private) and Good hygiene practices. The policy aims to pursue the following three interrelated strategies:

- The National Sanitation Agency shall support formation of sanitation and Hygiene Committee in each local government area
- The National Sanitation Agency shall provide support these committees for sanitation and hygiene promotion using international sanitation best practices
- The National Sanitation Agency shall provide support to the Regional Sanitation and Hygiene Committees to conduct annual sanitation survey of their communities

### **3.3.4 Gender**

As a result of the poise the Gambian to take control of their own destiny, and in the process recreate a new and developed Gambian in partnership with the men of the Country, a National Policy for the Advancement of Gambian Women (NPAGW) 1999 -2009 was formulated. The policy aims to mainstream women issues in the

development process so as to bridge the gap of inequality and deprivation between men and women. A review of NPAGW in 2006, it was felt necessary to have a policy shift from women's development perspective to gender and women empowerment with rights-based approach. Hence, a Gender and Women Empowerment Policy (GWEP) 2010 -2010 was formulated. Though finalised but not yet validated, the GWEP, provides guidance for the achievement of gender equity in the country.

### **3.4. Building productive capacities to make globalization work for Least Developed Countries**

Over the past years, government of The Gambia implemented far reaching regulatory and policy reforms to enhance business environment. The Gambia has liberalized regulatory regimes for foreign direct investment (FDI), addressing investors' concerns, and privatized public enterprises and continues to actively promote investment. These reforms have yielded positive result as the economy become resilience to current global crisis and thus minimize its impact on growth. The government realized the need to diversify the economic base by putting in place attractive policies and institutional framework geared towards stimulating trade and investment promotion. The Gambian economy has been opened and all restrictions and obstacles inhibiting free flow of trade and investment have been removed. In 2001 the Government of The Gambia formulated investment Promotion and Free Zones Acts for the promotion of investment and administration of Free Zones in The Gambia. These two Acts created The Gambia Investment Promotion and Free Zones Agency (GIPFZA) with the mandate to spearhead national efforts in investment promotion, assisting investors, administering free trade zones, investment incentives and advocating friendly investment policies.

As the needs of the business environment changes with time, the government, in 2008, set in motion the review and update of the two acts to keep abreast with the dynamics of the business environment.

The Gambian government, recognizing the need for a simple and transparent way of doing business with the international community, has put in place necessary machineries to ensure transparency and accountability. .

#### **3.4.1. Infrastructure Development**

As outline in the National Transport Policy, the policy statement for the road sector is as follows: "To develop and maintain the road infrastructure network in support of the

long run expansion of the productive capacity of the economy and the improvement of the living standards of the Gambian population”. The main objectives of the road sector are as follows:

- Maintenance and development of the road infrastructure network and prioritize its development in terms of sustainable economic and development needs
- Establishment of sound maintenance planning and budgeting systems and procedures
- Provision of sound and stable financial basis to maintain the road infrastructure in adequate condition
- Increase the role of the private sector in road maintenance and develop the capacity of small local contractors to perform road maintenance works

In terms of investment, the Government has completed three primary road net works in the North Bank Division - The Essau-Kerewan 51 Km, Kerewan – farafenni 52 Km, and Farafenni – Lamin koto 115 Km. The contract sums were US\$ 11 million, US\$ 11.5 million and US\$ 24 million respectively. Presently, there are two primary roads that under construction in the South Bank – the Mandinaba – Soma 141 Km and Mandinaba – Sabi 213 kM contracted at US\$ 43 million and Euro 22 million respectively. In the North South two primary roads had been completed in 2009- Serekunda-Mandinaba 28 Km contracted at US\$ 16.5 million and Mandinaba Selety 13 Km contracted at Euro 3.2 Million. Also in the North South two primary roads Barra – Amdalaye 20 Km contracted at Euro 6.1 million and Trans Gambia 24 Km contracted at Euro 7.7 million are under construction. At present, 565 km (70%) of primary roads are under reconstruction.

### **3.4.3. Micro, Small and Medium Enterprises (MSME)**

The Micro Small and Medium Enterprises (MSMEs) are increasingly becoming prominent in the development process of the Gambian economy due to the involvement of many Gambians in this sector. The sector contributes significantly in the provision of employment opportunities in The Gambia as it employs about 60% of the labour force in the urban areas. It is also expected to increasingly play the role of a labour sponge in view of the declining trends in employment in the formal sector and the increasing urbanization of the country.

The government has identified the informal sector as a priority area for development and underscored the need for formulating and implementing measures towards its

development, hence the rationale for the review of the sector and subsequent formulation of the National MSME Policy in 2009.

To ensure effective implementation of the National MSME Policy, the government is currently working on a new institutional arrangement that would provide a comprehensive range of support services and incentives for entrepreneurship and enterprise development. The new institution would not only provide support services to MSMEs but would also be involved in investment promotion and facilitation as well as industrial development in The Gambia, and its mission is to sustain Gambia's overall competitiveness to create the right environment for successful enterprise in The Gambia.

#### **3.4.4. Energy sector**

The general objective of the government for the energy sector is the provision of efficient and reliable supply of affordable energy for the needs of the population to support the socio-economic development of the country. Energy being a key instrument in stimulating growth and poverty reduction, the government has its disposal the following strategies designed to improve the sector: improving and expanding the existing energy supply systems through private-public partnership; promoting a domestic fuel sub-sector, which clearly focuses on sustainable forest resources management; increasing the population's access to other sources of energy, particularly renewable energy; strengthening institutional and human resource capacity and promoting Research and Development (R&D) in energy development; and ensuring adequate security of energy supply.

Over the years the government of The Gambia has made major progress in improving the energy sector. There has been an increase in the generation capacity of the Kotu Power Station during the period under review through acquiring new generating sets. The sector has also of recent been witnessing a significant liberalization, which has made it possible for the private sector participation in the sector. In 2006 the first independent private power supply was licensed to produce and sell electricity to government owned power generating company. In the same the government has embarked on a massive rural electricity project to provide electricity to the rural communities. The first phase of the Rural Electrification Project was commissioned at various locations in the country with a total generating capacity of 4MW. Liquefied Petroleum Gas (LPG) is also being promoted as an alternative to firewood for cooking.

In addition, the government is also promoting the use of renewable energy and has lifted import tax on all forms of renewable energy and energy efficient equipment in March 2009. The Gambia Renewable Energy Centre (GREC) has been revitalised to promote and adopt renewable technologies, and also advise government on renewable energy matters. These initiatives have increased the use of renewable energy such as solar, wind and Jatropha. A 51 metric tonnes of storage facility for all petroleum products including LPG and Heavy Fuel Oil was inaugurated in 2008 and it has a six month interrupted supply capacity. To date 58 percent of urban dwellers and around 5 percent of rural dwellers have electricity supply. However, despite these positive developments in the energy sector, provision of reliable and affordable energy remains a challenge in the Gambia, and has continue to constraint socio-economic development to a large extent.

### **3.4.5. Agriculture and agro-industries, rural development and food security**

Accounting between 30 to 60 percent of Gross national Product (GDP) among LDCs, agriculture remains the backbone of LDCs<sup>5</sup>. This concludes that agriculture employs more people than any other sector. It is a major source of foreign exchange to more than half of the LDCs' population and contributes the provision of basic food for subsistence and other income particularly to the rural poor. The strong forward and backward linkages in agriculture within the rural sector and with other sectors of the economy provide added stimulus for growth and income generation.

Despite the credo of opportunities growth and development offer, The Gambia faces many difficulties in agriculture, amidst hopes and promises to liberalization of trade and finance. There have been difficulties in efforts to develop the agriculture sector to meet the objectives of poverty reduction, especially in the area of food security and export earnings. Low productivity, rigid production and trade structures, low skill capacity, low life expectancy and poor infrastructure continues to pose difficulties to face ferocious competitive external trading environment. In this connection, The Gambia is no exclusion to the exposure of increasingly been marginalized. However, The Gambia continues to export primary commodities that are highly vulnerable to instability in supply, demand and a decline in terms of trade.

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<sup>5</sup> The Gambia is largely an agricultural country with over 60% of its population of 1.3 million deriving livelihood from agriculture. Groundnuts remain the country's main cash crop and its production, handling, processing and marketing engage directly or indirectly over 80% of the active labour force, and over 40% of the land under cultivation. Groundnut is a key socioeconomic product which provides foreign exchange earnings, food, fodder and revenue for the rural community. Despite the sub-sector's importance, groundnut farmers are among the poorest members in Gambian society, with 80% classified as poor. Exports from The Gambia over the past three decades have been dominated by groundnuts.

Agriculture remains one of the most important sectors in the Gambia. It employs 70 to 80 percent of the population, contributes 25 to 30 percent to GDP and generates 60 percent of rural household incomes. The Government of The Gambia continues to collaborate with the donor community, private sector and Non-Governmental Organizations (NGOs) to enhance agriculture productivity. However, it should be noted that 82 percent of the poor are engaged in Agriculture.

Considering the contribution of Agriculture in the Gambian economy, Government maintains its policy objective of encouraging people to go back to the land with a view of increasing agriculture and natural resource output, improve national income and food security, and generate maximum foreign exchange earnings. It also aimed at reducing disparities between rural and urban incomes between men and women, curb rural-urban drift and accelerate the pace of development of the rural sector, creating a sustainable and balanced mix between rain-fed and irrigated agriculture, thus ensuring the use of natural resources of surface and groundwater, animal, aqua-culture crop production as well as between chemical and organic inputs and the use of agricultural by-products. Government also continues to collaborate vigorously with the donor community, the private sector, and Non-governmental Organizations (NGOs) to optimally achieve these objectives.

### **Agro Industries:**

Furthermore, the government has been promoting the development of agro-industries as strategy to facilitate the transformation and modernization of agriculture in The Gambia. In 2001, the government in collaboration with the Commonwealth Secretariat has developed agro-industry strategy to promote the development of agro-food processing. Also in 2009 the government of The Gambia in collaboration with ECOWAS Commission through the CAADP has developed a comprehensive National Agricultural Investment Programme, and one of the programme areas of this project is the development value chain and market promotion.

### **Food Security:**

The Gambia is a food-deficit country with a predominantly subsistence agrarian economy. Poor households have limited access to basic food commodities and domestic food production meets only 50 percent of the national food requirements. The latest national nutrition survey (2005) by the National Nutrition Agency (NaNA), rated acute malnutrition at 7 percent and stunting at 17.8 percent; micronutrient deficiencies are a severe problem especially amongst children.

Crop harvest have experienced two years of decline with the 2007- 2008 harvest representing a decline of 35 percent from 2005- 2006, and the price for the staple food, rice, has increased by 39 percent from January 2008.

The country has an annual consumption requirement of 160,000 metric tonnes of rice (staple food) of which only about 7,400 metric tonnes of clean rice is locally produced. This means only 4.6 percent of the annual requirement is produced locally. This is attributed to low production and productivity of key food crops (rice, millet, sorghum and maize) caused by the high dependence on rain-fed agriculture, which is short (3 months), erratic and unpredictable. Last year between April to September 2008, The Gambia has witnessed a steady increase in the price of her stable food (rice) for up to more than 40 percent. Cereal consumption has continuously increased from 214,000 metric tonnes in 1997 to 291,000 metric tonnes in 2007. This created a cereal gap that is widening. A WFP analysis comparing the trend in net production of cereals with consumption needs indicated this widening cereal gap, which for the last three years, increased from 65,700 metric tonnes to around 150,000 metric tonnes in 2007.

#### **3.4.6. Manufacturing and Mining**

The Gambia like many countries in Sub-Saharan Africa has an undeveloped manufacturing sector. The potential for manufacturing remain highly unexploited, and as a result the Gambia's export trade is mainly in primary product with no value addition. The manufacturing sector contribution to GDP is around 5%. The development of the sector continues to be constrained by the high cost of energy, lack of technical man power and the small size of the domestic market. However, with the formulation of industrial, trade and investment policies and the recent signing of a three year country cooperation programme with UNIDO may lead to the development of a competitive manufacturing sector in The Gambia.

#### **3.4.5. Sustainable tourism**

The Tourism Sector plays an important role in economic development contributing 16 per cent of GDP, a major source of foreign exchange in The Gambia as well as a major source of employment. The sector is supporting over 10,000 direct and indirect jobs, earning over \$39 million in foreign exchange. The priority strategic objectives of the sector are to create awareness of the Gambia, build positive brand image (destination market), diversify tourism product range, put in place regulations governing conduct of all tourism establishments and activities, classify tourism establishments and meet the manpower needs of the industry. The sector aims to

formulate a tourism policy and establish a planning unit, implement the Tourism Master Plan, increase local entrepreneurs' participation in the industry, and intensify linkages with agriculture and fisheries sectors. Major infrastructural and product development were implemented in and around the Tourism Development Area. These include a dream park located by the Kotu Stream, and phase II of the Street Lightening Project utilizing solar panels. Community-based pro-poor tourism projects are also underway in Kartong, Juffureh, and Albreda. In terms of human development and empowerment, these pro-poor tourism projects have now become a model for the whole of West Africa (WTO ST-EP) in terms of sustainability and community involvement. Other major developments in the tourism sector include the upgrading of various craft markets in the Tourism Development Area, notably Kotu, Bakau, and Palma Rima Beach. Similarly, listed world heritage sites like James Islands, Juffureh, Wassu, and Kerr Batch Stone Circles were given a facelift with donor support. The Gambia Hotel School would be upgraded into a tourism and hospitality training institute; a process which would start in 2010. The World Bank has already provided funds for a total review of the school, and the Spanish Government is also willing to provide support for this purpose.

Harnessing the full potential of the industry has been constrained by a number of factors, which include limited air access, energy cost and the high of marketing.

### **3.5. Enhancing the role of trade development**

The Gambia's trade is characterized by a narrow export base and a large and widening trade deficit, as measured by official trade flows. Unofficial re-exports, however, are much larger than official exports. The Gambia has long had a relatively open trade regime, suited for its role as a regional trading centre. Business climate surveys consistently rate The Gambia as having one of the least restrictive trade barriers in Africa. Recently, The Gambia has moved to harmonize its customs duties with those of ECOWAS, as part of the move towards a regional customs union, requiring a slight increase in some trade taxes in The Gambia.

During the period 2001 to 2010, the value of international trade has been recording a very sluggish export performance which showed a worsening negative trade balance. This is attributed to consistent growth in imports and declining export performance. This attributed to large external shocks due to commodity price instability resulting to build-up of unsustainable external debt. A substantial widening of the external current account deficit during 2003–05, partially linked to declines in export earnings (in 2003 and 2005), has raised concerns about the sustainability of The Gambia's external position and possible erosion in the country's external competitiveness. Similar

trend persisted in 2006 and 2007 and improved slightly in 2008 and significantly in 2009 respectively. Hence, emphasis on regional integration as an important growth strategy has exposed the country's external competitiveness in relation to other countries in West Africa. In this regard, implementation of the common external tariff (CET) of the Economic Community of West African States (ECOWAS), would adversely affect the profitability of the country's vibrant re-export trade.

It is quite evident that The Gambia like many Least Developed Countries strives on commodity dependence for global trade. For this reason, the capability of International trade to work as an engine of growth and poverty reduction is affected by falling world commodity prices leading to fall in share in global economic growth with persistent and increasing poverty. In general, even where there are large increases in export volume they are not translated into large increases in export revenue and the ability to buy imports.

Collapse in groundnut exports reflected failures in internal marketing arrangements. A change in licensing requirements for the 2004/05 crop season establishes the Gambian Agricultural Marketing Corporation (GAMCO)—as the sole purchaser/processor. In addition to teething problems, breakdowns in the barges of the state-owned Gambia Groundnut Corporation disrupted the evacuation of the crop from depots to Banjul for processing<sup>6</sup>.

### **3.6. Reducing vulnerability and protecting the environment**

The **Gambia Environmental Action Plan (GEAP)** which represents the commitment of Government to sound environmental management and to achieve economic growth and ensuring a healthy environment was adopted to help address pressing environmental problems. Development of the GEAP helped to shape a long-term vision and sense of direction for the realisation of a sustainable development strategy, which balances economic growth with effective environmental and natural resource management. Sustainability is the key concept in the GEAP, which ensures that natural resources are not exploited and that economic growth is sustained over the long-term. GEAP provides the benchmark for the formulation of general environmental policies and regulation and or legislations in The Gambia as enshrined in the National Environmental Management Act (NEMA) of 1994. Both the GEAP

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<sup>6</sup> Government is committed to the privatization of the Groundnut Industrial Assets and together with its international donor partners are concerned that the privatization process needs to be coherently structured and implemented in order to avoid pitfalls experienced in similar ventures within the sub region.

and NEMA are under the purview of the NEA. Other level of environmental legislation that includes international Conventions and Protocols to which the Gambia is a party to is the Multilateral Environment Agreements.

GEAP in its phase 1 has seven policy objectives as follows:

1. To conserve and promote the rational use of natural resources
2. To protect and improve the health and quality of life of Gambians through sound environmental management
3. To restore and preserve the equilibrium of ecological processes
4. To strengthen the institutional framework for environmental awareness and coordination
5. To increase public environmental awareness and understanding and foster greater community participation in environmental management
6. To ensure the integration of environmental considerations into the development process
7. To accelerate the adoption of alternative sources of renewable energy.

In order to build on gains and overcome constraints encountered in the implementation of GEAP phase 1 and to identify new actions to meet global demands, The Government in GEAP phase II has identified nine strategic basic themes. This is to develop a fully effective and financially self-sustaining environmental management system for the long term. The themes are as follows:

1. Improving the performance of the policy and Institutional framework
2. Incorporate environmental considerations into economic decision making framework
3. Advocacy and sensitisation
4. Support to decentralisation and local government reform for community-based natural resources management and sustainable development planning
5. Engaging the private sector and parastatals for sustainable resource use
6. Strengthening the regulatory framework and enforcement of the codes
7. Sustainable management and protection of the coast and its resources
8. Improving the performance of Municipal Authorities in solid waste management
9. Developing a self-sustaining environmental management system for The Gambia

In view of The Gambia's concern on environmental management, a National Adaption Programme (NAPA) was prepared to response to vulnerability and its adaptation and immediate needs to climate change. Hence NAPA was completed in December 2007 and an amount of US\$ 3.6 million (now raised to US\$ 5 million) was made available to The Gambia through the Least Developed Countries-UNFCCC under the Global Environment Facility (GEF). The above amount was distributed as follows:

Coastal zone restoration: US\$2.2 million to strengthen the Gambia's Climate Change

Early Warning System: US\$1.1 million to strengthen fish production through aquaculture and conservation of post harvest fishery products US\$0.3 million.

Discussions are currently taking place at the policy level on where (sector) to invest the additional US\$1.4 million. So far, only the Climate Early Warning component has made notable progress towards accessing the funds for project implementation. Consultants are currently finalizing the project document for endorsement by GEF. Like other countries that have prepared the NAPA, access to the funds for implementation of identified priority interventions/projects has been very slow, due mainly to capacity constraints to meet the GEF procedures, before the release of funds.

The Gambia has not started implementation of the Clean Development Mechanism (CDM).

### **3.7. Mobilizing financial resources**

A Donor Table conference to mobilize resources for the financing of PRSP was held in London, followed by in country donor dialogue and consultations and promotion of the SWAPs. During 2008 both domestic resources mobilization and donor support fell of target thus resulting to budget deficit. However, new support areas from the FTI and the Global Fund continue to finance priority social sector components of the PRSP.

The establishment of Aid Data base for coordination of limited number of in-country donor and aid resources in collaboration with the Ministry of Economy, National Planning and Industrial Development serve as a national hub for effective management of donor funds, monitoring aid flows aid utilization as well as impact of aid on development programmes. The Aid Data base will also be feeding The Gambia on basic aid information. Relevant data for Aid Data are being collected from sectors

managing and handling aid resources as the data base is only to capture aid information for analysis and guidance.

#### **4. Impact of the financial and economic crisis on Gambia and policy responses.**

The global financial crisis has impacted the Gambian economy mainly through trade and financial channels. The Gambia was largely insulated in the first round of the crisis because it was not heavily integrated into the global financial system, hence the domestic financial system has not been directly affected but the real and external sectors experienced due pressure. Significant financial flows to finance global trade and investment remained dampened by a protracted recession while the low global demand affected exports of goods and services. As a result, economic growth slowed down to a revised 6.1 percent in 2008 from an initial estimate of 7.1 percent. Because of expected decline in activity in key sectors of the economy, growth for 2009 projected at 4.5 – 6.0 percent has now been revised downwards to 3.6 percent.

However, the current account balance, including official transfer recorded a deficit of US\$135 million, in 2008, gross official reserve to US\$112.6 million or 3.8 months of import cover thus contributing to a balance of payment a deficit of US\$35.3 million in 2008 compared to surplus of US\$34.0 million. This could be attributable to the effects of trade, tourism receipts and Foreign Direct Investment (FDI), due to weak demand from main trading partners particularly the European Union and the US. The current account balance worsened to US\$137.6 million in 2009 and projected to improve slightly to a deficit of US\$133.6 million and US\$134.8 million in 2010 respectively. These developments impacted the foreign exchange market, and the inter-bank market for foreign exchange at end May 2009 was characterised by reduced activity due to drop in volume of transactions. Volume of transactions however contracted to D33.3 billion or US\$ 1.4 billion from D36.5 billion or US\$ 1.7 billion compared to last year. In 2008, the dalasi depreciated in nominal terms by 5.9 on the overall weighted index against a basket of currencies compared to an appreciation of 16.8 percent in 2007. Consequently, the domestic currency lost 20.3 percent on the overall index in the twelve months to May 2009. Moreover, due to high level of oil prices, the trade balance recorded a deficit of US\$ 218 million in 2008 hence a deterioration of 27.1 percent from 2007 level.

As a result of the withdrawal of most offshore credit lines coupled with liquidity problems experienced by international financial institutions, FDI flows to The Gambia have slowed significantly at US\$ 70 million as at end 2008 a decline of 13.2 percent compared to the previous year. At the same time, FDI is experienced a further decline of 12.7 percent in 2009.

In the agricultural sector, the crisis did not affect growth in output due to good rains, increase in area and production for most crops during 2008/2009 cropping season. Total cereal production is recorded at 284,700 tons comprising 223,700 of coarse grains and 61,000 tons of paddy rice. The coarse grain is 10.5 percent above last year's level and 27.8 percent above last 5 years average. Rice production improved significantly with an increase from 34,000 MT in 2008/ 2009 to 64,500 MT in 2009/2010. Similarly, groundnut production increased from 72,000 MT in 2008/2009 to 140,000 MT in 2009.

## **V. Conclusions and Way Forward**

The conclusion of this review reflects back to the recognition of Gambia's strive to achieve macro-economic stability, growth for MDG based poverty reduction as the main focus and core policy framework. However, this emphasises the need to match efforts to promote sustained economic growth with specific poverty reduction interventions aimed at reducing income and non-income inequalities. This is in line with the central policy problem for LDCs on how to break the cycle of pervasive poverty and economic stagnation and to realize the great opportunity for fast poverty reduction that can occur through sustained economic growth. Gambia is therefore not excluded amongst the LDCs that are caught in a poverty trap, thus leading to the adoption of the new approach to international development cooperation centering on a Poverty Reduction Strategy.

This review has therefore identified Gambia's efforts and attempts to improve its economic and financial environments, implement structural and institutional reforms and mobilize resources for investment domestically. Despite some progress made, there are yet challenges, thus the need to double more efforts especially in the economic and financial policy environments.

This review has highlighted that the Gambia's external competitiveness is at the fore. In this connection, improvements in the investment climate are necessary to maintain growth of tourism services, encourage export diversification, and acquire continued inflows of FDI. Hence, market perceptions of The Gambia's competitiveness and investment climate are mixed, indicating scope for improvements.

In the same vein, there is also need to consider some realignment of domestic strategy in the designing and formulating policy as well as harmonisation of the provision of statistical information that the country depend on to design both macroeconomic and financial policies. In this regard, the review has identified key issues regarding

approaches to measuring GDP figures with GBOS and the Central Bank using different approaches i.e. output approach and expenditure approach respectively. Although both approaches bring equivalent results, but the key aggregates in arriving at the results are considerably important in dictating the type of economic and financial policies.

Whilst The Gambia aims at promoting sustained economic growth with specific poverty reduction interventions to reduce income inequalities, it is believed that the expenditure approach could be more useful to dictate policies. Therefore, the question of why GDP growth is not trickling down to the poor is certainly a problem of monitoring key aggregates that can help design policies to reduce income and inequalities. It is however evident that this is missing when using the output approach to measure GDP.

Hence, the current account balance which equals to the saving and investment gap is grossly ignored to design appropriate growth related poverty policies as a result failing to remove the Gambia from the poverty trap, with continuous slow growth and low income limiting domestic savings. The resultant effect of this is meeting the savings gap from savings abroad through borrowing from abroad as well as from domestic source, thus more and more widening the international and domestic debts. This resulted to limited increases in investment and economic growth as evident that there is need to shift from adjustment-oriented to development-oriented poverty reduction strategies and to double average household incomes as quickly as is feasible. At the same time, this requires expansion of employment opportunities and rising output per worker which can be achieved through more sector-focused productive development strategies, and an export strategy.

The Gambia has made considerable achievements in institutional reforms especially in the area of both financial and political governance, but the missing link is, putting appropriate policies to support such development.

In addition to these conclusions, it has been realized during the review that The Gambia recognized that the Brussels Programme of Action and the Millennium Development Goals are mutually supportive. In this connection, it is believed that the development indicators to achieve the MDG targets should have been closely related to the commitments and goals of the Brussels Programme of Action.

Since the Gambia is about implementing the Enhanced Integrated Framework, it is important to align and harmonize it with Brussels Program of Action as well as to

consider exploring measures on improving minimum quality standards and double up technical assistance for horizontal and vertical diversification.

## **WAY FORWARD**

The Gambia faces arduous developmental obstacles and challenges which is further deepened by the globalization process. In order to overcome these developmental challenges, it is important that, henceforth, The Gambia integrates and harmonize the Brussels Programme of Action as well as the Enhanced Integrated Framework into its development strategy i.e. MDG based poverty reduction. This will improve the systemic monitoring of the progress of implementation in tandem with the MDG-based poverty reduction strategy.

The Gambia would need ODA resources to consolidate the gains made in the implementation of the objectives, goals and targets of the Brussels Programme of Action in a more sustainable manner. However, improved ODA both quantitatively and qualitatively and the effective coordination of aid in the context of the Paris Declaration on Aid Effectiveness would certainly help in no small measure to realise sustainability of achievements made.