GAMBIA
2017

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GAMBIA

- **Growth declined to 2.1% in 2016 due to policy slippages and electoral uncertainty, but is expected to rebound to 3.5% in 2017 and 4.8% in 2018 following a peaceful political transition.**
- **The outlook depends on the ability of the new administration to carry out a smooth and fast transition in order to make needed reforms and set the basis for structural transformation.**
- **Industrial policy suffers from a lack of core infrastructure, technological innovation and the lack of regional integration needed for the economy to reap the benefits of a much larger market.**

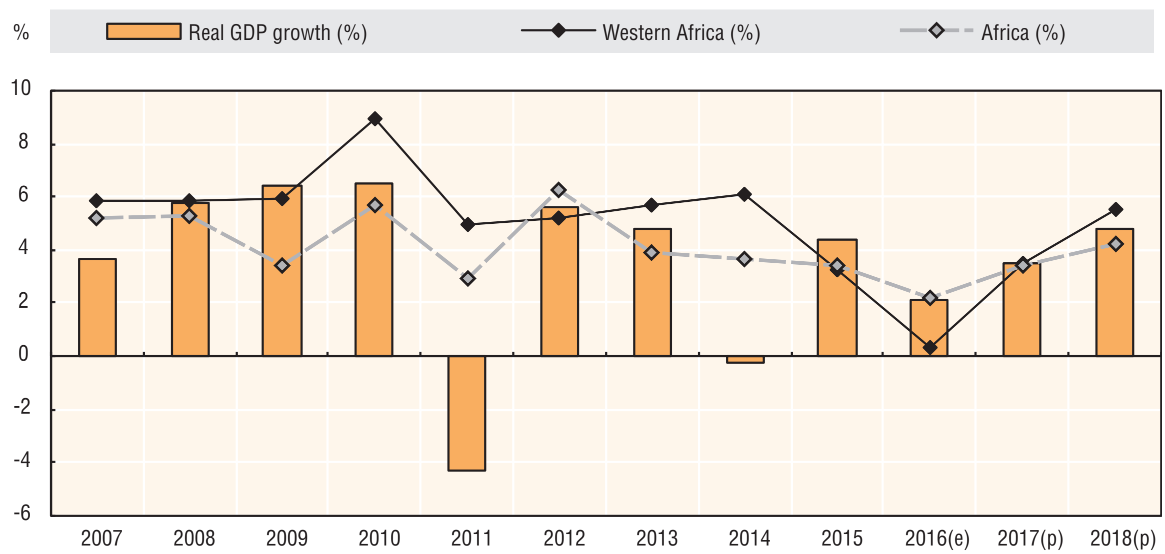
Overview

As a small and open economy relying on agriculture and tourism, Gambia remains highly vulnerable to climate change and external shocks. Policy inconsistencies, high spending and unfavourable weather conditions in recent years have negatively affected economic potential and fiscal performance. In addition, Gambia is characterised by high debt and high interest rates. Growth for 2016 is estimated at 2.1%, down from 4.4% in 2015. This is mainly explained by policy slippage on reforms, the crowding out of private investment, an average agricultural season and a year-end political scenario that tamed the tourism season. The outlook for 2017 and 2018 looks positive, with growth rates projected at 3.5% and 4.8% on the back of a peaceful political transition.

The election of President Adama Barrow in December 2016 led to Gambia's first democratic executive change since independence. After the incumbent initially declined to leave power, mediation and military pressure from fellow West African countries led to his peaceful departure. The outlook for the country is thus greatly dependent upon the ability of the new administration to carry out a smooth and fast transition, shore up finances, regain the confidence of partners, stabilise the country to bring back tourists and set the basis for economic transformation. On the fiscal side, rebuilding fiscal buffers should become a top priority, notably through improved wage bill management, tightened control of spending, review and restructuring of public-sector enterprises and control of domestic borrowing.

Although Gambia has witnessed a degree of structural transformation over the past ten years, the country has not significantly increased the industrial sector's share in the economy (15% in 2013, up from 12% in 2004), nor has it increased manufacturing value added. Hurdles to industrialisation include poor regional integration, the absence of reliable and cheap energy, and sub-optimal infrastructure and training. Similarly, entrepreneurship has yet to take off. Barriers include a shortage of entrepreneurial skills and structural gaps in the business environment including difficult access to finance and land, high taxes and sub-optimal administrative procedures.

Figure 1. **Real GDP growth**



Source: AfDB, Statistics Department AEO. Estimates (e); projections (p).

Table 1. **Macroeconomic indicators**

	2015	2016(e)	2017(p)	2018(p)
Real GDP growth	4.4	2.1	3.5	4.8
Real GDP per capital growth	1.1	-1.2	0.3	1.5
CPI inflation	6.8	8.3	7.7	5.1
Budget balance % GDP	-6.5	-7.3	-6.7	-3.2
Current account % GDP	-10.6	-11.4	-11.9	-12.2

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

Recent developments and prospects

Gambia's macroeconomic situation worsened throughout 2016 compared to the previous year. Real gross domestic product (GDP) growth declined to an estimated 2.1% from 4.4% in 2015. The country continued to experience fiscal imbalances, mainly caused by persistent policy slippages and financial difficulties in public enterprises. Although performance in key industries such as tourism started strongly in 2016, the electoral conundrum at the end of year exerted a small negative effect on growth, and this is also expected to affect 2017 performance. Similarly, the important agriculture sector did not manage to pull the country's growth levels upwards due to weather conditions. The sector's low level of mechanisation and insufficient rainfall continued to subdue growth, given the preponderance of rain-fed agriculture.

The fiscal deficit is largely financed from domestic borrowing due to difficulties in mobilising external resources. Contingent liabilities from state-owned enterprises (which reached 5% of GDP in 2014) and their poor financial situation have also contributed to the deterioration of the fiscal deficit (-7.3%). In addition to borrowing to finance the deficit, the government has increasingly relied on direct Central Bank monetisation, which also contributes to inflationary pressures. Inflation hovered at around 6.8% at the end of 2015, and an increase to 8.3% is estimated for 2016. This is causing the depreciation of the Gambian dalasi (GMD). On 14 January 2016, the office of the president lifted the exchange rate restrictions it had put in place in 2015. With a high policy rate (23%) at the year's end, the Central Bank was running out of policy options to control inflation, which could surge in the near term. Heavy reliance on a thin domestic banking sector to finance the deficit (more than 50% of commercial bank assets are held in treasuries), combined with growing uncertainty about the government's financial position, has led to sharply elevated interest rates. Critically, in the context of a spiral in public sector debt, which is held primarily in short-term maturities that need to be rolled over, the banking sector's high exposure to government debt represents a sharp systemic risk should the government be unable to pay its external or domestic obligations.

The stock of public debt (external and domestic) rose from just below 70% of GDP at end-2010 to 108% by end-2015. Consequently, interest payments on public sector debt increased to absorb the equivalent of 7.3% of GDP in 2015, up from 4% in 2013. They are expected to peak at 8.7% of GDP in 2016, and total public debt is projected to exceed 110% of GDP. Associated with the fiscal deficit, Gambia has experienced a significant balance of payments crisis, which led to a decrease in its official reserves from six months of import cover at end-2012 to less than three months in early 2016 and below one month at year end.

The agriculture sector managed to recover from the setbacks of delayed and erratic rainfall in 2011 and 2014, registering growth of 3.8% in 2015 after a 7.1% contraction in 2014. The improved performance of the sector was primarily due to a 4.5% increase in crop production. For 2016, production is expected to fall below expectations due to the late onset and premature end of seasonal rainfall. For 2017, pre-crop data suggests that the outlook for agricultural output is only mildly positive in the short term. Conversely, the industrial sector grew by 8.2% in 2015, up from growth of 2.7% in 2014. This significant improvement is mainly due to growth in electricity, gas and water supply and in the construction sub-sector. However, manufacturing growth declined to 1.5% in 2015 from 2.8% in 2014. Manufacturing, which accounts for 5.5% of GDP, remains small and uncompetitive, reflecting a limited domestic market and a constrained business environment. Finally, growth in the services sector declined to 3.7% in 2015 from 6.0% in 2014. The relative underperformance of the sector reflects lower than expected growth in the wholesale and retail trade sub-sector and negative growth in the hotels and restaurants sub-sector (-13.6% in 2015). However, available data for 2016 show that cumulative tourist arrivals were up 23% as of November compared to the same period in 2015. The political events of late 2016 are expected to have a short-term negative effect on the tourism industry in 2017 despite the fact that most countries changed their advice on travel to Gambia for only a few days. Estimates suggest that December, typically the peak of the season, saw a 20% decrease in arrivals compared to 2015, while projections for January 2017 indicate a 60% drop.

The outlook for 2017 and 2018 will depend upon the ability of the new administration to carry out a smooth and fast transition, shore up finances, regain the confidence of partners, stabilise the country to bring back tourists and set the basis for economic transformation. Exogenous factors include the level of rainfall and the growth perspectives of the primary sector. Assuming a smooth political transition, the return of partners to support the country and an agricultural season similar to 2016, growth is projected to reach 3.5% in 2017 and 4.8% in 2018. It should be noted that the success of the political transition does not solely depend upon the resolution of short-term economic concerns, but also rests upon the consolidation of democratic principles and social peace as per the aspirations of the new authorities.

Table 2. **GDP by sector (percentage of GDP at current prices)**

	2010	2015
Agriculture, forestry, fishing and hunting	31.7	22.5
of which fishing	1.9	2.2
Mining and quarrying	2.9	2.4
of which oil	...	...
Manufacturing	5.2	5.5
Electricity, gas and water	1.4	1.4
Construction	4.1	6.5
Wholesale and retail trade; Repair of vehicles; Household goods; Restaurants and hotels	27.4	30.3
of which hotels and restaurants	2.3	3.2
Transport, storage and communication	12.8	16.9
Finance, real estate and business services	9.6	9.0
Public administration and defence	2.2	2.5
Other services	2.7	3.0
Gross domestic product at basic prices / factor cost	**100.0**	**100.0**

Source: Data from domestic authorities.

Macroeconomic policy

Fiscal policy

Policy slippages, weak control over expenditure and a mounting wage bill have significantly and negatively affected the country's fiscal stance over the past years, while also contributing to the build-up of debt. Higher than budgeted levels of spending pushed the overall fiscal deficit from 1.7% of GDP in 2008 to a peak of 10% in 2014, with the deficit standing at around 7.3% in 2016. Total expenditures are expected to reach 31% of GDP in 2016 due to rising levels of interest payments and capital spending. Concurrently, tax revenues and grants increased to a total of 23.7% of GDP, although this was not enough to make up for the spending trend. Rebuilding fiscal buffers should become a top priority for 2017 and 2018, notably through control of the wage bill, tighter control of spending and full engagement with review and restructuring of public-sector enterprises.

The fiscal deficit is largely financed from domestic borrowing due to difficulties in mobilising external resources. Contingent liabilities from state-owned enterprises are also an important factor and require reforms in the short term to ease fiscal pressures. Put together, this has led to an increase of ten percentage points since mid-2013 in the government's one-year treasuries borrowing interest rate. Weak domestic macroeconomic management and frequent policy slippages have led Gambia's Extended Credit Facility (ECF) with the International Monetary Fund (IMF) off track. In March 2015, the country entered into emergency financial assistance under the Rapid Credit Facility to enable the authorities to meet their urgent balance of payment and fiscal needs. However, the office of the president issued a directive in early May 2015 fixing the exchange rate at a level overvalued by more than 20% compared with prevailing market rates. Although this was rescinded in January 2016, the situation led to reserve shortages and delayed budget support operations that had been programmed by partners, putting a further strain on the budget and leading to increased borrowing.

The budget as presented to parliament presents shortfalls. The latest public expenditure and financial accountability exercise concluded that public financial management reforms under a 2010-14 strategy had resulted in some improvements. However, there remains an urgent need to address issues related to the composition of expenditure outturn compared to the original approved budget, along with issues of transparency, oversight of public-sector entities, tax collection, audits and procurement.

Table 3. **Public finances (percentage of GDP at current prices)**

	2008	2013	2014	2015	2016(e)	2017(p)	2018(p)
Total revenue and grants	**17.9**	**18.5**	**22.5**	**21.7**	**23.7**	**24.7**	**28.5**
Tax revenue	14.7	14.2	16.1	17.7	18.2	18.6	19.3
Grants	1.6	2.2	3.7	1.9	3.5	4.0	7.1
Total expenditure and net lending (a)	**19.6**	**27.1**	**32.5**	**28.2**	**31.0**	**31.4**	**31.8**
Current expenditure	14.3	20.0	21.1	22.0	23.7	22.7	22.2
Excluding interest	12.0	15.9	15.6	14.7	15.0	15.6	15.5
Wages and salaries	4.6	5.8	5.6	5.3	5.0	4.7	4.4
Interest	2.3	4.0	5.5	7.3	8.7	7.1	6.6
Capital expenditure	4.9	7.1	11.3	6.2	7.3	8.7	9.6
Primary balance	**0.6**	**-4.5**	**-4.5**	**0.9**	**1.4**	**0.4**	**3.4**
Overall balance	**-1.7**	**-8.5**	**-10.0**	**-6.5**	**-7.3**	**-6.7**	**-3.2**

Note: a. Only major items are reported.
Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

Monetary policy

In 2016, the Central Bank of Gambia (CBG) continued the deployment of available instruments to control inflationary pressures, keeping inflation to single digits, although inflation rose to 8.3% in 2016 from 6.8% in 2015. In June 2016, the CBG decided to keep the policy rate at 23% after a rise of 1 percentage point in 2015. In continuation from 2015, it also maintained efforts to improve liquidity management and forecasting through closer collaboration with fiscal authorities.

Latest available data show that monetary aggregates contracted in 2016 as broad money decreased by 0.2% at mid-year, reflecting a significant drop in the net foreign assets of banks. In contrast, net domestic assets of the banking sector had grown by 35.2% at mid-year. Over the same period, the banking system's net claims on government rose by 29.1%. This is explained by the fact that government deficit spending has been financed through the local banking system, raising its exposure even further.

In 2015, the CBG tightened the foreign exchange net open positions of banks to increase the supply of foreign exchange, which created hurdles for import-export businesses. In addition, the office of the president imposed an over-valued exchange rate, and foreign exchange interbank trade volumes plummeted by more than 50%. The lifting of currency controls in January 2016 eased the situation, facilitating the reconstitution of reserves to about three months' worth of imports early in the year, although businesses were still affected by other administrative controls in place. For 2017 and 2018, policies to rebuild reserves are expected to be in place and controls are expected to ease over time.

Over 2016, the government continued to rely on direct Central Bank deficit monetisation. This practice has introduced uncertainty, contributing to inflationary pressures with the depreciation of the Gambian dalasi on parallel markets. Heavy reliance on a thin domestic banking sector to finance the deficit (more than 50% of commercial bank assets are held in treasuries), combined with a worrying financial position, has led to sharply elevated interest rates. Considering the ever increasing levels of public sector debt, along with the fact that the debt is primarily denominated in short-term maturities that need to be rolled over, the authorities face high roll-over (liquidity) risks as well as a systemic banking risk if the government is unable to pay for its external or domestic obligations.

Economic co-operation, regional integration and trade

Imports accounted for 35.1% of GDP in 2016, slightly down from 37.5% in 2015. For 2017, assuming a normalisation of the political situation and a rebound in investments and consumption, imports are expected to rise to 37.9% of GDP. Exports account for only 11.1% of GDP and mostly consist of re-exports, which accounted for 70% of total exportation in 2014 and about 64% in 2015. The three main re-exports were textiles, wood and dairy products. The current account deficit narrowed to USD 58.1 million in June 2016, down from USD 69.7 million in 2015. This result was driven by a 22.5% decline in imports, which more than helped to offset the 3.8% contraction in exports (CBG). Major imported items included food stuffs (mainly rice, sugar and vegetable oil) and refined petroleum; the main exports were groundnut, cotton, cashew nuts and scrap iron.

Given the importance of transit trade for Gambia, it is important to take note of a three-month blockade of the border by Senegalese transporters following a 100% hike in Gambian fees for trucks transiting through the country. Until the border re-opened in mid-May 2016, the dispute forced truckers to take a circuitous 500 kilometre detour around Gambia from northern Senegal to reach Casamance in the south. It cut into import fees as well as benefits for Gambia from ferry and road traffic. The closure also affected trade with Guinea, Guinea-Bissau and Senegal.

The current account deficit widened in 2016 to -11.4% of GDP, reflecting mainly higher external interest payments. Unless urgent action is taken in the short term, the deficit is expected to increase to -11.9% of GDP in 2017 and -12.8% in 2018. Tourism, which is a major contributor (16% – 20% of GDP in 2015), has not fully recovered and will be determinant in the overall short-term economic recovery.

Table 4. **Current account (percentage of GDP at current prices)**

	2008	2013	2014	2015	2016(e)	2017(p)	2018(p)
Trade balance	-22.9	-18.6	-25.1	-25.6	-24.0	-25.2	-25.9
Exports of goods (f.o.b.)	9.0	14.6	15.0	11.9	11.1	12.7	12.2
Imports of goods (f.o.b.)	32.0	33.3	40.1	37.5	35.1	37.9	38.1
Services	3.5	7.2	3.5	4.3	4.7	4.5	4.8
Factor income	-4.3	-3.3	-3.5	-3.1	-2.6	-2.9	-2.8
Current transfers	7.8	3.9	15.0	13.9	10.5	11.7	11.8
Current account balance	**-15.9**	**-10.9**	**-10.2**	**-10.6**	**-11.4**	**-11.9**	**-12.2**

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

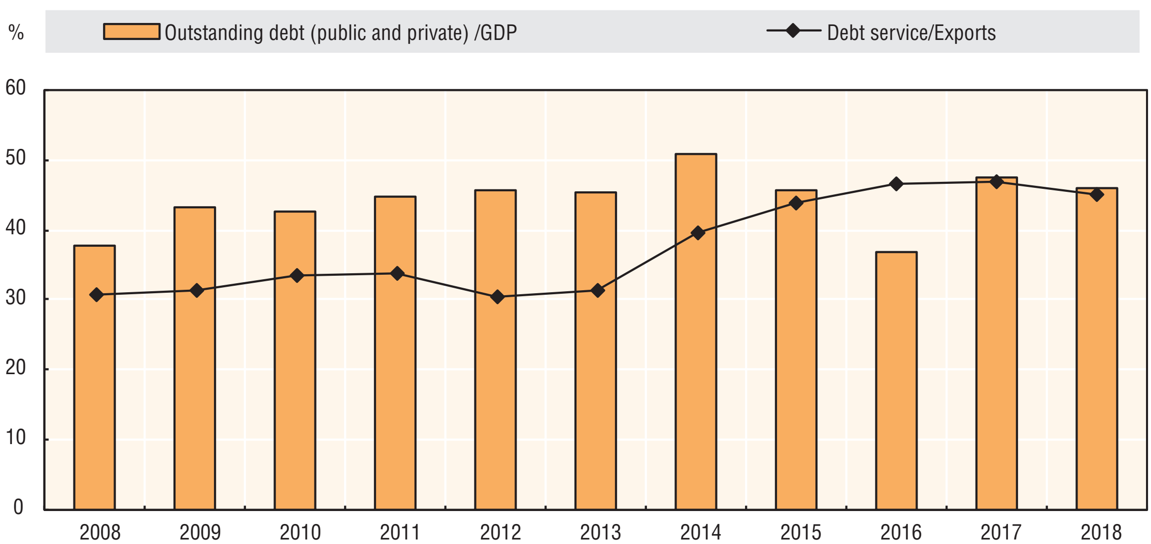
Debt policy

Significant fiscal deficits in recent years have increased the government debt burden, which rose to 101% relative to GDP in 2014 from 83.3% in 2013. The public-sector debt burden was 108% in 2015, and total public debt is estimated to exceed 110% of GDP in 2016. The authorities have been relying heavily on thin domestic debt markets to finance the deficit. Due to deterioration in market confidence, the government borrowing interest rate has increased by more than 10 percentage points since mid-2013. Consequently, interest payments on public-sector debt have risen immensely, absorbing the equivalent of 7.3% of GDP in 2015, according to estimates, up from 4% in 2013. Estimates for 2016 are clouded by policy slippages related to the financing of another large programmed deficit of 7.3% of GDP. Interest rates on the public debts are expected to rise to 8.7% of GDP in in 2017.

This heavy debt burden negatively affects the economy, particularly by crowding out private-sector lending, given that local financial institutions invest heavily in risk-free treasury instruments instead of lending to the productive sectors. Treasury bill rates have increased to high levels, reaching 19% for the 12-month bill. Urgent measures are needed to curb net domestic borrowing. Warnings issued in the 2015 edition of the *African Economic Outlook* are still valid and increasingly pressing: in the context of a spiral in public-sector debt, which is held primarily in short-term maturities that need to be rolled over, the banking sector's high exposure to government debt represents a high systemic risk if the government is unable to cover its external or domestic obligations.

Gambia earlier formulated a Medium Term Debt Strategy (2011-2014) aimed at moving away from the accumulation of domestic debt. Under the IMF's ECF monitoring programme, understandings had been reached that put a ceiling of 2.5% of GDP on the government's net domestic borrowing (NDB) in 2014. Unfortunately, NDB has been breaching the agreed ceiling due to the financial difficulties of the public utility provider, weak controls on spending on goods and services, and budget support shortfalls from partners. If urgent measures are not taken to curb NDB, the authorities could lose control of inflation as well as exchange and interest rates. Going forward, further steps should be taken in order to improve public debt management. Information exchange between the Central Bank and ministries is crucial, as is a clear picture of the contingent liabilities and funding needs of state-owned enterprises.

Figure 2. **Stock of total external debt (percentage of GDP) and debt service (percentage of exports of goods and services)**



Source: IMF (WEO & Article IV).

Economic and political governance

Private sector

Micro and small enterprises, most of which operate informally, dominate the private sector landscape. These firms face many difficulties in entering and conducting business, as indicated in the World Bank report *Doing Business 2017*, which ranks Gambia 168th out of 190 countries in ease of starting a business. Cumbersome licencing procedures, administrative complexities and prohibitive registration costs are key impediments to starting a business. In terms of business operation, a legal framework exists to address anti-competitive conduct by firms, but it lacks effectiveness. Access to finance and land, as well as high tax rates and inefficient administration, are among the most problematic factors for doing business. Corruption and patronage are still major issues of national concern. Despite the creation of an anti-corruption commission, Gambia ranks 145th out of 176 countries in Transparency International's 2016 *Corruption Perceptions Index*. Corruption is exacerbated by the judiciary's lack of independence. According to the 2016 Mo Ibrahim Index on African Governance, Gambia ranks 37th out of 54 African countries in terms of safety and the rule of law.

Concerning access to finance, the importance of government domestic borrowing has created a crowding- out effect. On taxation, Gambia introduced a simplified value-added tax to make payments easier and reduced the corporate income tax rate, but this has not fundamentally altered the *status quo*. Under the "paying taxes" category of *Doing Business 2017*, Gambia is ranked 156th out of 190 countries. Regarding foreign currency, exchange rate directives issued in late 2015 and up to January 2016 hurt the private sector due to increased administrative burdens to obtain foreign exchange, while hard currency shortages discouraged imports, created inflationary pressures and introduced policy uncertainties. Land is subject to a dual legal system: modern under the government and customary under the chiefdoms. Outside greater Banjul, properties tend not to have title deeds, making it difficult to secure property and use it as collateral for financing purposes.

Financial sector

Gambia's financial sector is generally considered to be liberalised. The system is small but sound, comprising 13 commercial banks and 11 insurance companies. The sector continues to be largely dominated by commercial banks, the majority of which are foreign owned. In 2016, the banking sector continued to be relatively sound and resilient. According to the Central Bank, the industry risk-weighted capital adequacy ratio averaged 36.5% in March 2016, above the 10% minimal statutory requirement. Total assets have been rising (4.8% year-on-year increase at the end of Q1 2016). The ratio of non-performing loans to gross loans was 8.1% at Q1 2016, up from 6.5% in December 2015, but still at a relatively low level. Solvency remains strong and all banks remain within the capital adequacy ratios' prudential limit.

There are overhanging risks, however. The first is related to government intervention, which occurred in 2015 when the authorities decided to fix the USD/dalasi exchange rate. Damaging effects included a loss of confidence and foreign exchange shortages. Second are risks associated with commercial banks' high exposure to government debt. Interest rate spreads have consistently stayed above 10% over the past ten years, notably due to high net government borrowing, which hurt the private sector. Steps to improve fiscal policy implementation and restore macroeconomic stability are critical to mitigate the emerging risks in the financial sector.

Regarding access to finance, bank branches are concentrated mainly around urban areas and business districts. According to the World Bank, the microfinance sector is small and accounts for only about 0.25% of the population in terms of borrowers and depositors. Donor financing sustains a sector that would otherwise not be able to survive in the long run, with the possible exception of credit unions, which manage to mobilise savings from their members.

The fixed-income market is limited to government-led transactions (treasury bills and government bonds), which mature in a maximum of three years. While access to bonds is open to all, treasury bills are only available to primary dealers (with some exceptions for large subscriptions), and the secondary market is virtually absent.

Public sector management, institutions and reforms

According to the World Bank's *Worldwide Governance Indicators*, government effectiveness has deteriorated over the past ten years. Gambia stood at the 18.75th percentile rank among all countries in 2015, down from 29.76 in 2005. One reason for this is related to the frequent changes in government composition (director general level as well as ministerial level), which undermine policy coherence. Administrative structures are still fragmented, and co-ordination mechanisms are generally inadequate to overcome entrenched bureaucratic interests.

Gambian authorities are working on a new co-ordination framework under the second Programme for Accelerated Growth and Employment (PAGE II), which is to be implemented through national systems and structures. The government should take a lead role in co-ordinating these efforts through active leadership and the participation of established integrated national structures such as the National Coordination Committee, Technical Working Group, planning departments and the Directorate of National Development Planning. The overarching objective is to promote simplicity, efficiency and effectiveness and to address implementation complexities that were highlighted by the PAGE I mid-term review. These changes are not yet in place, however, and will need assessment in 2017.

Regarding public financial management (PFM), the authorities have committed to improvements, and a specific PFM Reform Strategy (2010-2014) was put in place. While recent assessments have highlighted some improvements, there remains an urgent need to address issues related to the composition of expenditure outturn compared to approved budgets; transparency; oversight of public sector entities; effectiveness in tax collection; and audits and procurement. These are pressing challenges that should be taken up quickly in 2017 and 2018 as they directly relate to the need to rebuild fiscal buffers.

Natural resource management and environment

Gambia is a low-lying country in the Sahel. It is highly vulnerable to the effects of climate change such as changes in rainfall, extreme weather events, rising sea levels and increased intensity of tropical cyclones. Its fisheries, agriculture and tourism industry are particularly at risk, especially considering that 30% of Gambia's landmass is at or below sea level. Droughts and floods are most common in the east of the country, while floods are frequent in the central part and wind storms, soil erosion, saline intrusion and floods threaten the west (National Disaster Management Agency, 2014).

The government has articulated a commitment to environmental and natural resources management in keeping with its Vision 2020 programme. Various policy frameworks have been developed over the years. The country is currently implementing its second Environmental Action Plan (GEAP II, 2009-2018), which seeks to promote increased use of environmentally friendly practices in the economy as a viable long-term solution to achieving sustainable development. While an important value added of the GEAP has been the institutionalisation of a management framework on the environment and natural resources, its implementation has faced financial, institutional and enforcement challenges.

Political context

Gambia is a presidential republic with a unicameral legislature. The president is elected by popular vote for renewable five-year terms. The country was ruled for 22 years by President Yahya Jammeh, who assumed office in 1994. In elections held in December 2016, President Jammeh was defeated by Adama Barrow, who collected 43.3% of the vote against 39.6% for the incumbent. After initially conceding defeat and promising a smooth transition, President Jammeh rejected the results. This prompted a strong response from the international community. The United Nations Security Council, the African Union and leaders of the Economic Community of West African States (ECOWAS) all called on President Jammeh to accept the results.

An ECOWAS mediation mission composed of several heads of state visited Gambia in search of a compromise that would lead to a peaceful handover of power, but the incumbent refused to step down and filed a case at the Constitutional Court against the election results. However, the court adjourned the hearing due to the lack of magistrates in place. As the term of President Jammeh expired, President Barrow was sworn into office from the Gambian Embassy in Dakar. On the same day, ECOWAS troops surrounded the country, issuing an ultimatum to President Jammeh. After last-minute negotiations, President Jammeh relinquished power and left in exile on 21 January 2017.

Social context and human development

Building human resources

Over the past 20 years, Gambia has seen an unprecedented expansion in the number of early childhood development centres and enrolments. Primary gross enrolment rates have reached 98.7% for boys and 95.4% for girls, pointing to a closing of the gender gap. Down the line, however, the literacy rate among women stood at 47% in 2015, compared to 64% among men. With high enrolments, limited programme budgets and difficulties in securing sufficient numbers of trained teachers, ensuring the quality of education is emerging as a challenge. Still, the results of the Gambia Basic Education Certificate Examination results for 2012, 2013 and 2014 appeared to show some improvement.

The new Education Policy (2016-2030) draws on lessons from implementation of the previous policy (2004-2015) and seeks to foster a closer alignment between the education and national development agendas. Policy priorities are clustered around ensuring access to education, quality education, vocational and technical education, tertiary and higher education, and capacity building. The upcoming PAGE II (2017-2020), Employment Policy (2010-2014) and National Youth Policy (2009-2018) all underscore the importance of a well-educated, trained, self-reliant and enterprising labour force with a view to increasing employment. Measures to address these objectives include ensuring completion of secondary education and improving quality at secondary and tertiary levels.

On the health front, there has been significant progress in expanding health infrastructure although critical shortages of equipment and health workers persist. Even as health training institutions have turned out increased numbers of health professionals, the field faces staffing challenges and attrition due to insufficient remuneration and poor working conditions. PAGE II outlines a number of measures to improve the situation, including promoting the formulation of a comprehensive public health act, strengthening national health services financing and payment management, and ensuring increased funding for the health sector in collaboration with development partners.

The success of Gambia's efforts is reflected in its achievement of Millennium Development Goals (MDG) 2 and 4 related to education and health. However, meeting MDG 5 on improving maternal health is proving challenging in Gambia, as in many other countries. While still at high levels, the maternal mortality ratio has declined from 1 030 deaths per 100 000 live births in 1990 to 706/100 000 in 2015 (WHO). With regard to malaria, tuberculosis and HIV/AIDS, the results were mixed. Malaria parasite prevalence is estimated to have fallen to 0.2% in 2014, while tuberculosis is still found to be a significant public health problem, with prevalence of 128 per 100 000 in 2013. HIV prevalence stands at 1.9%.

Poverty reduction, social protection and labour

Poverty continues to be a serious source of concern for the government. According to the Multidimensional Poverty Index (data from 2013), the percentage of poor people stands at 60.4%, while another 19% are vulnerable to poverty. The average intensity of poverty (based on deprivation indicators) is 53.4%. Further, economic growth rates have been below the growth rate of population, leading to negative growth in GDP per capita.

Expenditure patterns indicate that a significant proportion of government expenditure (78% of the overall budget in 2015) was recurrent (mainly the wage bill and interest payments), with financing for development projects accounting for only 22%. Investment in key sectors (health, social protection, water and sanitation, and agriculture) is still below international standards. Education is the only social sector that meets the international target of 20%, as set by the

Education for All Fast Track Initiative benchmark. In 2015, government spending for health is projected at 7.6%, far below the Abuja commitment of 15%. Likewise, despite the government's commitment to prioritise investments in agriculture, current allocations (7.3% in 2015) are below the target of 10% as defined by the 2003 Maputo Declaration.

In social protection, a kinship-based support system predominates, providing access to economic assistance, reproductive care and psychosocial support. Long-standing socio-cultural practices foster a moral responsibility to help less fortunate family members through cash and/or in-kind transfers. Community-based safety nets, ranging from informal transfers and loans to more structured institutions, are critical in preventing deprivation to a degree. Gambia recently launched a National Social Protection Policy (2015-2025) and National Child Protection Strategy (2016-2020). These should provide momentum for initiating more focused actions, including on the country's Social Protection Minimum Package, which has been validated. Challenges to social protection include limited coverage and the fact that programmes are spread thin. The contributory social security system covers only formal-sector workers (approximately 10% of workers), and social protection encompasses a variety of small programmes focused mostly on improving food security, nutrition and access to education.

A vast majority of Gambians rely on work in the informal sector (62.8% of employees in the non-agricultural sector) and other forms of vulnerable employment. Paid employees constitute just 23.5% of the total working population, while 60% are self-employed (own-account workers) and 12.5% are unpaid family workers (Gambian Labour Force Survey, 2012). The vast majority of the working population has low levels of education and skills, making it difficult for them to transition from retail/wholesale trade to manufacturing or services. An estimated 55.7% of the population aged 15 years and older has no formal education, and there are considerable gender-based disparities in this regard (61.7% of females compared to 49% of males), as well as spatial disparities in the labour force, with 41.6% in urban areas 76.2% in rural areas.

Gender equality

Although gender-parity targets in primary education were met in 2015, the goals set for the secondary and tertiary levels have not yet been achieved. On the health front, women face many challenges, prominent among them the high maternal mortality ratio (706/100 000 in 2015). Risks for women include the need to travel to distant health centres and a lack of emergency obstetric care. Female genital mutilation remains embedded in the culture, with a prevalence of 79% in rural areas and 72% in urban areas (Demographic and Health Survey, 2013).

Although limited achievements have been made under Gambia's Gender Policy 2010-2020, pressing multi-dimensional challenges have not been addressed. These include the limited number of gender units at key ministries, limited resources for implementation of the Gender Policy and low participation of women in politics due to cultural and religious factors. At 72.2%, the rate of women's participation in the labour market is high in the context of Africa, with Gambia ranking second in terms of economic opportunities for women in the African Development Bank's 2015 *Gender Index*. Yet men's participation in the labour market is higher (83%), and women continue to be disproportionately overrepresented in vulnerable employment or unpaid work. Women also face poor market outlets for their produce and limited access to credit.

Thematic analysis: Industrialisation and entrepreneurship in Gambia

The Gambian economy has witnessed a degree of structural change over the past ten years on the back of infrastructure investment development, and the industrial sector grew by 8.2% in 2015. However, the share of industry in the national economy has not risen significantly, oscillating between 12% and 15% of GDP between 2004 and 2013, according to latest available figures from the Gambian Bureau of Statistics. While mining and quarrying grew from 1.5% of

GDP in 2004 to 3.2% in 2013, with some intermittent production of industrial minerals (e.g. clay, and silica sand), manufacturing has remained in the range of 4.7% to 6.6% of GDP over the same period. In comparison, agriculture accounted for 22% of GDP in 2013 and services 57%.

At the national level, the PAGE initiative spells out the importance of investment and job creation through the private sector. The country also established the 2016 Gambia National Industrial Policy and Strategy, complemented by the National Micro, Small and Medium Enterprises (MSME) Policy and Strategy. These two core documents encompass elements including: i) regional integration and promotion of intra-ECOWAS trade through removal of trade barriers; ii) trade policy harmonisation including adoption of the ECOWAS Common External Tariff; iii) product diversification; iv) standards and quality through research, testing and enforcement; and v) entrepreneurship development.

The industrial policy development process needs to be viewed in conjunction with the Gambia National Policy for MSMEs (2014-2018), the Mapping Study of MSMEs (2013) undertaken by the Ministry of Trade, Industry and Employment (MOTIE), the Private Sector Development Strategy (PSDS, 2015-2019) and the National Entrepreneurship Promotion Strategy (2014-2018). The PSDS seeks to provide an institutional framework for: i) catalysing interventions in support of private-sector development; ii) deepening public-sector partnership with the private sector and building confidence through constructive dialogue between the two sectors; and iii) carrying out public-sector reforms to provide an enabling environment for private-sector growth and competitiveness.

The country's industrial policy and strategy targets two key areas: value addition, mainly in light agro processing, and renewable energy and energy security. The strategy involves a multitude of actors including MOTIE, the Standards Bureau, the Food Quality and Safety Agency, the Gambia Investment and Export Promotion Agency (GIEPA) and private businesses through the Gambia Chambers of Commerce and Industry. While this strategy encompasses most of the relevant actors, it still lacks the necessary co-ordination.

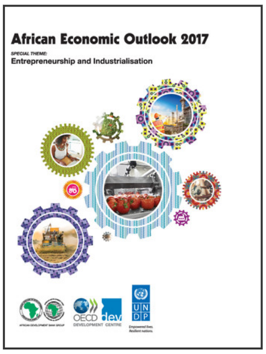
Ultimately, as noted in the 2010 report on Gambia by the UN Industrial Development Organisation, the level of industrialisation is fairly low, as exemplified by the level of manufacturing value added (MVA) per capita. This stood at 5.1% in 2015, compared for instance to 13.5% in neighbouring Senegal. Constraints on MVA per capita include a lack of technological innovation, difficult market access, the absence of reliable and cheap energy, and sub-optimal infrastructure.

Regarding entrepreneurship, the National Entrepreneurship Promotion Strategy (2014-2018) is expected to lead to the formulation of a coherent national entrepreneurship policy document to support the promotion of independent businesses in the country. Key components of the strategy include: entrepreneurship awareness and orientation; human resources development and entrepreneurial skills training; business initiations/entry strategies; business development services and institutions; business support services and institutions; an entrepreneurship co-ordination committee and forums; and an entrepreneurship-friendly policy regime. Multi-stakeholder forums exist to promote policy dialogue on entrepreneurship through the Gambia Chambers of Commerce and Industry, GIEPA and the Sahel entrepreneurship initiative.

The objective of the entrepreneurship strategy is both to stimulate new enterprises and to help existing ones to grow and become more competitive, especially in priority areas. According to the latest census data available (2013), the share of employed Gambians was 70%, of whom 70% work in agriculture and 30% in non-agricultural activities. This leaves out a small pool of self-employed entrepreneurs working outside the agricultural sector. Independent business owners among the economically active population are estimated at about 15%. While there is significant entrepreneurial activity, the private sector space is currently dominated by micro enterprises. It is estimated that 97% of businesses have fewer than five employees (formal or informal sector).

Small firms (with five to nine employees) make up 2.2% of businesses, and medium and large firms together make up less than 1%. In fact, more than 89% of enterprises were found to be sole proprietorships, and more than 70% to have no paid employees (Gambia Bureau of Statistics, 2014). Most businesses are concentrated in services (61% in distributive trade). Of the rest, 16% are in manufacturing, 4% in the repair sector (automotive repairs) and the remaining 19% spread across 13 sectors (PSDS 2015-2019). The manufacturing sector is limited in scope, with the largest number of businesses in the garment and furniture industries (MSME Mapping Study, 2013). In 2013, of the country's 88 490 MSMEs, 62 250 were Gambian owned. As Gambia has no sectoral or activity restrictions on foreign investment, there has also been a large influx of foreign investors, particularly in the retail and distributive trade.

Specific policies in place to favour start-ups and MSMEs – such as the Social Development Fund, the GIEPA business development support programme and the MOTIE-EMPRETEC Initiative (in conjunction with the UN Conference on Trade and Development) – share the aim of supporting and creating the enabling environment for entrepreneurship and MSMEs to flourish. Yet firms face many difficulties in entering and conducting business. Structural causes for Gambia's ranking on ease of starting a business (168th out of 190 countries) range from cumbersome licencing procedures to administrative complexities and prohibitive registration costs. Difficult access to finance and land, high tax rates and inefficient infrastructure, leading for instance to high electricity costs, are some of the most problematic factors for conducting business. A lack of development of entrepreneurial skills is another hindrance to business creation and survival. Education plays an important role in this regard in a country where the proportion of those with no formal education shows a striking difference between rural areas (73.4%) and urban areas (38.4%).



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