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Overcoming a No-Growth Legacy

Systematic Country Diagnostic

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Abbreviations and Acronyms

ACE	Africa Coast to Europe
AfDB	African Development Bank
AIDS	acquired immune deficiency syndrome
CPIA	Country Policy Institutional Assessment
DALY	disability-adjusted life year
DSA	debt sustainability analysis
ECOMIG	ECOWAS Mission in The Gambia
ECOWAN	ECOWAS Wide Area Network
ECOWAS	Economic Community of West African States
eGDDS	enhanced General Data Dissemination System
EGRA	Early Grade Reading Assessment
FDI	foreign direct investment
GCAA	Gambia Civil Aviation Authority
GCI	Global Competitiveness Index
GDP	gross domestic product
GER	gross enrollment ratio
GIEPA	Gambia Investment and Export Promotion Agency
GMD	Gambian dalasi
GPPA	Gambia Public Procurement Agency
GPA	Gambia Ports Authority
GRA	Gambia Revenue Authority
HCI	Human Capital Index
HFA	UN Hyogo Framework for Action
HH	Hirschman-Herfindahl
HIPC	Heavily Indebted Poor Countries
HIV	human immunodeficiency virus
ICT	information and communications technology
IFMIS	integrated financial management information system
IHS	Integrated Household Survey
IMF	International Monetary Fund
IOM	International Organization for Migration
ISP	Internet service provider
ITO	international tour operator
LGA	local government area
MICS	Multiple Indicator Cluster Survey
MoFEA	Ministry of Finance and Economic Affairs
MoHSW	Ministry of Health and Social Welfare
MSME	micro, small, and medium enterprises
MTDS	medium-term debt strategy
MTEFF	medium-term economic and fiscal framework
NARI	National Agricultural Research Institute
NAWEC	National Water and Electricity Company
NBN	National Backbone Network
NDP	National Development Plan

NEET	not in education, employment, or training
PFM	public financial management
PMO	Personnel Management Office
SCD	Systematic Country Diagnostic
SDDS	Special Data Dissemination Standard
SME	small and medium enterprise
SOE	state-owned enterprise
SSA	Sub-Saharan Africa
SSHFC	Social Security and Housing Finance Corporation
SSS	senior secondary school
TFP	total factor productivity
TRRC	Truth, Reconciliation and Reparations Commission
TVET	technical and vocational education and training
UNCTAD	United Nations Conference on Trade and Development
UNICEF	United Nations Children's Fund
UBS	upper basic school
UDP	United Democratic Party
VAT	value-added tax
WAAPP	West Africa Agricultural Productivity Program
WAPP	West African Power Pool
WASH	water, sanitation, and hygiene
WB	World Bank
WDI	World Development Indicators
WUA	water user association

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Executive Summary

Country Context

1. **The Gambia is a small country situated on the two banks of the Gambia River.** The river, as well as access to the Atlantic Ocean, were strategic assets during the colonial period, like Portugal, England, and France, among others, sought to control this territory. In 1783 the Treaty of Versailles gave Great Britain possession of the Gambia River, and in 1889 a treaty with France granted Great Britain control of the valuable river mouth as well as the Atlantic coast around Greater Banjul. Colonial rule in The Gambia left behind a strong urban bias that meant the urban elite received most of the social, political, and economic opportunities. Although rural areas (the protectorate) received less attention and resources, they are characterized by strong, cohesive communities, often shaped along tribal lines, in part reflecting the need to be self-reliant.

2. **The country has a strong, centralized presidential system with political and economic resources concentrated in the capital city.** Following a prolonged struggle for independence, Dawda Jawara became the first prime minister of The Gambia in 1962. Eight years later, in 1970, the country became a republic, and Jawara its president. Jawara ruled for 24 years with a strong hand, limiting the role of civil society, and tightly controlling opposition parties.

3. **The first president was overthrown in 1994 in a bloodless military coup led by Yahya Jammeh.** To ensure political power and sustainability, a strong presidency emerged that maintained power through political patronage (which consequently bloated civil service), payments to supportive elites, and highly centralized allocation of resources (leaving locally elected leaders with no financial resources to respond to their electorate). Jammeh's increasingly authoritarian regime systematically targeted political opponents, subjecting them to torture, extrajudicial execution, and arbitrary detention.

4. **The political transition in early 2017 has created an opportunity for The Gambia to escape its fragility trap and break with its recent history of low economic growth and high poverty.** In late 2016, Adama Barrow won the presidential election, based on a broad coalition of seven political (previously fragmented) parties and with support from the elite, youth nongovernmental organizations, community-level women's groups, and the diaspora. The process of transitioning away from 22 years of authoritarian rule has been peaceful, yet the country remains divided along political lines. The newly established Truth, Reconciliation, and Reparations Commission presents an opportunity to overcome years of human rights violations and abuses of power as well as to restore voice and trust. Although it remains unclear if these efforts will translate into inclusive and sustainable institutions, there is hope that this process will reduce fragility and rebuild the social contract.

5. **The key question is how The Gambia can capitalize on this transition to overcome its legacy of autocracy and no growth.** The government of The Gambia completed its National Development Plan 2018–21, which aims to "deliver good governance and accountability, social cohesion, and national reconciliation and a revitalized and transformed economy for the wellbeing of all Gambians." The recently produced Annual Progress Report on the implementation of NDP for 2018 shows satisfactory progress, notwithstanding all the challenges faced. Significant advances have been made in key areas such as transitional justice, macroeconomic reforms and performance, stabilization of government finances, youth empowerment, and tourism. Continuation in successfully implementing these and other priorities depends on the ability to build institutions and enact policies that strengthen fiscal stability, revive economic growth, and support social

and environmental sustainability. Better rules and norms for designing and implementing policies would strengthen fiscal sustainability and create budgetary space for urgently needed investments in human and physical capital. A more conducive business environment could attract more investment, both domestic and international, which is necessary to boost productivity and overcome the legacy of low and volatile economic growth. A new political order would be based on institutions that are subject to checks and balances, which opens the policy arena to all Gambians and creates a foundation for social cohesion. Strengthening the governance of the state through more effective institutions, transparency, and better accountability is paramount to raising the economy's growth potential and to rebuilding the relationship between the state and its citizens.

6. **This Systematic Country Diagnostic (SCD) takes stock of The Gambia's development trends and reflects on constraints and opportunities going forward.** It explores four fundamental questions: What explains low and volatile growth rates, and which bottlenecks need to be addressed? What are the challenges to inclusion? What are the constraints to fiscal, social, and environmental sustainability? And finally, what policy areas will have the greatest potential to reduce poverty and foster sustained inclusive growth?

Challenges to Inclusive and Sustainable Growth

7. **Almost half of The Gambia's population lives in absolute poverty, with most of the poor in urban areas.** In 2015, 48.6 percent of Gambians lived below the national poverty line. In the Greater Banjul Area—which includes the local government areas (LGAs) of Banjul and Kanifing, the country's hub for key economic activities—the poverty rate was about 17 percent, compared to 41 percent in other urban areas. Poverty rates were highest in rural areas, at 70 percent. In rural areas, the majority of poor work in the low-productivity agricultural sector, and in urban areas, they work in the low-productivity informal service sector. Even though poverty rates are high in the country's interior compared to its coastal urban areas, the poor population, in absolute numbers, is highest around the capital area, in the Brikama LGA. Over the past few decades, rapid urbanization triggered by high rural-to-urban migration led poor people, often youth, to amass in and around congested urban areas where inequality is high, traditional support systems are typically weak, and women face barriers in labor market participation. This situation gives rise to new forms of social risks, including those related to crime, violence, and social unrest.

8. **Recent progress on poverty reduction has been minimal, with increases in rural poverty offsetting reduction in urban areas.** The poverty rate has remained stagnant, at about 48 percent between 2010 and 2015. This trend is strikingly different from other countries in the region, such as Cabo Verde, Mauritania, and Senegal, which have experienced a decline in poverty during the same period. Between 2010 and 2015 the poverty rate in the Greater Banjul Area declined by about six percentage points, and other urban areas witnessed a decline by about two percentage points. However, poverty increased in rural areas by almost five percentage points. The simultaneous decline of poverty in urban areas and an increase in rural areas was the result of pro-poor growth in consumption levels in the urban areas and across-the-board declines in consumption levels in rural areas. In urban areas, the key drivers of consumption gains were the direct and indirect effects of international remittances and tourism, which increased income within low-skill, nontradable sectors where the poor tend to work. In contrast, declining and volatile agricultural production led to a decrease in consumption overall. In combination with a rapidly growing population, the total number of poor in the country increased by 18 percent, from 790,000 in 2010 to 940,000 in 2015.

9. **Over the past two decades, The Gambia has been unable to reduce poverty in part because per capita growth has been close to zero.** The average annual growth in per capita income was minimal, at less than 0.5 percent per annum between 2000 and 2018, significantly below the average of countries in Sub-Saharan Africa (SSA) (2 percent). Consequently, Gambians' standard of living has trailed behind that of their SSA peers: The Gambia's per capita GDP (gross domestic product) dropped from 45.5 percent of the SSA average in 2000 to 32.1 percent in 2017. At the current growth rate, a Gambian child born today will not be able to earn the current average SSA income during his/her lifetime. In short, the country needs to move out of this low-level equilibrium of low growth and high poverty.

10. **Insufficient public and private investment, particularly in physical infrastructure and human capital, are key underlying factors driving low productivity growth and limited economic diversification**. Between 2000 and 2016, GDP growth was predominantly driven by private consumption, and investment accounted for only 0.6 percentage points of growth. Private consumption contributed 2.3 percentage points to growth and was stimulated mostly by remittances, which increased from US$54 million in 2003 to US$228 million in 2017. The share of total investment in GDP declined from 28.6 percent in 2005–10 to a little more than 21 percent of GDP in 2011–16, of which the share of private sector investment in GDP stands at about 13 percent.

11. **Low productivity growth and lack of diversification are key causes of zero long-term growth and persistent poverty.** Productivity growth was low or negative for many years due to a combination of structural and policy/institutional weaknesses. On the structural side, key constraints limiting productivity include limited access to finance, low to no improvement in inputs and technologies, weak market-supporting infrastructure (roads and market facilities), and current land rights system. Meanwhile, weak public sector capacity and institutional governance led to poor policy design and implementation, severely hampering public services delivery. These weaknesses were further exacerbated by past mismanagement of public funds and mis-alignment between government actions and Gambians' needs. Furthermore, the country's low growth and poverty trap can be explained by the lack of economic diversification—heavy reliance on rain-fed agriculture and seasonal tourism—and a narrow export base. Although export concentration has increased, export sophistication has declined steadily over the last decade compared to peers that have all seen an increase in this area during the same period.

12. **Unproductive spending has led to a rapid debt buildup while at the same time reducing productive public investment and crowding out the private sector.** Under previous governments, years of erratic policy implementation and high government spending on unproductive assets led to a rapid accumulation of public debt, which increased from 38 percent in 2008 to 87 percent of GDP in 2018. Following debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative in 2007, The Gambia fell back into debt distress in 2019. However, the authorities are taking several steps, such as avoiding contracting new non-concessional external debt, curbing net domestic borrowing, and extending maturities. At the same time, The Gambia's plurilateral, bilateral and private creditors have agreed to provide external debt service for the next five years. This debt restructuring is expected to ease the debt distress risk profile of the country. In combination with low tax revenues, high recurrent spending constrains the fiscal space necessary for investments in productive assets, such as physical infrastructure and human capital. Although the Government has reduced the burden of interest payments, down to 26 percent of domestic revenue in 2018 from an average of 42 percent during 2015-17, they still limit the Government's space for public investment and improved service delivery. Persistent fiscal deficits also crowd out private investment because financing needs were mostly covered through the domestic banking sector that crowded out private sector credit, deterred prospective private investors, and held back financial sector development.

13. **Low human capital endowments constrain productivity and private sector growth.** Low quality of teaching, made more complicated by cultural and religious barriers to formal schooling and the challenge of integrating religious schools into the national education system, limited human capital accumulation. Moreover, high dropout rates and many out of school children restricted the productivity of the current and future workforce. Meanwhile, the health sector is under pressure from high population growth, lack of resources, and insufficient focus on primary health care. There is no national safety net yet. If trends regarding survival rates, stunting, school enrollment, and learning outcomes remain unchanged, the cohort of children born today will only achieve 40 percent of its productivity potential (on par with regional averages), which has detrimental consequences for economic growth and living conditions. Providing better quality education, health care, and social safety net services will strengthen human development and enhance private sector growth through higher productivity.

14. **An unfavorable investment climate creates obstacles to private sector–led growth and job creation.** The Gambian economy features a small domestic market combined with low levels of integration with regional and international markets, aside from the tourism sector. The country's lack of economic diversification and limited complexity has made it difficult to attract investors, and therefore The Gambia lags in terms of integrating global value chains, adopting recent technologies, and improving access to markets, all of which could in turn increase productivity. Low levels of foreign and domestic private investment arise from an inadequate provision of services and urgently needed reforms regarding access to financial services, tax administration, property rights, efficient facilitation of cross-border trade, and modern information technology. In addition, the preferential treatment of the State-Owned Enterprises (SOEs) and the presence of a marketing board for agricultural products distort incentives, reduce the allocative efficiency of input and output markets, and weaken the private sector's growth potential.

15. **Deficits in physical infrastructure lead to the population's dissatisfaction with public service delivery and reduce investors' return on investments.** The unreliable supply and high cost of electricity reflect limited generation capacity as well as the weakness of the transmission and distribution system. Low service quality triggers protests and can damage equipment, often requiring businesses to invest in backup generators and replace equipment damaged by outages and voltage fluctuations. The sewerage system is limited to tourist areas and there is frequent discharge of raw sewage into natural receiving bodies, posing a major environmental and health risk. The water network is mostly in the Greater Banjul Area but is hampered by frequent service disruptions due to water cuts and burst pipes. Limited road connectivity, especially poor-quality feeder roads in rural and remote areas, reduces access to services and markets and increase the cost of logistics for the private sector. Continued state management and operation in the telecommunication sector together with the high cost of digital technologies has hampered The Gambia to reap the benefits of the digital age.

16. **Limitations in public investment management, especially in terms of project planning and selection, further reduce equity and productivity of public investments.** The Gambia, being an aid-dependent country, is limited by weak appraisal capacity and reliance on donors to select and design projects. The main factors driving the selection of projects are political priorities and the willingness of donors to provide funding, rather than fiscal constraints or projected rates of return. There is also no central database of all planned and active projects, making it hard to prioritize projects as per development priorities, identify overlaps, or maximize synergies. Consequently, efforts to cover infrastructure needs and expand public service delivery—especially in rural areas—have been slow and limited.

17. **Economic growth is highly vulnerable to bad weather and climate change as well as volatility in external factors such as tourism and remittances.** Agriculture and aquaculture contribute to a large share of

economic output and employment but are subject to frequent droughts and movement of fishing grounds triggered by climate change. Due to an overreliance on erratic rainfall, lack of investment in irrigation infrastructure, and deteriorating soil quality, productivity in these sectors remains low. The economy remains dependent on a dominant tourism sector that is sensitive to domestic and regional political instability and the external economic environment. In addition, coastal erosion caused by climate change poses a serious threat to the viability of the sector, as beaches are The Gambia's main tourist attraction. Lastly, construction and services are driven by private consumption, which heavily depends on remittances and economic fluctuations in host countries. In the absence of mechanisms to mitigate shocks and strengthen resilience, these vulnerabilities increase uncertainty and reduce the return to investments for firms. For households, limited protection against shocks arises from the lack of social safety nets and increases the risk of falling into poverty or remaining in chronic poverty.

Pathways for Inclusive and Sustainable Growth

18. **Without decisive action, policy makers are risking the country's future prosperity and stability.** Poor infrastructure quality and inadequate access to public services, especially outside the Greater Banjul Area, reduce the economy's growth potential and constrain progress toward better living standards. Over the past few decades, limited access to opportunities combined with rapid population growth has become a major push factor for international migration, with the best talents leaving the country; more Gambians are likely to leave unless circumstances change. Moreover, extreme weather events are expected to become more frequent, with droughts projected to occur on average every 5 years. In the absence of mechanisms to protect and mitigate the resulting consequences, large swaths of the population are at risk of losing their livelihoods, and economic opportunities will diminish further. Unless the government responds rapidly to the urgent needs of the population, The Gambia will struggle to offer its citizens a better future.

19. **A comprehensive reform agenda is essential to unleash The Gambia's growth potential and reduce poverty.** This SCD proposes five pathways to achieve inclusive and sustainable economic growth. In combination, policy actions under the first pathway (macrofiscal stability) and the second pathway (public service delivery) create fiscal space and strengthen the public administration needed to finance and implement a reform agenda aimed at lifting the economy's growth potential. The third pathway addresses the agricultural sector's productivity and resilience, and the fourth pathway centers on policy actions that support economic diversification and integration. Lastly, the fifth pathway focuses on investments in human capital that will strengthen Gambians' productivity and resilience. Table ES-1 summarizes policy areas that reflect these five pathways.

20. **The reform agenda would underpin transforming the role of the state to build institutions that are the foundations for fiscal stability, economic growth, and social inclusion.** Rules and norms are necessary to set the right incentives for policy makers to foster transparency and accountability. A more effective and responsive state and public administration will strengthen the quality of public service delivery and accelerate private sector growth. A better governance structure will also be instrumental to develop a vision and implement a reform agenda that broadens economic growth and deepens the relationship between the state and its citizens.

21. **Greater efforts should be made to ensure that all Gambians, independent of their location and region, benefit from future economic growth.** Rural areas have been neglected for many years, and the significant disparities in living conditions and access to services between the Greater Banjul Area and the rest of the

country, especially the upper river region, require immediate attention. Low productivity growth in the agricultural sector reflects urgently needed investments in irrigation, the broken links between agricultural research, extension, and producers, and negligible use of quality inputs, including seeds and fertilizers. Persistent poverty pushes people to leave rural areas for urban ones that struggle to provide public services and opportunities to a steadily growing population. In addition, deficits to physical infrastructure, including roads and electricity in rural and remote areas, limit connectivity, restrict private sector participation and remain an obstacle for inclusion.

22. **New opportunities for economic growth and political stability could arise from better regional integration between The Gambia and other countries in West Africa.** The Gambia is a small open economy, nested within Senegal, and thus, regional integration hinges on relations between the two countries. Any reform agenda aimed at boosting economic growth requires the country to strengthen relations with its neighbors in West Africa. Better policy coordination, including investments in cross-border infrastructure (such as the Senegambia Bridge) and harmonization of regulations and standards across countries, will be instrumental to deepen economic cooperation, diversify the economy, and include The Gambia in global value chains.

23. **A comprehensive reform agenda is essential to unleash the growth potential of The Gambia and reduce poverty.** Based on the analysis, this Systematic Country Diagnostic proposes policy actions under the first pathway ("Restore Macrofiscal stability") and second pathway ("Strengthen Public Service Delivery") which create fiscal space and strengthen the public administration needed to finance and implement a reform agenda aimed at lifting the economy's growth potential. The third pathway ("Increase Agricultural Productivity") addresses the agricultural sector's productivity and resilience, and the fourth pathway ("Diversify the Economy") centers on policy actions that support economic diversification and integration. Lastly, the fifth pathway ("Build Human Capital") focuses on investments in human capital that strengthen Gambians' productivity and resilience. Priorities identified under each objective are presented below (table ES-1).

Table ES-1: Summary of reform and investment priorities

Accelerate Poverty Reduction and Boost Shared Prosperity

Restore Macrofiscal Stability	Strengthen Public Service Delivery	Increase Agricultural Productivity	Diversify the Economy	Build Human Capital
Restructure External Debt	Strengthen Institutions and Public Financial Management	Invest in Irrigation Infrastructure	Increase Access to Finance and Insurance	Improve Reproductive Health and Reduce Child / Maternal Mortality
Enhance Revenue Mobilization	Foster Transparency and Accountability	Promote Innovation and Digital Technology Adoption	Improve Reliability and Affordability of Electricity	Enhance Quality of Primary and Secondary Education
Improve Public Spending Efficiency	Improve Cross-Institutional Coordination	Improve Access to and Quality of Inputs	Enhance National and International Connectivity	Improve Quality of Technical and Vocational Education and Training
Strengthen Public Procurement and Investment Management	Enhance Effectiveness of Public Administration	Reform Land Policy	Develop Regional and Global Value Chains	Expand Coverage of National Social Assistance Program
	Improve Disaster Risk Management and Climate Change Adaptation		Enable Growth of Digital Economy	Reduce Barriers to Female Labor Force Participation

Note: Priorities in this figure do not suggest any order of reforms.

1. Introduction: Toward a Better Future

1. **The Gambia's 2016 presidential election resulted in a regime change.** Deteriorating social conditions and strong discontent reached a turning point when President Yahya Jammeh was defeated by a multiparty coalition led by Adama Barrow in the 2016 presidential election. After diplomatic pressure and deployment of Economic Community of West African States (ECOWAS) troops to the Gambian border,[1] Barrow was officially inaugurated as president in Banjul in February 2017 after he initially took the oath in Senegal at the Gambian Embassy the previous month. Jammeh's autocratic rule had been characterized by political repression, economic mismanagement, and use of the security apparatus to control the opposition. Public institutions were weakened, and the fiscal space for government delivery of public goods and services was eroded. The Jammeh regime trapped the country in a bad equilibrium situation with poor governance, low growth, and high poverty.

2. **The transition toward democracy raised expectations from citizens, the diaspora, and the international community.** The Gambia's youth population, who had only known life under the Jammeh regime, was looking forward to an open political process, freedom of speech, and policy reforms to combat corruption and address widespread poverty. Development partners supported transformational change that could turn around The Gambia's development trajectory. The fragility assessment jointly carried out by the African Development Bank (AfDB) and the World Bank in 2017 highlighted that a successful transition would require managing citizens' expectations, conducting effective communication and public outreach, and promoting local ownership of policy reforms. Because it can take decades to transform institutions from "extractive" to "inclusive" (Acemoglu and Robinson 2012), measures to quickly improve living standards could signal a change of direction in economic management.

3. **The National Development Plan (NDP) for the 2018–21 period emphasizes the shift toward more inclusive and private sector–led growth**. Launched in February 2018, the NDP aims to "deliver good governance and accountability, social cohesion, and national reconciliation and a revitalized and transformed economy for the wellbeing of all Gambians" (GoTG 2017). The plan is centered around eight strategic priorities with a forward-looking agenda of good governance (respect for human rights) and human capital investments.[2] It identifies macroeconomic stabilization, agriculture, tourism, and infrastructure services such as electricity and ICT as key pillars to strengthen private sector–led growth and create jobs. Furthermore, the NDP emphasizes the role of cross-cutting enablers to achieve its country vision, such as an efficient and responsive public sector, gender mainstreaming, empowered youth, an enhanced the role for The Gambian diaspora, stronger citizen engagement, environmental sustainability, and renewable energy.

4. **Moreover, the new administration seized the opportunity to end the country's international isolation.** Under Jammeh, The Gambia became increasingly isolated and its relationship with Senegal was plagued by recurring tensions over cross-border traffic.[3] The new administration reversed The Gambia's withdrawal from the International Criminal Court and initiated the process of rejoining the Commonwealth of Nations, once again becoming a member in 2018 after a five-year absence. Moreover, it has improved diplomatic and trade relations with Senegal, which constitutes a positive opportunity for both countries. The construction of the Senegambia Bridge near Farafenni is expected to become a major corridor of trade and transport in the region. The Gambia and Senegal signed a bilateral fisheries and aquaculture agreement to

strengthen both countries' industries and allow The Gambia to exploit its resources more productively.[4] Similarly, both countries signed a memorandum of understanding to reinforce security cooperation, which will enhance sharing of intelligence information, good practices, and joint investigations (*Point* 2017). Although stronger bilateral relations will contribute to resilience in both countries, the ongoing low-level conflict in Senegal's Casamance region is a persistent driver of fragility.

5. **With support from multilateral organizations to help stabilize the economy and strengthen the fiscal position, the new administration has introduced policies to set the country on a better development path** (World Bank 2018f). In 2017, authorities received significant financial support, including from the International Monetary Fund (IMF) (a US$16.1 million Rapid Credit Facility disbursement), and budget support from the World Bank (US$56 million) and the European Union (€25 million) to support economic and structural reforms to tackle political, governance, and corruption-related vulnerabilities. The IMF supported the authorities to restore fiscal and debt sustainability. A financial inquiry commission was established to examine the frozen assets of former president Jammeh, and a nationwide consultative program, the Truth, Reconciliation and Reparations Commission (TRRC), was launched to provide a solid foundation for reconciliation in communities broken by the former administration's atrocities. Moreover, the new government remains committed to reforming the security forces as well as several repressive laws.[5]

6. **After three years in office the new government shows mixed results, illustrating the difficulties of achieving change in a fragile environment**. The NDP was presented at the International Conference for The Gambia in Brussels (May 22–23, 2018), where development partners announced pledges of approximately US$1.5 billion in grants, loans, and technical assistance. Given the energy sector's precarious financial situation and the pervasiveness of blackouts, the government prepared a road map to improve, modernize, and expand access to electricity services.

7. **Better economic management delivered improvements to the macroeconomic environment, and investor confidence returned.** GDP growth has accelerated from 4.8 percent in 2017 to 6.5 percent in 2018, driven by a strong recovery in tourism and trade and construction as well as improvements in electricity provision. The number of tourists reached a record high, increasing by 29 percent in 2018 compared to 2017. In the same period, credit to the private sector rebounded strongly—a growth of 32 percent in 2018 (from 3 percent in 2017). Furthermore, the overall macroeconomic environment continued to improve in the first half of 2019, supported by improved business confidence and rapid credit expansion to the private sector. The external current account deficit narrowed in the first half of 2019, compared to same period in 2018, further contributing to exchange rate stability and bolstering reserves. Moreover, headline inflation declined from 8 percent in 2017 to 6.5 percent in 2018. The decline continued in 2019 but was reversed by an uptick in April 2019 due to a one-off increase in postal charges, and domestic food prices remained stable. The Central Bank continued a cautious monetary easing stance and lowered the policy rate from 15 percent by the end of 2017 to 12.5 percent by August 2019.

8. **However, large fiscal deficits and high debt levels have constrained fiscal space for better service delivery.** The fiscal deficit widened from 5.3 percent of GDP in 2017 to 6.0 percent in 2018, due to lower grant revenues, spending overruns on goods and services, and unbudgeted transfers to state-owned enterprises (SOEs). Although declining relative to recent years, interest payments commanded 25 percent of domestic revenues in 2018, leaving limited fiscal space for public investment and improved service delivery. However, during the first half of 2019, the fiscal deficit narrowed to 0.2 percent of GDP compared to 2.8 percent in the corresponding period in 2018. The key drivers behind this improvement are (i) the European Union's €25 million budget support grant, (ii) a 24 percent increase in tax collection, (iii) a lower interest bill, and (iv) underutilized capital investment relative to the first half of 2018. Public debt remained high at 86 percent

of GDP as of the end of 2018. The 2019 World Bank–IMF debt sustainability analysis (DSA) indicates that The Gambia is in external debt distress, though its public debt is deemed sustainable on a forward-looking basis. Furthermore, a large pipeline of already contracted loans (19 percent of GDP) poses solvency risks compounded by high contingent liabilities stemming from several loss-making SOEs.

The Systematic Country Diagnostic

9. **This Systematic Country Diagnostic (SCD) takes stock of The Gambia's development trends and reflects on constraints and opportunities the country faces going forward** (World Bank 2016).[6] The SCD is expected to stimulate an open and forward-looking dialogue between the World Bank, The Gambian government, and civil society. The findings from the SCD will inform the preparation of the next Country Partnership Framework.

10. **Over nine chapters, this SCD examines The Gambia's progress toward inclusive and sustainable economic growth since 2000.**[7] Chapter 2 (Country Features) discusses features that make The Gambia unique and how these influence its current development model. Chapter 3 (Growth and Fiscal Stability) highlights low levels of investments and capital accumulation. The chapter argues that The Gambia needs to implement structural reforms to boost higher growth and job creation. Leveraging some of its comparative advantages, such as strategic location, anglophone population, and agriculture potential could provide the basis for new and less volatile sources of growth. Chapter 4 (Poverty and Inequality) reviews current trends in poverty, inequality, and shared prosperity and makes the case for addressing deficiencies in the rural sector.

11. **The SCD highlights constraints to economic growth, poverty reduction, and governance**. Chapter 5 (Social Inclusion and Human Capital Formation) describes patterns of inclusive economic growth in The Gambia. It examines the limited role of labor markets in helping people improve their living standards and investigates human capital outcomes and opportunities to improve them. The chapter then discusses the social protection system and how it protects poor and vulnerable households against a multiplicity of shocks. Chapter 6 (Structural Transformation and Labor Productivity) suggests that economic activity in The Gambia is concentrated in the agricultural and service sectors, with a small manufacturing sector. The heavy focus on tourism and lack of diversification account for a volatile growth path with exposure to external shocks. Chapter 7 (Constraints and Opportunities in the Private Sector) highlights constraints for private sector growth and illustrates how a deficient enabling environment limits private sector–led development. Chapter 8 (Governance and Public Service Delivery) discusses the sustainability of The Gambia's development model from fiscal, social, and environmental standpoints. Moreover, a necessary condition to achieve sustainability is good governance, including a more efficient and effective public sector as well as stronger citizen voice and accountability. It argues that the current development model is not sustainable and that the country needs to move out of its low-level equilibrium. The Gambia's weak public institutions, its young/weak democracy, and fragile political undercurrents create additional challenges and risks for successfully transitioning to a more inclusive development model.

12. **Finally, chapter 9 (Priority Agenda for Inclusive and Sustainable Growth) presents a reform agenda.** The prioritization process considers various filters in combination with The Gambia's unique country features. The main challenge when prioritizing policy areas is to restore macrofiscal stability and public service delivery, without losing focus on a long-term agenda to reinvigorate economic growth and reduce poverty.

2. Country Features

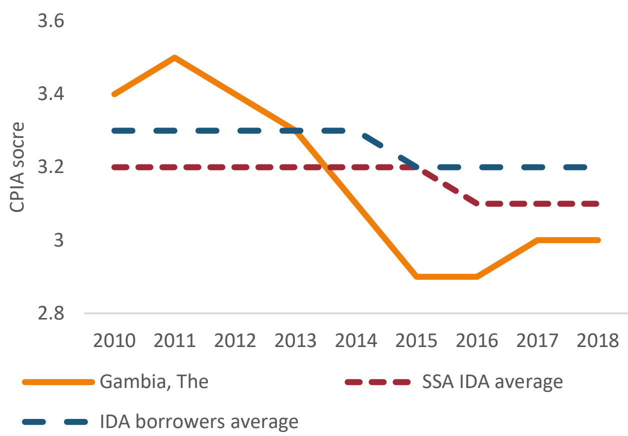
Four features contribute to The Gambia's unique development model: (i) fragility, political instability, and weak public institutions; (ii) small economy and lack of regional integration; (iii) rapid population growth marked by a high level of urbanization, and (iv) extreme weather events and climate change. The Gambia's fragility ranks high on many global indices, including the Fragile States Index, the Human Development Index, and the Country Policy and Institutional Assessment (World Bank 2018c). Under Jammeh's regime, the social contract between citizens and the state was weak and featured limited civil society participation, which reduced citizens' ability to hold the public administration accountable and advocate for good governance. The Gambia's small economy poses significant challenges to its development. With an overall area of 10,689 square kilometers nestled within Senegal and divided by the Gambian River, The Gambia is the smallest country in the mainland of Africa. Yet integration with Senegal and other countries in the West Africa region remains low, partly reflecting the lack of trade agreements, inter-country mistrust, and inadequate connectivity. As a result, The Gambia is poorly connected to regional supply chains and experiences friction in access to input and output markets. The Gambia has a youth bulge, with more than half of the population below 20 years of age, and this group is growing rapidly. Due to lack of opportunities, people leave rural areas to look for jobs in urban areas or migrate abroad. Finally, the country is exposed to extreme weather events and climate change, which threaten livelihoods, challenge economic activities such as tourism and agriculture, and undermine the sustainability of resources.

A. Severe Fragility and Political Instability

13. **Many definitions of *fragile state* exist, reflecting the multidimensional nature of fragility.**[8] Most definitions consider the political, societal, economic, environmental, and security-related aspects of fragility (Michel 2018). For example, the World Bank defines a *fragile* country as having either a harmonized Country Policy and Institutional Assessment (CPIA) score of 3.2 or less, and/or the presence of a United Nations (UN) and/or regional peacekeeping or political/peace-building mission during the last three years. Some definitions also consider the absence or breakdown of the social contract between the government and citizens due to weak institutional capacity, political legitimacy, and social accountability.[9] For instance, the 2018 Organisation for Economic Co-operation and Development (OECD) fragility framework defines fragility as a mix of exposure to risks and lack of coping capacity of the state and communities to manage, absorb, and mitigate risks.[10]

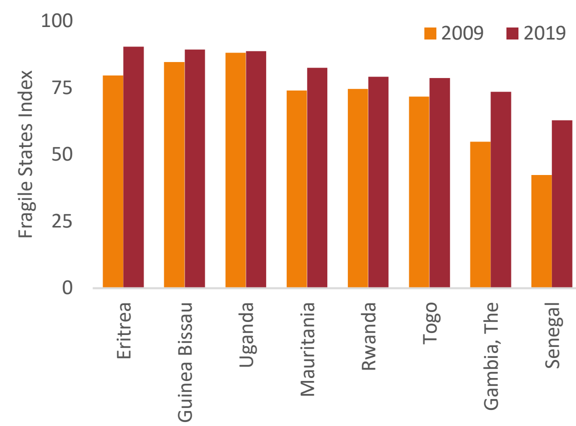
14. **By most indicators, The Gambia has become increasingly fragile in the past 10 years.** The Gambia's CPIA score has deteriorated since 2011, after improving during the post-HIPC years (f**Error! Reference source not found.**). The economic management cluster is the main driver behind this deterioration. In recent years, there have been minuscule improvements to social inclusion and institutions. However, those were not enough to put the country in line with the average for Sub-Saharan Africa (SSA). Over the last decade, The Gambia experienced the largest increase in its Fragile States Index along with Libya, Mali, Mozambique, Syria, Venezuela, and Yemen (**Error! Reference source not found.**).[11] With the democratic transition, indicators related to human rights, state legitimacy, refugees, and group grievance showed signs of improvement, but their scores remained high.

Figure 1: World Bank CPIA scores



Source: World Bank 2019a.

Figure 2: Fragile States Index, 2009 and 2019



Source: Fund for Peace 2019.

15. **This heightened fragility is a legacy that has trapped The Gambia into a low-level equilibrium of limited growth, high poverty, and lack of fiscal, social, and environmental sustainability.** The Jammeh regime ruled The Gambia with an iron fist, resulting in few checks and balances on the executive branch of government. The few restraints on the executive, coupled with widespread corruption and a public administration that distorted the allocation of public services, resulted in a broken social contract among citizens, the state, and the private sector, and led the country to enter its democratic transition without fiscal space to finance reforms and programs to escape fragility.

Security Sector Reform

16. **While poor economic management remains a driver for fragility in The Gambia, recent improvements of the security context allowed for one of the largest improvements in the Global Peace Index rankings** (Institute for Economics & Peace 2018). The launching of the TRRC process with public hearings has raised expectations among citizens about the security sector reform process. Yet despite these improvements, the security situation remains fragile. The small ECOWAS Mission in The Gambia, ECOMIG, is still in the country. ECOMIG is composed of about 500 troops from Senegal, Nigeria, and Ghana, and was deployed in December 2016 to help restore order after the disputed presidential election. The force was tasked with training and assisting the army and police in protecting the country from external threats and maintaining internal security, respectively. ECOMIG and the police have also been providing protection for President Barrow. After repeated extensions, the ECOMIG mandate was expected to end in August 2019, but President Barrow announced that the security force would remain stationed in The Gambia until 2021, throughout the country's transition to a full democracy.

17. **The security sector continues to lack credibility in citizens' eyes** (Afrobarometer 2018)**.** Among citizens who requested police assistance in the previous 12 months, fewer than half said they found it easy to get the help they needed (44 percent). Of the respondents, 1 out of 5 said they had to pay a bribe or do a favor to get the help they needed. About 4 out of 10 Gambians said they were victims of theft from their house (40 percent) or felt unsafe walking in their neighborhood (36 percent) during the previous year. Likewise, 1 out of 4 feared crime in their home, and 1 out of 14 were physically attacked. In the past two years, about half or more of all Gambians have feared or experienced violence in their neighborhood (53 percent), during a

public protest (49 percent), or at a political event (56 percent). Even though trust in the army and the police has increased recently, further progress is needed to improve public security and safety in the country.[12]

18. **The NDP established an opportunity to break with a history of human rights abuses and wide-spread mismanagement in the security sector.** During his 22-year rule, President Jammeh created an extensive and expensive security apparatus with uncontrolled authority and weak internal control systems. With a total head count of 18,752, security personnel make up 46 percent of total government personnel. A large security sector with overlapping functions promoted widespread human rights violations, and ethnic favoritism of Jolas, Manjagos, Balantas, and Karoninkas to midlevel and senior appointments created a deeply divided security force while eroding public trust.[13] The opaqueness in the management of the security sector enabled the misappropriation and inefficient use of public resources as well as corruption.[14] Reorganizing and resizing the security sector and eliminating the influence of ethnic factors will be critical to restoring civilian control over the military, and the government has committed to such reform as part of the NDP 2018–21.

19. **The president launched a security sector reform as one of the central planks of his administration.** Under the previous regime, security institutions were heavily centralized and aligned with the interests of the former president. Given this legacy, key decisions regarding the security sector's structural composition and size need to be aligned with mandates and functions. This effort would strengthen the allegiance of institutions to the transition, while new internal control systems would address corruption. Moreover, security spending is at 14 percent of the national budget (World Bank 2018h), and with rising fiscal pressures, a realignment of the sector is expected to improve efficiency, effectiveness, and equity of public expenditures. In October 2018, after a lengthy security assessment process that comprised a personnel audit and a public expenditure review of the sector, a National Security Policy was validated by service chiefs and endorsed in June 2019. A national security sector reform strategy is in development and expected to be finalized by the end of 2019.

Political Instability

20. **The democratic transition occurred peacefully, but the political equilibrium is fluid, with limited political competition.** The coalition of seven parties that succeeded in the 2016 December elections had representation in the initial cabinet.[15] About five parties were represented in the 18 initial cabinet positions, with the United Democratic Party (UDP, the majority party) having the majority (22 percent). Yet in June 2018, President Barrow reshuffled the cabinet, signaling the end of the coalition government. In December 2018, the UDP Congress reelected Vice President Ousainu Darboe as UDP leader and secretary general, and per the party's established practice and traditions, Darboe is expected to be the UDP's presidential candidate in the next elections. Current political developments appear to be characterized by an escalating power struggle and rivalry between Barrow and Darboe. The post-UDP Congress has seen the escalation and deepening of the disagreement between these two leaders and their supporters. Speculations also continue about when the next presidential elections will be held. At the time of the 2016 elections, the coalition agreed on a three-year term; yet all signs coming from the State House seem to indicate that Barrow will not step down and instead will rule the country for five years.

21. **An emerging concern is the return to one-party domination of national politics, given the results of parliamentary and local elections in 2017 and 2018, respectively** (WANEP 2018). Since independence in 1970, The Gambia has had only three presidents: Dawda Jawara (1970–94), Yahya Jammeh (1994–2017), and Adama Barrow (2017–present). The People's Progression Party and the Alliance for Patriotic

Reorientation and Construction were the dominant political parties under Jawara's and Jammeh's presidencies, respectively. Under Barrow's presidency, the UDP has emerged as the country's dominant political party.[16] This could potentially have a positive impact on the government's ability to legislate, but at the same time, it has weakened the role of the coalition as a representative body of a broad-based and multiethnic society. The UDP is still perceived as a Mandinka-dominated party group, lacking comprehensive representation of The Gambia's other ethnic groups (Courtright 2018). A healthy democracy needs an organized opposition that could offer alternative options to the ruling party (WBG 2017).

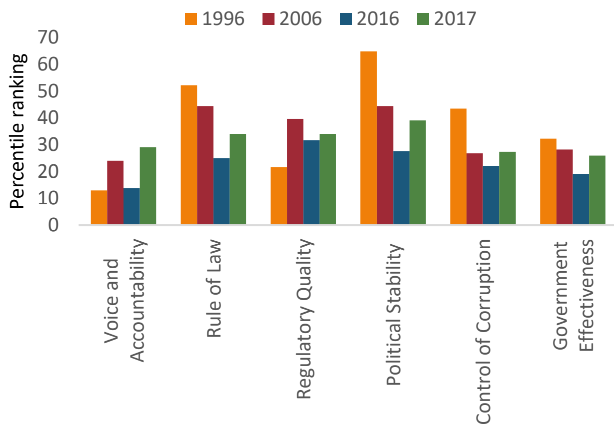
Public Institutions

22. 24. **Limitations in governance, and especially limited capacity, accountability, and transparency of public institutions represent a key element of The Gambia's fragility**. The Jammeh regime weakened institutions and the capacity of the public administration to provide high-quality public services, thus creating an environment of limited accountability and transparency. The political manipulation of the security sector and human rights abuses committed by the security forces on behalf of the former president weakened relations with civil society. The relationship between the state and society was weakened because of the latter's limited bargaining power and the fact that citizens and the private sector lacked a voice with which to exert change (WBG 2017). Citizens had to do without services or pay out-of-pocket for services that should be provided by the state. Economic growth suffered because the state delivered deficient public services, increased unproductive public spending, and accumulated public debt that crowded out private investments. Servicing an unsustainable public debt consumes an excessive amount of government revenues, leaving the government without much room to redirect spending toward development priorities. This deterioration is reflected in various governance indicators, as evident from the fact that government effectiveness, control of corruption, and application of the rule of law have markedly decreased over the past two decades (**Error! Reference source not found.** and **Error! Reference source not found.**).

23. **Widespread corruption has eroded the credibility of public institutions.** The Gambia's ranking on Transparency International's Corruption Perception Index has improved from 145th out of 176 countries in 2016 to 93rd out of 180 in 2018. Nonetheless, rooted corruption practices persist. The Jammeh administration used corruption to favor allies and affect basic service delivery, including electricity connections and business and land permits. Corruption was at the core of financial flows between government agencies and was a by-product of regulatory system inefficiencies.[17] As a result, a culture of rent seeking has been institutionalized within the public administration. Addressing corruption and improving public sector accountability require stronger political commitment to enact and implement an anticorruption reform. Failing to combat corruption or continuing corrupt practices could undermine the public's expectations and constitute a source of fragility for the incumbent government.

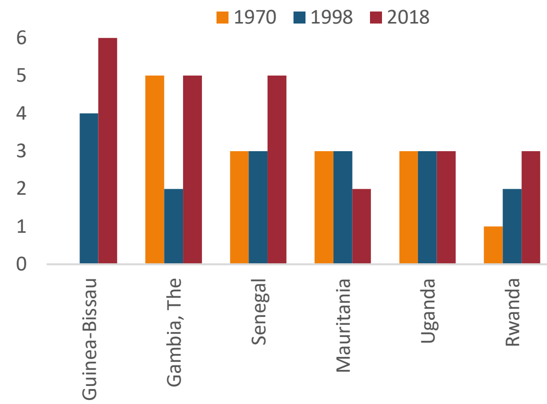
24. **Lack of a design and implementation of coherent civil service reform hampered the creation of a capable public administration.** As The Gambia is preparing for a better future, fragility arises from the limited capacity of the public administration to provide basic services, and from social grievances regarding the state's inability to deliver to the expectations of the population. The public administration is characterized by organizational duplication and overlap, poor policy coordination, reversals in civil service standards (in terms of recruitment, promotion, transfer, training, and performance appraisal), declining (in real terms) and noncompetitive civil servant pay, and growth in the wage bill beyond available fiscal space, largely due to nonstrategic increases in civil service size.

Figure 3: The Gambia's Worldwide Governance Indicators



Source: Worldwide Governance Indicators database.

Figure 4: Constraints to the executive



Source: Polity IV Database, Integrated Network for Societal Conflict Research, Center for Systemic Peace, Vienna, VA, http://www.systemicpeace.org/inscrdata.html.
Note: Value for 1998 for Guinea-Bissau corresponds to that of 1996.

25. **Sustaining The Gambia's democratic trajectory is a long-term process and requires rebuilding state institutions.** Historical evidence suggests that about 65 percent of African countries that start down the democratic path experienced at least one episode of regression. Rebuilding state institutions after their erosion under an autocratic regime takes time and requires new institutions to be created and corrupt and rent-seeking practices to be eliminated. Refocusing institutions to be more accountable and transparent requires the existence of "checks and balances" on executive powers, such as an independent parliament, an autonomous judiciary, a professional military, and merit-based civil services (Siegle 2013).

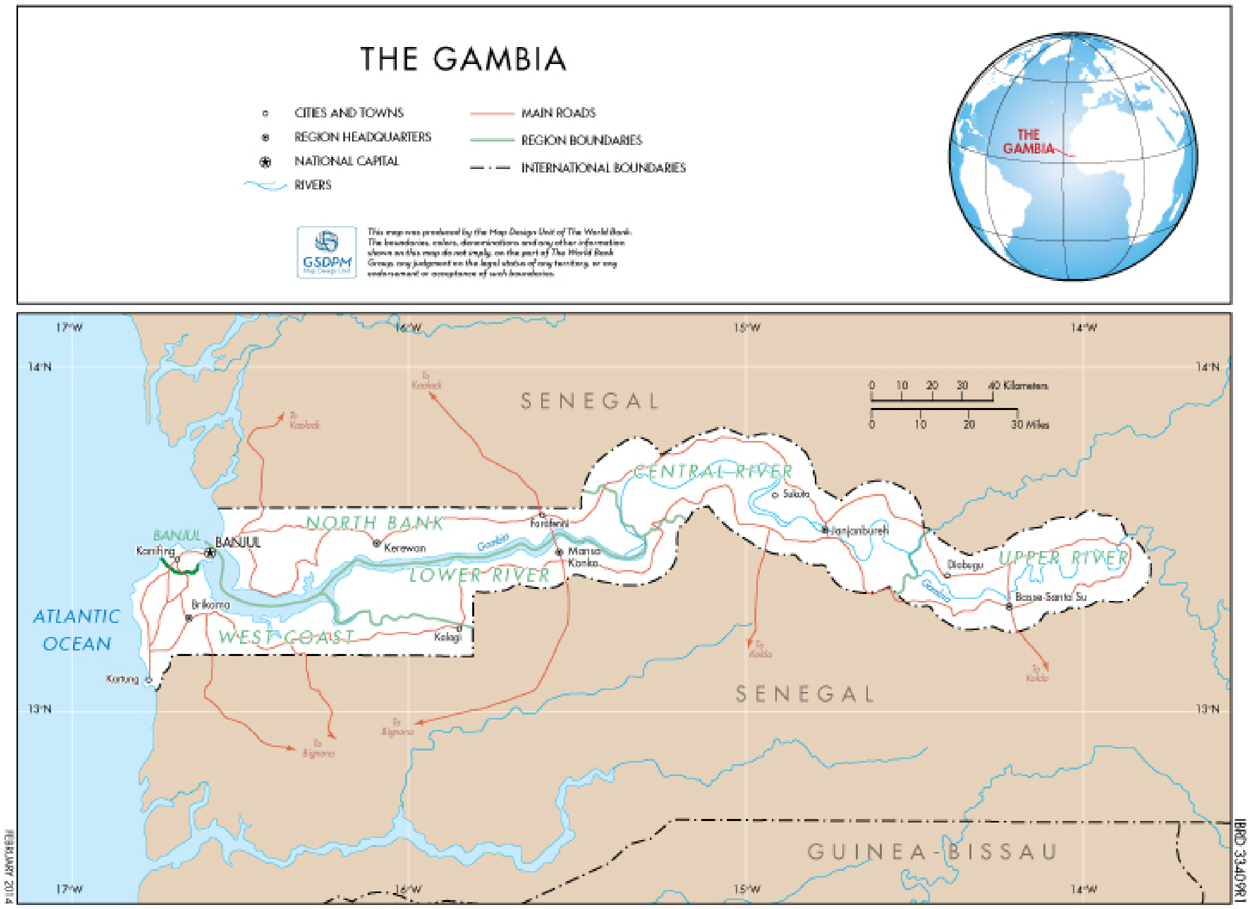
B. Small Economy and Regional Integration

26. **The Gambia is small along three dimensions: land area, economic activity, and population.**[18] With 10,689 square kilometers (km^2) of land area, The Gambia is roughly the same size as Jamaica or Puerto Rico (see map 2.1). Although limited in extractable natural resources, it is endowed with fertile land and coastal and marine habitats, which make tourism and agriculture flourishing sectors for the economy. With a GDP of about US$1.5 billion in 2017, The Gambia has the fifth-smallest economy in SSA, accounting for 0.11 percent of the regional GDP in 2017. In terms of the population, The Gambia is among the smallest countries in SSA (2.1 million people).

27. **The Gambia's unusual geography creates a challenge for economic and social integration and service delivery.** The Gambia's territory follows the Gambia River, which divides the country into two narrow strips of land, each of which is 25–50 km wide and about 300 km long (Clark, Gailey, and Forde 2019). Thus, the river poses challenges for economic integration within the north and south banks of the country. Connectivity between the north and south sides of the river depends on an inefficient ferry system and a few bridges (World Bank 2007). This poor connectivity constrains access to health services because public hospital locations alternate across the river. Nevertheless, the Gambia River is mostly navigable, at least by

small embarkations upstream, and it helps provide livelihood and transportation opportunities for the population.

Map: The Gambia



Source: World Bank Cartography Unit.

28. **The Gambia's geography has also contributed to a complex relationship of mutual dependency with Senegal.** The Gambia divides Senegal into two sections and isolates the southern region of Casamance from the rest of Senegal (Radelet 1992; Robson 1965). For Senegal, this increases connectivity costs, and bypassing The Gambia more than doubles the time to travel between its northern and southern regions of the country (Dia and Sinarinzi 2016). For The Gambia, its cross-border trade with other countries in West Africa's relies on access to overland transit corridor through Senegal.

29. **The mutual dependency between Senegal and The Gambia has been a source of instability for economic activity and political relations for both countries**. Road blockades by Senegalese transporters have affected The Gambia's reexportation sector on various occasions.[19] Conversely, border crossing blockages have impacted trade between northern Senegal and the Casamance region. Variations in trade and industrial policies have created price differentials between countries, which, given the lack of policing at the border, results in smuggling. Regarding security, Senegal provides a geographical buffer against other countries, and this has led to agreements on defense. For example, a defense agreement was signed in 1965 between The Gambia and Senegal, which provided for mutual assistance in the face of external threats, and in 1981, Senegal deployed troops to The Gambia to stop a military coup. That same year, both countries also formed

the Senegambia Confederation, which lasted until 1989. Prior to The Gambia's independence, the governments of both countries discussed the possibility of creating some form of association. They commissioned a report from the United Nations to explore different options, but in the end, The Gambia opted to go its own way (Robson 1965). Senegal remained associated with West Africa's Francophone community and The Gambia joined the Commonwealth of Nations after independence. Nevertheless, the two countries have relied on treaties to strengthen cooperation on economic and social matters.

30. **The Gambia's small size limits its ability to establish spillover effects from foreign direct investment** (Lederman and Lesniak 2017). Foreign direct investments (FDIs) have played a key role in the economy, representing 33 percent of GDP in terms of stock in 2016, above Senegal (25 percent) and the average of ECOWAS countries (29 percent) (UNCTAD 2017). However, The Gambia lags behind structural and aspirational peers in terms of FDI flows per capita. During 2012–16, FDI flows represented about US$11 per capita, three times lower than the ECOWAS average of US$36 (UNCTAD 2017). FDI flows into The Gambia have been declining since 2007, when they reached US$80 million, or almost 10 percent of GDP. Because of the country's small size, the interaction between foreign and domestic firms may be limited, hindering any positive benefits from FDI. Relative to the number of large enterprises (10 or more paid employees) in The Gambia (707 enterprises), the number of foreign companies is small. Only 24 foreign companies were operational in 2013, as reported by The Gambia Investment and Export Promotion Agency (GIEPA) (UNCTAD 2017).

31. **Like other small states, The Gambia has had difficulty diversifying its exports beyond a small set of trading partners.** It exhibits an open economy with a specialized export structure (Lederman and Lesniak 2017). Merchandise exports are concentrated in fewer markets (and products) than most of its structural and aspirational peers. The Hirschman-Herfindahl (HH) Index of export products, a measure of economic diversification, was 0.45 in 2018, which illustrates an elevated level of concentration compared to peers in SSA, including Mauritania (0.31), Rwanda (0.38), Senegal (0.24), and Uganda (0.27). For instance, the tourism sector relies on a handful of European countries, with 40 percent of tourists originating from Great Britain and the Netherlands in 2018. The highly concentrated nature of The Gambia's trading partners increases growth volatility as shocks in partner countries cannot be mitigated through a broad-based trade network.

32. **The lack of integration with other West African countries limits The Gambia's access to economic opportunities, increases its vulnerability to shocks, and contributes to higher costs of production and consumption.** International evidence suggests that being a small economy is not a constraint for economic development, per se, if the country is open to trade and is well integrated into regional and global value chains. Economic openness facilitates access to input and output markets, and The Gambia could leverage its membership in the ECOWAS region and the African Continental Free Trade Agreement to exchange goods and services with more trading partners. Better integration into regional value chains would make the country more attractive to international investors by offering access to economic opportunities beyond national borders. Moreover, it would help to diversify markets and upgrade sophistication of products, both of which contribute to lower growth volatility. Lastly, economic integration with neighbors could lower costs for inputs, including electricity, which is currently among the most expensive in West Africa and constrains economic growth. Although better relations with Senegal are a necessary condition, further investments in transport infrastructure, logistics, and institutions would facilitate integration into international markets.

C. Rapid Population Growth and Urbanization

33. **The Gambia's social and economic development is shaped by a high fertility and youth dependency ratio.** The Gambia was the ninth most densely populated country in Africa in 2017, with 208 inhabitants per km^2. Even though The Gambia's fertility rate (birth per woman) is on a declining trend—from 5.8 in 2010 to 4.4 in 2018[20]—the high annual population growth rate of 3.1 percent between 2000 and 17 contributed to a doubling of the population between 1994 and 2017. Sustained high fertility has led to a large youth bulge. The youth age dependency ratio, defined as the number of young dependents (that is, population below the age of 15) relative to the working-age population, stands at 83.3 per 100 in 2018, the eighth-highest among SSA countries. The significance and pace of the youth population's growth—with the median age of the population standing at just under 20 years—poses challenges to the budgets for health, education, and social services. However, these demographic trends could yield a dividend if social and economic policies can ensure human capital accumulation for the young population (Canning et al. 2015).

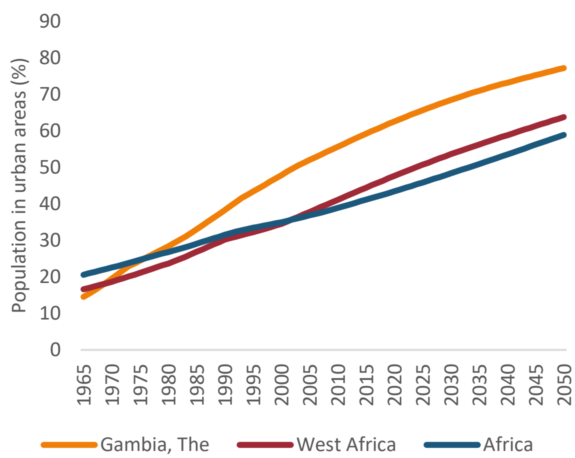
34. **High population density and growth have placed The Gambia among the top ten most urbanized countries in SSA**. Urbanization is proceeding at a fast pace, with urban population growing at 4.5 percent per year during 2000–17, and thus, the share of the population in urban areas increasing from 47.9 percent in 2000 to 60.6 percent in 2017 (figure 2.5). Urbanization is partly driven by internal migration from rural areas into urban areas, as well as into the capital region, led to higher population density in the Greater Banjul Area, particularly in the local government areas (LGAs) of Kanifing, Brikama and the West Coast region; a handful of wards have a share of urban population above 40 percent. This rapid urbanization challenges the capacity of the existing infrastructure, including water supply and sanitation systems, waste disposal, and threatens environmental sustainability of the growth model. Moreover, The Gambia has the largest percentage of urban population residing in elevation below 5 meters (m) in SSA, which increases risks arising from climate variability (figure 2.6).

35. **The Gambia is ethnically diverse with a history of pluralism.** As shown in figure 2.7, the largest ethnic group is the Mandinka/Jahanka (36 percent of the population) followed by the Fulani/Tukulur/Lorobo (23 percent), the Wolof (12 percent), the Jola/Karoninka (9 percent), and the Serahulleh (7 percent) (CIA 2017). Ethnic diversity varies substantially across regions, with rural areas having more homogenous populations than urban ones. Some ethnic groups are concentrated in certain areas, like the Serahulleh in Basse and the Jola/Karoninka in Brikama. Existing social structures have helped to manage ethnic tensions peacefully in The Gambia. Interethnic marriages are common and widely accepted, helping to mitigate cross-cultural tensions. Almost 90 percent of the population is Sunni Muslim, which provides some degree of social cohesion. At the village level in rural areas, ethnic minorities are included in economic networks, playing similar roles as those from the predominant ethnicity (Arcand and Jaimovich 2015). Nonetheless, the country is still coping with its past when Jammeh regime's favoritism for the Jola threatened The Gambia's ethnic pluralism and social stability. The Jammeh regime started using anti-Mandinka rhetoric to limit that group's economic participation, which began to erode the country's social cohesion. If not carefully managed, this emerging pattern of mistrust along ethnic lines, accompanied by unequal access to goods and services and political affiliation, could promote politicization and ethnic tensions (WANEP 2018).

36. **Like other small countries, The Gambia stands out for having a large diaspora.** These large numbers of emigrants pose both challenges to and opportunities for growth and poverty reduction. A combination of few economic opportunities, widespread poverty, and food insecurity contributes to large-scale emigration. Approximately 9.2 percent of Gambians lived outside the country in 2019 (Error! Reference source not found.) and form a strong diaspora. Remittances accounted for 15.1 percent of GDP in 2018, the largest in Africa and the 14th highest in the world. Members of the diaspora also remain a driver for political change,

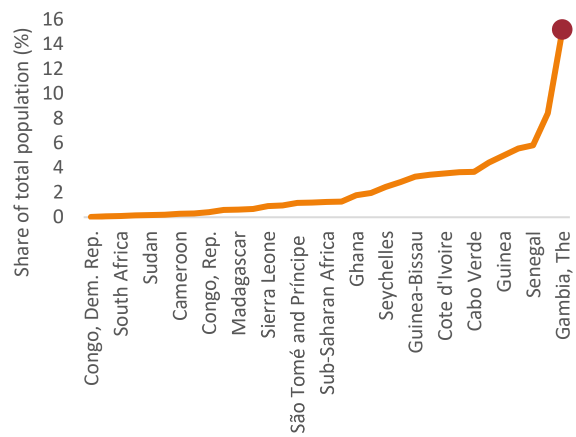
and their substantial philanthropy supports the country's development. International migration unlocks labor market opportunities for migrants and helps to both alleviate resource pressures at home and sustain private consumption. However, large-scale emigration also drains the country of its most educated and productive workers. Sixty-five percent of workers with higher education emigrate, which is almost three times higher than in Senegal.[21] Furthermore, remittances associated with emigration impact labor market outcomes by increasing the reservation wages. While outmigration continues at high levels, The Gambia has also seen an increase in return migration, both because of difficulties getting refugee status in the European Union and due to voluntary return from countries such as Libya. The International Organization for Migration (IOM) supported the return of 3,668 voluntary return migrants between early 2017 and February 2019. The return of jobless and often traumatized migrants can pose social risks, especially in urban areas.

Figure 5: Population residing in urban areas



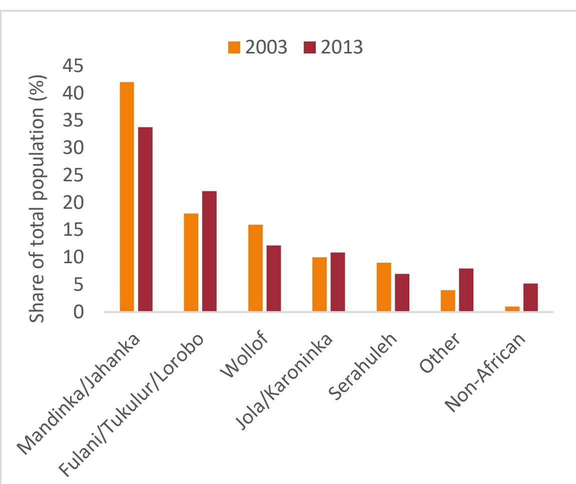
Source: UN DESA 2018.

Figure 6: Urban population living in areas where elevation is below 5 meters, 2010



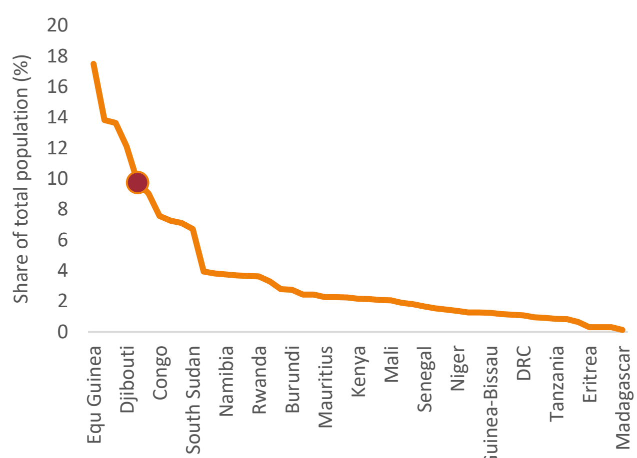
Source: by AfDB and WBG 2017, figure 6.

Figure 7: Ethnic composition of the population, 2003–13



Source: AfDB and WBG 2017, figure 6.

Figure 8: Migrants (% of total population), SSA countries, 2017



Source: UN DESA 2019.

D. Extreme Weather Events and Climate Change

37. **The Gambia's principal environmental sustainability challenges relate to managing and preserving its natural capital and managing the risks arising from extreme weather events and climate change**. Natural capital contributes significantly to livelihoods in The Gambia and lays the foundations for economic growth, and its share is growing (Lange, Wodon, and Carey 2018). Agriculture, fishing, and tourism largely depend on the ecosystem's well-being, but recently they have been challenged by more frequent extreme weather events and climate change. In urban areas, overcrowding and a steadily increasing population density—combined with poor land management—put further pressure on the country's natural capital. Another concern is related to groundwater, the country's only source of drinking water (the Gambia River being too saline to exploit). While the Department of Water Resources is responsible for groundwater monitoring and management, it has limited capacity and in effect there is relatively little knowledge about the full extent of Gambia's resources. Due to irregular water supply, many households are drilling wells but there is little control of this activity and there are growing concerns about the impact of groundwater quality and the sustainability of the resources.

38. **Shifting weather patterns have increased vulnerability to floods, impacting livelihoods and well-being.** Floods are a recurring hazard for The Gambia. Approximately 20 percent of the land area is covered by swamps and wetlands. Populations that live along flood-prone areas in the Greater Banjul Area and parts of Basse are subjected to life-threatening floods and vector-borne diseases such as malaria, which is endemic and peaks in the rainy season. Heavy rainfall also leads to deterioration of unpaved roads and property damage each year following heavy rains.

39. **Changing rainfall patterns have led to droughts and variable agricultural output.** Farmers are already reporting that weather variability and depleted soil are affecting farming, livestock, and settlement systems, and in some areas, traditional cropping patterns are no longer sustainable. Droughts are also becoming more frequent. Mean annual rainfall has been decreasing since the late 1960s (Yaffa 2013). Moreover, rainfall during the rainy season (July–September) has decreased significantly between 1960 and 2006, with an average rate of decrease of 8.8 millimeters (mm) per month per decade (Urquhart 2016). Drought has serious implications for rain-fed agriculture, water resources, soil quality, and food security across the country. The 2011 drought, for example, negatively affected 79 percent of households in the North Bank region, with an average loss of 74 percent of household income and reduced crop production of groundnut, maize, millet, and rice (Yaffa 2013).

40. **Continued coastal erosion and salinity in the Gambia River's estuary have a detrimental impact on fishery activities.** Like other countries in West Africa, The Gambia has experienced degradation and erosion of beaches. Climatic change increases instances of erosion, especially when exacerbated by human-induced changes to the coastlines and riverbanks, such as deforestation, sand mining, and other forms of sediment removal. Deforestation and disturbance of the mangroves in the Tanbi Wetland is having a destabilizing effect on the shoreline. Although the government has prohibited development in the wetland, the greater city is seeing increasing informal housing and construction in and around the site (Niang et al. 2012). It is expected that coastal erosion and salinity in the Gambia River will affect the abundance and composition of fish species, and cause the loss of nesting grounds for green turtles and the submergence of diverse habitats.

41. **While the success of the tourism sector challenges the sustainability of natural assets, climate change is likely to disrupt tourist sites along coastal beaches.** In 2018, the country received almost 200,000 tourists, and the tourism sector remains an important contributor to job growth and economic activity (WTTC 2018). Most tourists visit the coastal areas ("the Smiling Coast of West Africa"), and the expansion of hotel

infrastructure challenges natural assets such as beaches and natural habitat. At the same time, the Greater Banjul Area has begun to see considerable degradation of beachfronts from 150 m to just 16 m and in some areas the beach is retreating at 1–2 m per year. Future erosion rates are projected to grow to 3–4 m per year, specifically along Banjul's northern shore (Jaiteh and Sarr 2012), and are likely to destabilize tourist sites along coastal beaches.

42. **The Gambia's unusual geography amplifies the risks associated with rising sea levels.** The Gambia River divides the country into two banks, and tidally inundated swamps cover 20 percent of the country. These swamps are at risk of permanent flooding by a sea level rise of 1 m (Urquhart 2016). Approximately 3,515 km^2, or about 32 percent of the total land area, are less than 10 m above sea level. In Banjul, about 11 km^2, or 92 percent of the total land area, are 10 meters below sea level. Different scenarios that are being used to assess the coastal zone's vulnerability to sea level rise predict that a 1 m rise will inundate about 8.7 percent of The Gambia's total land area, resulting in submerged beaches, which are among the most important assets for the booming tourism industry (Urquhart 2016, 11). The manifestation of climate change in the coastal areas includes coastal erosion, submerged beaches, salt intrusion into mangroves, saline intrusion into aquifers, damage to other coastal ecosystems and estuaries, and widespread destruction of infrastructure throughout Greater Banjul.

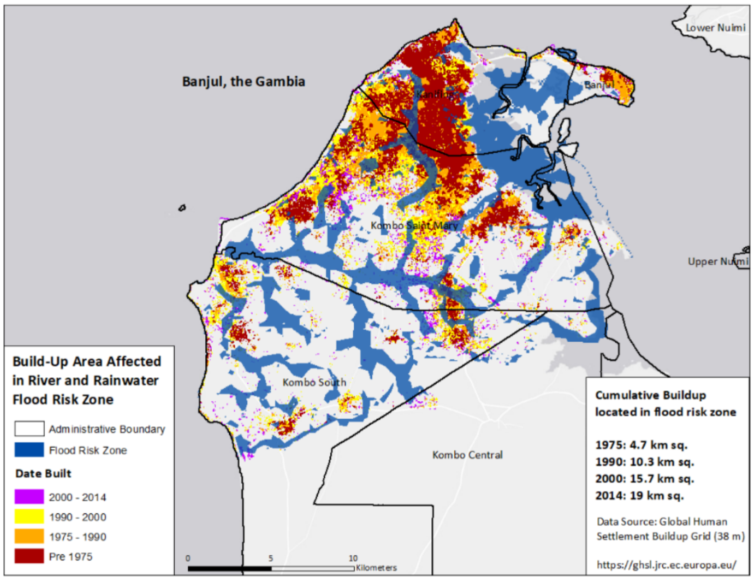
43. **Flash floods and storm water runoff are devastating to the urban coast.** The Gambia's National Disaster Management Agency estimates that each year 40,000 people are affected by flooding events, and most of those impacted reside in the Greater Banjul Area (OCHA and UNCT Gambia 2014). The rainy season brings heavy rainfall to the capital, which is predicted to increase with climate change. Flash flooding from extreme precipitation is coupled with windstorms and results in severe property damage to the capital, a situation exacerbated by the limited drainage infrastructure. The Gambia's 2010 wind and flood disaster devastated the Greater Banjul Area and nearby coastal cities, displacing nearly 7,000 residents and damaging more than 2,000 houses. Drinking water supplies were also contaminated from runoff, and waterborne diseases increased following the storm (OCHA 2010). Infrastructure costs from the disaster are estimated to be as much as US$200 million. September 2012 floods and windstorms affected close to 450 households in the Banjul and Kanifing municipalities and collapsed numerous housing structures (UNICEF 2012). More recently, a 2016 windstorm and flooding event damaged housing as well as Banjul's drinking water infrastructure and several education facilities (WFP 2017b).

44. **Between 1975 and 2014, rapid urbanization increased the built-up area located in flood-risk zones increased at an annual rate of 7.8 percent.** As illustrated in figure 2.9, flooding in urban areas also corresponds to changes in the built-up areas. Urbanization restricts runoff by covering large parts of the ground with buildings, roads, and pavement, thereby obstructing natural channels. The negative impact of extreme weather events is further increased by the location of new settlements in the periphery of the urban area, which is more vulnerable due to the lack of proper land-use planning, inadequate drainage infrastructure, and substandard construction.

45. **The increasing demand for forest products, particularly fuelwood for household energy, is alarming.** About 650,000 m^3 of fuelwood are consumed annually in the country. It is estimated that 97.8 percent of all household energy in the country depends on wood energy for boiling, heating, or smoking fish. Furthermore, 73 percent of the consumers who use fuelwood cook on traditional three-stone stoves. These systems lose more than 50 percent of wood energy and are regarded as highly inefficient. Household air pollution is the second-ranked risks factor for premature mortality and disability in the Gambia and also contributes to lower respiratory infection, the second leading primary cause of mortality. The past three decades have witnessed ecosystems and biodiversity resources being subjected to misuse and

overexploitation by humankind. The demand on the natural resource base in terms of fuelwood supplies, construction materials, food production, and other needs puts The Gambia's natural resources under great strain. Annual uncontrolled bush fires, in combination with other human activities, in particular the practice of shifting cultivation, the commercial exploitation of fuelwood, and the clearing of wetland catchments, cause a vicious cycle of forest destruction.

Figure 9: Built-up area in the flood-risk areas, 2015



Source: World Bank data.

46. **In the Gambia almost all households cook with biomass fuels.** The use of these fuels results in high levels of indoor air pollution that poses a substantial health risk. According to the 2018 Multiple Indicator Cluster Surveys (MICS), only 1.2 percent of household members primarily rely on clean technologies for cooking, including an average of 0.0 percent for households in rural areas and those in the poorest wealth quintile, and 1.8 percent for those in urban areas (table 1).1 The proportion of household members who use polluting fuels and technology for cooking has remained essentially the same in the last decade (97.2 in the 2018 MICS and 97.6 percent in the 2010 MICS). The low utilization of clean fuels and technologies and minimal change in usage of polluting fuels and technologies indicate the high risk to Gambians associated by current cooking practices. In The Gambia, lower respiratory infections have continued to be the second cause of mortality over the last decade and air pollution is the second risk factor to disability-adjusted life year (DALYs) lost. Household air pollution from solid fuels is responsible for an estimated 4.6 percent of total DALYs for children under age 5 years, and 8.7 and 10.2 percent of DALYs for those ages 50-69 and 70+ years, respectively (9.8 percent and 11.2 percent of women ages 50-69 and 70+ years, respectively)2.

[1] The Gambia Bureau of Statistics. 2019. The Gambia Multiple Indicator Cluster Survey 2018, Survey Findings Report. Banjul, The Gambia: The Gambia Bureau of Statistics.
[2] IHME, Retrieved October 23, 2019 from https://vizhub.healthdata.org/gbd-compare/

3. Growth and Fiscal Stability: Trends and Characteristics

Economic growth has been low and volatile for decades. Two factors explain The Gambia's inability to break out of its low-growth and high-poverty equilibrium. First, the economy is dependent on sectors that are poorly diversified and exhibit high volatility: agriculture (groundnuts) and tourism. Second, private investment has been low and stagnant, partly due to low private sector credit, which is among the lowest in Africa. Procyclical unproductive spending, weak investment management, and distortive policies have undermined the effectiveness of public investment and caused a debt overhang while crowding out the private sector. Unreliable electricity services, lack of access to finance, and other business environment constraints limit private investment. Structural reforms and productive investments are required to promote private sector–led and more diversified growth. Accelerated and sustained growth would require easing access to finance, rationalizing the tax system, and addressing the infrastructure and human capital deficit. However, ramping up public investment will remain an uphill task unless The Gambia escapes the debt trap. Restoring debt sustainability requires a combination of three choices: debt relief, higher growth, and fiscal consolidation. Of these, fiscal policy undoubtedly would need to take an active role by enhancing domestic revenue mobilization, improving efficiency of public spending including of public investment, and addressing SOE-related contingent liabilities. Moreover, prudence in borrowing decisions is critical to ensure the country exits debt distress over the medium-term.

A. Growth Trends

48. **The Gambia suffers from low per capita GDP growth, failing to converge with the SSA region and world averages.** Real GDP growth averaged 3.5 percent in 2000–18. By taking into consideration population growth, per capita growth averaged less than 0.5 percent per year, significantly below the average for structural peers (1.2 percent), aspirational peers (3.9 percent), and SSA countries (2.0 percent) (figure 3.2). The country's per capita income has barely increased in the last three decades from US$515 in 1990 to US$535 in 2018, making it one of the poorest countries in SSA. This performance contrasts with those of Rwanda and Uganda, countries that have advanced in converging with the world and the SSA averages. The implications of low growth are shocking. At the current growth rate of 0.2 percent, a Gambian child born today will not be able to earn the SSA's current average income during his/her lifetime. Higher and sustained growth rates would make it possible for The Gambia to catch up with SSA faster. For example, an increase in its annual per capita growth to 2 percent will reduce the time to converge to 56 years. Thus, achieving growth rates above its population growth is a key priority for The Gambia.

49. **High volatility has impeded a sustained period of economic growth in The Gambia.** Since 1968, The Gambia had two economic growth spells, defined as a period during which GDP per capita growth was more than 2 percent, spanning a total of 14 years. These two growth spells, between 1968 and 1978 (2.8 percent) and between 2008 and 2010 (2.9 percent), were closely linked to growth within the agricultural and services sectors, with both sectors exhibiting high volatility. Growth volatility in The Gambia is much higher than other SSA countries (figure 3.1). Frequent drought occurrences have negatively impacted agricultural production. In the last 50 years, the economy was hit by 11 instances of drought (4 since 2000), each resulting in a significant growth downturn. The Gambia's poorly diversified economy and high level of dependence on rain-fed agriculture exacerbate the growth impact of droughts. For instance, although Senegal has similar weather patterns, droughts had a less severe effect given its more diversified economy. The tourism sector is sensitive to political instability, global developments, and regional pandemics (for example, Ebola in 2014 and 2015).

50. **Growth volatility has been detrimental for inclusive growth because the poor are more likely to be affected** (Birdsall 2007). The agriculture sector, which employs about 80 percent of the rural poor, suffers from growth volatility that is 13 times higher than the rest of the economy and is driven by weather-related shocks. Mitigating 50 percent of the effect of droughts in the agricultural sector would have resulted in an average per capita GDP growth of 1.5 percent over 2004–14 (IMF 2015). This suggests that with an adequate irrigation system (which would reduce dependence on erratic rainfall), poverty levels could have declined significantly. With the agriculture sector constituting the main provider of jobs (40.3 percent) and the tourism sector constituting the main source of foreign exchange, fluctuations within these two sectors have undermined the country's macroeconomic and social stability in recent years.

51. **The Gambia lacks most of the key characteristics of fast-growing economies from across the world**. The Commission on Growth and Development (2008) reviewed the cases of 13 economies that have grown at 7 percent or more for 25 years or longer. Of the five major characteristics, the commission stated that The Gambia's experience coincided, to a limited extent, with the "exploitation of the world economy." The country's open trade policies enabled it to serve as a regional entrepôt, although its export-to-GDP ratio is still among the lowest in SSA. On the other hand, The Gambia has made only limited progress in letting markets allocate resources, mustering high rates of savings and investment, ensuring macroeconomic stability, and establishing what the commission called a "committed, credible, and capable government." Similarly, the commission identified a number of suboptimal policies in The Gambia, such as excessive interference in the banking system and open-ended protection of a wide range of sectors, including through SOEs. The Gambia particularly de-emphasized the promotion of a vibrant private sector.

B. Growth Characteristics

52. **The Gambia's lack of high and sustained growth can be understood by looking at its past growth drivers.** The economic literature provides various frameworks to understand a country's growth trends, and each framework provides insights about long-term drivers of growth. Not only the level but the volatility of growth is important for poverty reduction. Growth volatility has been found to be negatively associated with growth, total factor productivity, and investment.[22] Growth determinants can be analyzed from the supply side (looking at the sectors of the economy) or the demand side (looking at the balance between consumption and investment) (figure 3.5). The classical Solow capital accumulation model is another approach; it decomposes growth into factors of production (labor and capital accumulation) and the technological process. Besides incorporating those approaches, a good growth analysis also examines the role of human capital, strong institutions, and a level playing field across private firms and between SOEs. By analyzing growth features and determinants, this chapter identifies a list of constraints and policy recommendations to put The Gambia on a path toward economic growth.

Unsteady Macroeconomic Policies

53. **A history of unsteady macroeconomic and structural policies helps explain The Gambia's low levels of growth**. Years of erratic policies, unpredictable implementation, extrabudgetary spending, and large borrowing contributed to fiscal imbalances and affected long-term growth (World Bank 2015). An empirical growth model aimed at analyzing drivers of the growth process illustrates how macroeconomic factors correlate with growth between 2000 and 2017 in The Gambia.[23] The macroeconomic factors are grouped into four categories: stabilization, structural, external policies and/or factors, and a residual.[24] The Gambia stands out as one of two countries in West Africa that have seen their growth lowered by policy slippages

between 2000 and 2017 (figure 3.3). Exchange rate movements, mainly the result of government directives, consistently lowered growth. Exchange rate volatilities reduced growth by 0.64 percentage points in 2000–05 and 0.14 percentage points in 2005–10 (figure 3.4). Inflation had a negative impact on growth in 2000–05. During 2002–03, The Gambia experienced a deep economic crisis due to a drought, and the government implemented an expansionary fiscal policy and accommodating monetary policy. Inflation rose from 5 percent in 2002 to 17 percent in 2003, and the national currency, the dalasi (GMD), depreciated by 55 percent.

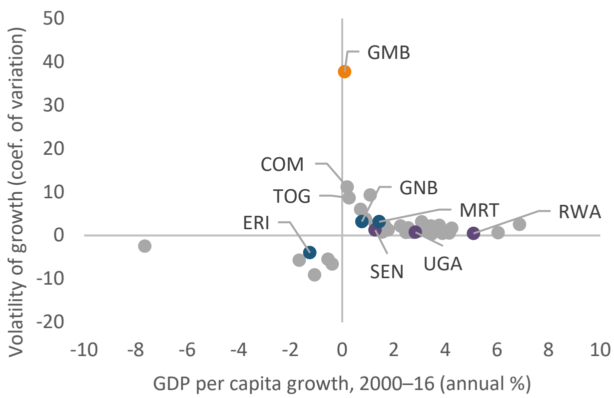
54. **More recently, between 2010 and 2017, fiscal slippages and exchange rate directives held back economic growth.** Rapid expansion in relatively unproductive government spending negatively affected overall growth. Fiscal slippages and the additional burden due to the financial difficulties of SOEs generated macroeconomic imbalances. The fiscal deficit averaged 5.3 percent of GDP between 2013 and 2016. The 2012–16 period was characterized by counterproductive exchange rate directives that imposed fixed overvalued exchange rates.[25] These directives created foreign exchange shortages that led to heightened uncertainty for private investors and generated a burden on households receiving remittances (IMF 2015). The currency was overvalued by roughly 30 percent in 2016, reducing the competitiveness of the economy. The authorities introduced a de jure floating exchange rate regime in May 2017, and since then the dalasi has stabilized at around GMD 48 per US$1. Moreover, the impact of structural variables, such as schooling, trade, and infrastructure, was lower than in previous periods as a rapid increase in largely unproductive government consumption crowded out productive public investments.

Modest Investment Levels

55. **Since 2000, The Gambia's growth has relied on domestic demand, with a minimal contribution of investment.** Private consumption contributed on average 2.3 percentage points to GDP growth between 2000 and 2017. Domestic demand, driven by an increase in remittances from US$110 million to US$208 million between 2013 and 2017, helped stimulate private consumption. Investment explained only 0.6 percentage points of GDP growth, reflecting low and declining levels of investment. Although the growth contribution of investment was historically marginal, investment increased from 18.7 percent of GDP in 2016 to 23.4 percent in 2017, driven by accelerated implementation of donor-financed projects. As a result, growth recovered from 0.4 percent to 5.6 percent over the same period.[26] Net exports contributed 0.2 percentage points, dragged down by lackluster export growth, partly reflecting Ebola's impact on tourism and the impact of droughts on agricultural exports.

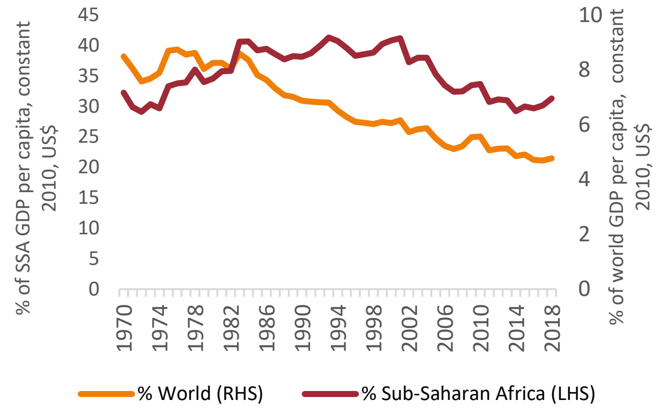
56. **Total investment remained low, both from historical and comparative perspectives**. Total investment barely increased, from 20 percent of GDP in 2005–10 to 21 percent in 2011–18. At 21 percent of GDP, the total investment rate in The Gambia is lower than in Rwanda and Uganda (at 24–26 percent in 2010–17) and Mauritania (49 percent). It also falls short of the threshold suggested by the experiences of the high-growth cases in the report by the Commission on Growth and Development (2008): "Overall investment rates of 25 percent of GDP or above are needed for a strong, enduring growth, counting both public and private expenditure." The high-growth economies also invested another 7–8 percent of GDP in education and health compared to 5.8 percent in The Gambia.

Figure 10: Average GDP per capita growth and volatility, 2000–16



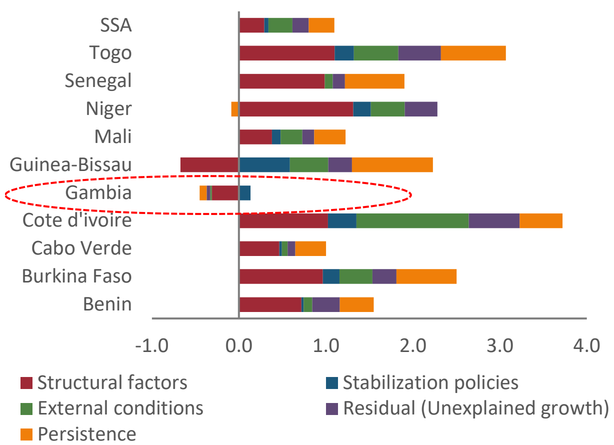
Source: World Bank staff calculations with data from World Development Indicators.

Figure 11: Real GDP per capita relative to the world and SSA, 1969–2018



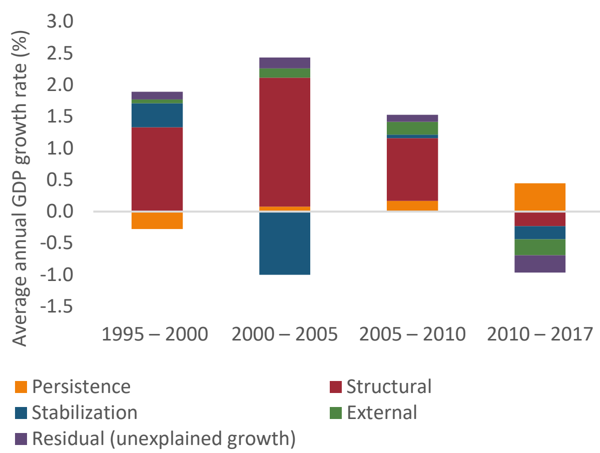
Source: World Bank staff calculations with data from World Development Indicators.

Figure 12: Macroeconomic and structural determinants of growth in West Africa, 2000–17



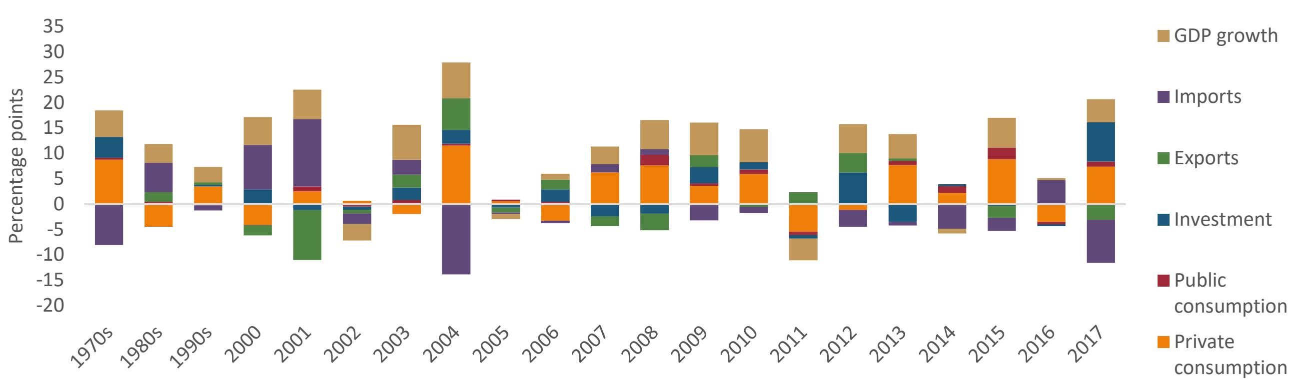
Source: World Bank staff calculations with data from World Development Indicators.

Figure 13: Growth determinants (%), 2000–17



Source: World Bank staff calculations with data from World Development Indicators.

Figure 14: Contributions to GDP on the demand side (%), by component, 1970–2017



Source: World Bank staff calculations with data from the World Development Indicators and World Economic Outlook databases.

57. **The country particularly lags behind most of its peers in terms of private sector investment**. No country has sustained rapid growth without also maintaining impressive rates of public investment—in infrastructure, education, and health, according to the report by the Commission on Growth and Development (2008). However, the report also notes that "government is not the proximate cause of growth. That role falls to the private sector, to investment and entrepreneurship responding to price signals and market forces." Private investment in The Gambia averaged 13 percent of GDP in 2000–18, lower than those for Mauritania (30 percent), Uganda (19 percent), Senegal (16 percent), and the SSA average (also 16 percent). The Gambia outperformed only Guinea-Bissau and Rwanda; however, whereas the former has been mired in a protracted political crisis, the latter has been pursuing a state-led growth strategy. Within SSA, although The Gambia is in line with the average for public investment, its private investment is far below average.

58. **Low private investment partly reflects The Gambia's low level of private sector credit—among the lowest in SSA**. Domestic credit to the private sector averaged 11 percent of GDP in 2000–18, compared to 20 percent for Senegal, and 14–15 percent for Mauritania and Rwanda. In fact, The Gambia has the fourth-lowest level of private sector credit in SSA. Private credit declined sharply from 15.4 percent of GDP in 2013 to less than 6 percent in 2017. To put it in regional context, private sector credit to GDP ratio in the eight members of the West African Monetary Union and the six members of the Central African Monetary Union averaged 24.3 percent and 12.9 percent, respectively. Further analysis confirms that the growth contribution of financial deepening (as measured by the share of domestic credit to the private sector) was very small. Credit growth, however, recovered to 32 percent in 2018 from 3 percent in 2017, due to increased business confidence, lower interest rates, and was driven by commerce and real estate developments (IMF 2019b). Infrastructure and human capital deficit also hampered the emergence of a thriving private sector.

59. **The private sector credit was crowded out by the government's excessive reliance on domestic borrowing**. At the end of 2016, net domestic borrowing reached 7.5 percent of GDP. The Gambia currently has one of the highest spreads between deposit and lending rates in SSA, reflecting the high cost of finance, high risks, financial sector inefficiencies, and (implicit) taxation of financial intermediation. Although government consumption increased from 9 percent to 12 percent of GDP between 2013 and 2017, private credit plunged from 10 percent to 6 percent of GDP over the same period—exhibiting almost a one-to-one relationship. Uncertain monetary and exchange rate policies also had a detrimental impact on private investment. For instance, several years of ad hoc presidential directives that imposed overvalued exchange rates suppressed private sector activities by hurting economic prospects.

60. **In addition, private sector growth has been hampered by several constraints**. The highest proportion of firms perceive access to finance and electricity supply as the most binding constraints to their operations, according to the 2018 World Bank Enterprise Survey. On average, around 53 percent of the firms surveyed reported access to finance (availability and cost) as a critical constraint to their growth, up from 12 percent in 2006. High tax rate is the next leading perceived constraint to firm growth in The Gambia. The Gambia has one of the highest total tax rates in SSA, at 51.3 percent of commercial profits, compared to the SSA average of 46.8 percent. Numerous uncoordinated taxes, fees, licenses, and levies across different jurisdictions and sectors are perceived as detrimental to firm growth. Firm-level regression analysis shows that access to finance, tax rates, and labor regulations are significant determinants of firm performance (as measured by efficiency, labor productivity, and employment growth). In addition, The Gambia's small market, dominated by loss-making SOEs,[27] leaves narrow space for the private sector. For more details on constraints to private sector, please see chapter 7.

61. **The level of public investment in The Gambia is on a par with the SSA average but is characterized by substantial inefficiencies**. Public investment averaged 8.4 percent of GDP in 2000–18, higher than those of peers, except for Rwanda and Mauritania. According to the Global Competitiveness Index 2019[28], the Gambia ranks 117th out of 141 countries on the quality of its infrastructure, which is slightly better than the SSA average. The most critical issues include airport connectivity (ranked 137th), electricity access (121nd), exposure to unsafe drinking water (118th), reliability of water supply (104th) and ICT adoption (122nd). Public investment efficiency was among the lowest in the SSA. A recent IMF assessment (IMF 2019a) revealed significant challenges in project appraisal and selection as well as implementation and oversight.

62. **Debt overhang makes further increases in public investment difficult**. The Gambia is trapped in a bad equilibrium of low growth, low investment, and high debt. It is in external debt distress, with public debt deemed sustainable on a forward-looking basis.[29] Public debt increased from 49.2 to 86.6 percent of GDP between 2012 and 2018, reflecting faster disbursements of loans and SOE-related contingent liabilities, among others. Both external and domestic debts are high, with a pipeline of already contracted loans (at 19 percent of GDP by the end of 2018) posing solvency and sustainability risks. Total interest payments and amortization of external debt consumed 44 percent of domestic revenue in 2018, higher than pre-HIPC levels.

Lack of Diversification and Narrow Export Base

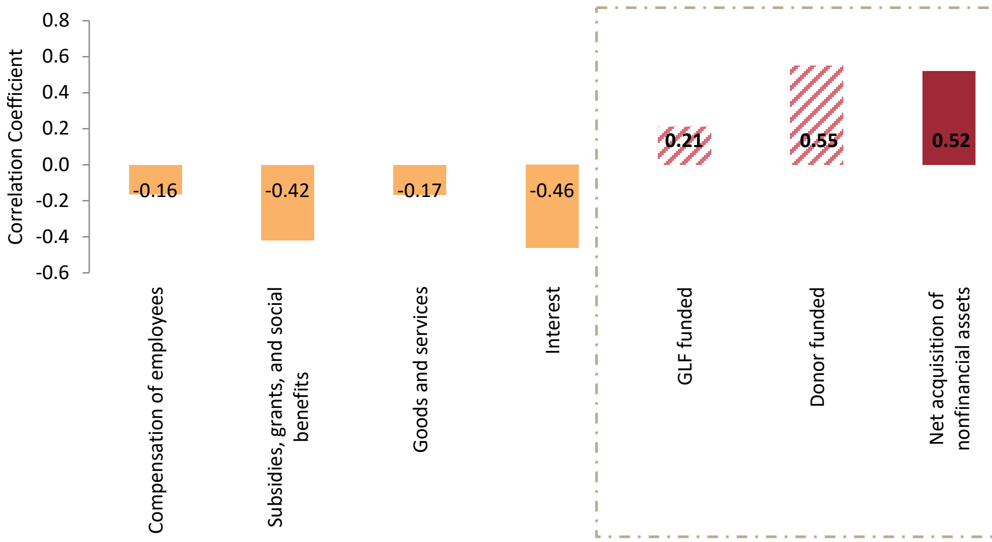
63. **The Gambian economy is poorly diversified and is continually affected by shocks to rain-fed agriculture and seasonal tourism**. Due to a narrow resource base and a small domestic market, production and exports exhibit little diversification. Agriculture is adversely impacted by frequent drought occurrences (on average every five years[30]) and is dominated by crop varieties that are not drought resistant. The country relies heavily on external trade and foreign investment to circumvent its scale and resource limitations, increasing its vulnerability to external shocks. The Gambia has a small export base dominated by groundnuts (representing 31 percent), fish and crustaceans (17.3 percent), cashews (11.8 percent), and wood (11.1 percent). Service exports are dominated by travel (tourism), which is a key source of foreign exchange but suffers from intra-annual seasonality. The contribution of travel and tourism to national income and employment is much larger in The Gambia than in other SSA countries, reflecting the country's high dependence on tourism.

C. Fiscal Stability

64. **Fiscal policy in The Gambia has, historically, been procyclical.** The conduct of fiscal policy is a critical influence on economic stability. Fiscal policy should aim to build buffers to smooth cyclical swings of economic activity and support crisis mitigation when needed. This is even more important in the case of the Gambian economy given its poorly diversified, shock-prone features. Historically, however, public expenditure in the country has exhibited procyclical behavior.[31] This is mainly explained by the positive correlation between donor-funded capital expenditure and aggregate output. This implies that output growth in the short run is fundamentally driven by expenditure in infrastructure financed by foreign loans and grants.[32] All of the other components of public expenditure behave contracyclically (figure 3.6). This negative correlation may suggest that they act, at least partially, as a kind of automatic stabilizer, particularly social benefits and goods and services. The role of subsidies is questionable because it includes the quasi-fiscal deficits of SOEs. Finally, interest payments move inversely with the business cycle because higher

output growth raises domestic revenues and thus reduces borrowing needs. Although expanding GDP growth will help reduce the unsustainable debt burden, it would not be enough and would need to be combined with two other policy levers: debt restructuring and fiscal consolidation.

Figure 15: Correlation coefficient between cyclical component of expenditure and GDP, 2004–18



Source: World Bank estimates based on data from Gambian authorities and the World Economic Outlook database (April 2019 edition), International Monetary Fund, Washington, DC, https://www.imf.org/external/pubs/ft/weo/2019/01/weodata/index.aspx.
Note: GDP and public expenditure series were detrended using the Hodrick-Prescott Filter. A positive (negative) correlation indicates procyclical (contracyclical) fiscal policy behavior.

Fiscal Trends

65. **Years of expansionary fiscal policies led to a sharp deterioration of the fiscal balance (figure 3.7).** The overall balance fell from a surplus of 0.1 percent of GDP in 2007 to a deficit of 6.6 percent in 2016. Lower-than-expected revenues, increasingly high expenditure on goods and services, and unbudgeted transfers to SOEs contributed to the deficit. Moreover, interest payments absorbed 43 percent of domestic revenues in 2016, far from Eritrea (23 percent) and other benchmark countries, constraining fiscal space for growth-enhancing and poverty-reducing expenditures.

66. **This deterioration was interrupted in 2017 due to significant donor grants in the aftermath of elections.** The overall fiscal deficit fell from 6.6 percent of GDP in 2018 to 5.3 percent in 2017. This reflected the impact of an uptick in grants to 8.0 percent of GDP (up from 1.1 percent in 2016).[33] Thus, net domestic financing fell from 7.5 percent of GDP to -0.7 percent, and net foreign financing grew from 0.7 percent of GDP to 5.7 percent.

67. **The fiscal deficit widened in 2018 due to a shortfall in expected budget support and fiscal pressures from SOEs.** The fiscal deficit increased to 6.0 percent in 2018 (from 5.3 percent in 2017), mainly due to lower grant revenues (by 2.1 percent of GDP), spending overruns on goods and services, and unbudgeted transfers to SOEs. Notably, tax revenues remained stagnant at 10.3 percent of GDP. Although declining relative to recent years, interest payments commanded 25 percent of domestic revenues in 2018, leaving limited fiscal

space for public investment and improved service delivery. Public debt remained high at 86.6 percent of GDP.

High Public Debt

68. **The Gambia has a history of chronically high public debt levels.** In the early 2000s, public debt averaged 80 percent of GDP, and this led The Gambia to benefit from the HIPC and Multilateral Debt Relief Initiatives. After reaching its completion point under the HIPC Initiative in 2007, The Gambia had received 80 percent debt relief from both multilateral and bilateral creditors to address unsustainable growth in external debt.[34] The stock of public debt decreased from 86 percent in 2006 to 38 percent in 2007, which helped reduce interest payments. Despite having received extensive debt relief, The Gambia remained at high risk of debt distress every year during 2006–12, an indication that it did not address the underlying cause of its cycle of debt accumulation. Public debt has more than doubled from 41 percent of GDP in 2010 to 86.6 percent in 2018 and was the fifth largest among SSA countries, behind Eritrea, Republic of Congo, Cabo Verde, Mozambique, and São Tomé and Príncipe.

69. **The main drivers of public debt accumulation are the absence of fiscal discipline, weak budgetary controls, and the central government's absorption of SOE-contingent liabilities.** To finance the widening fiscal deficit over the last decade, the government relied on expensive short-term domestic debt, which implies that it spends an inordinate share of revenues on interest payments instead of on activities that reduce poverty and enhance growth activities. Until recently, the government also used overdrafts from the Central Bank to finance the deficit. Interest payments steadily increased from 21 percent of government revenues (excluding grants) in 2008 to 45 percent in 2017, which is similar to the value of 43.6 percent in 2005, before the HIPC debt relief. Nonetheless, interest payments fell to one-fourth of government revenues in 2018. Moreover, limitations in corporate governance and oversight of SOEs has been a source of fiscal risk. SOEs periodically received financial bailouts from the government. Using domestic borrowing to finance the fiscal deficit pushed interest rates up, crowding out credit to the private sector and contributing to real exchange rate appreciation in recent years.

70. **The World Bank–IMF DSA illustrates a debt relief scenario that results in a sustainable public debt trajectory**. The DSA performed in April 2019 shows that The Gambia is in external debt distress, as its external debt service-to-exports and service-to-revenue ratios exceed applicable sustainability thresholds until 2023 and 2025 respectively. An illustrative scenario featuring a five-year deferral of external debt service demonstrates that such a temporary debt relief would enable The Gambia to exit debt stress within two years, such that its public debt would be deemed sustainable on a forward-looking basis.

71. **Restoring debt sustainability when The Gambia's development needs are massive will require a combination of approaches.** Consistent with the DSA assessment, authorities are seeking debt relief from creditors on external debt service expected in 2020–24. Regarding domestic debt, elongating the maturity of domestic debt instruments will be critical to reduce rollover risks. Another recommendation is to implement measures to improve the efficiency of public spending and boost domestic revenue mobilization in the short and long term. At the same time, addressing the weakness of the SOE sector and implementing structural reforms remain critical for debt sustainability. In the absence of reforms and weak commitment to fiscal discipline, public debt will continue to expand, putting the country on an unsustainable path.

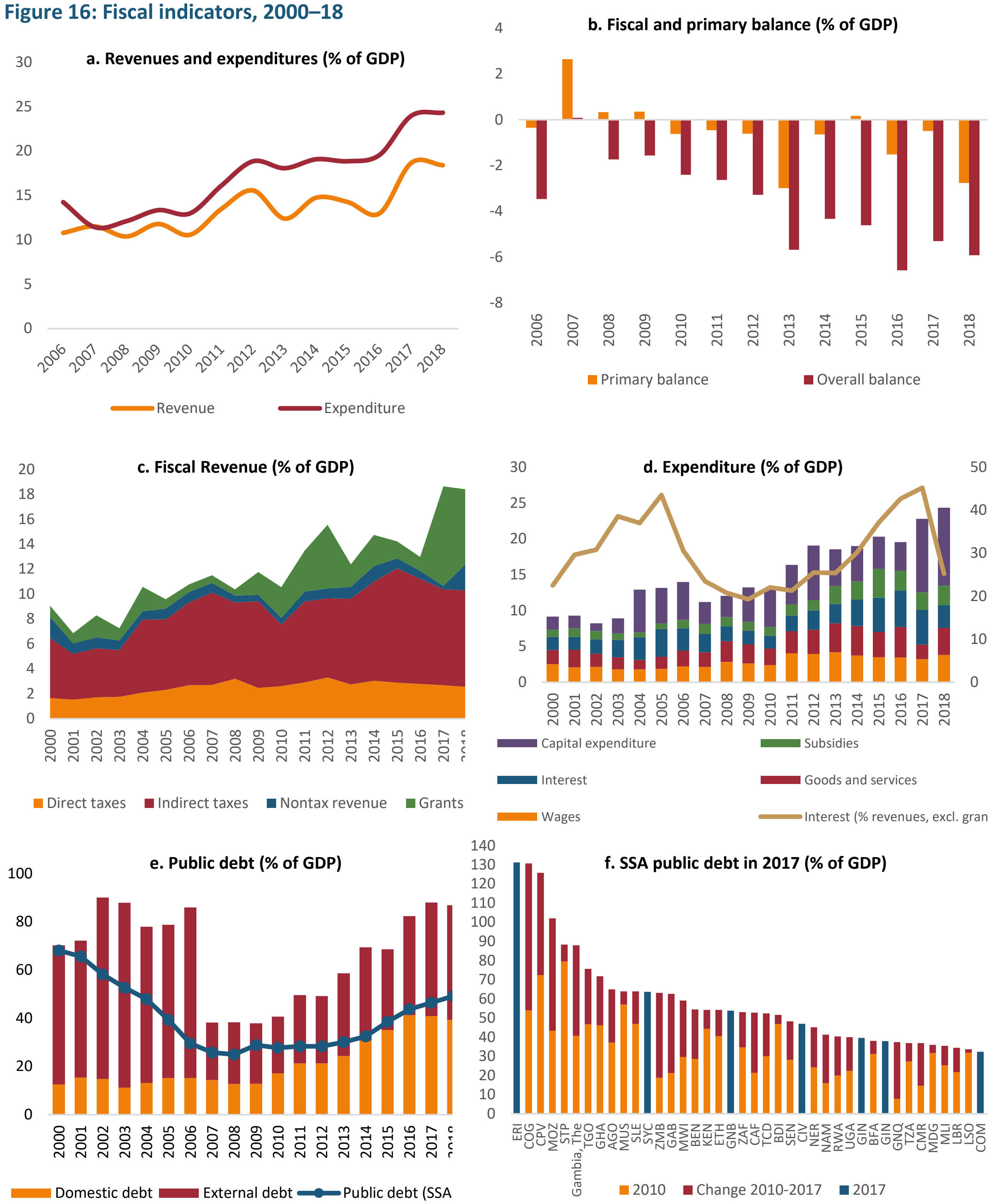
Debt Restructuring and Debt Management

72. **The existing debt burden is expected to be addressed by securing a five-year external debt service.** There is currently no framework for debt restructuring that can serve as a reference for the country's creditors. However, cases set by Saudi Arabia and China in the recent past can serve as good examples. On January 2018, The Gambia signed an agreement with Saudi Arabia to reschedule principal payments for the period between 2018 and 2021. The restructuring applies to US$24 million of outstanding debt and US$10 million of undisbursed balances, and it represents a net present value of 8 percent on the current stock of debt The Gambia owes to Saudi Arabia (IMF 2018a). China recently provided debt forgiveness for an amount equivalent to US$14 million. Discussions with The Gambia's external creditors have advanced since the roundtable in April 2019, raising credible prospects that the required financing assurance could be secured later this year. Furthermore, significant progress has been made on external debt relief mostly in the form of debt service deferrals by bilateral and plurilateral creditors since the roundtable discussions held in Washington D.C. in April 2019. The Gambia has secured formal debt relief commitments on more than 92 percent of the total end-2018 stock of debt (except multilateral) and agreements are expected to be formalized by the end of this year or early next year. Most of the creditors have agreed to provide debt relief and some of them, both bilateral and plurilateral, have already made firm commitments (accounting for over 80 percent of the outstanding claims owed to bilateral, plurilateral, and private creditors).

73. **Responsible debt management is critical to ensure macroeconomic stability.** On the external side, authorities demonstrated weak political commitment to restoring debt sustainability. In December 2017, for example, the Ministry of Finance and Economic Affairs (MoFEA) signed a US$25 million loan on nonconcessional terms from the Export-Import Bank of China to the benefit of the telecom service company Gamtel. More recently, in January 2019, the government signed an export credit facility agreement worth €11.04 million (or 0.7 percent of GDP) with the Dutch Development Bank for provision of a fishery inspection vessel. Moreover, in May 2019, the government signed a U.S. dollar–denominated local credit facility for the Banjul Rehabilitation Project worth US$36 million (2 percent of GDP). The dollar-denominated nature of the facility was nullified and an addendum to the contract was signed in October 2019 to stipulate that government obligations would be settled in dalasi in full through the annual budgets, in step with the phased implementation of the project. The authorities have committed to a number of measures to avoid such episodes from reoccurring: (i) tightening the legal framework for public procurement, which currently makes it legal for the executive to overrule standard procurement requirements; (ii) strengthening the capacity of The Gambia Public Procurement Authority (GPPA); and (iii) improving the project selection process by empowering the recently created Gambia Strategic Review Board (GSRB) and providing it with proper project selection criteria.

74. **In the recent past, an inadequate public debt management system contributed to amplifying the country's debt problems**. For many years the lack of a comprehensive debt and fiscal framework and weak public financial management have resulted in rising debt levels and weak payment discipline. Domestic debt management, monitoring, and recording capacity remains weak. Recent efforts by MoFEA, combined with technical assistance received from development partners (including the World Bank) in debt management, resulted in some positive improvements. An IMF–World Bank technical assistance mission in 2017 supported MoFEA in developing a medium-term debt strategy (MTDS), and additional assistance was provided to support authorities in updating the MTDS in 2019 and integrating it with a medium-term economic and fiscal framework (MTEFF) that is consistent with restoring and maintaining debt sustainability. As a next step, the production of an annual borrowing plan would be key in implementing the MTDS and could facilitate course correction, in case of deviations.

Figure 16: Fiscal indicators, 2000–18



Source: Based on data from Gambian authorities and the World Economic Outlook Database (October 2018 edition), International Monetary Fund, Washington, DC, https://www.imf.org/external/pubs/ft/weo/2018/02/weodata/index.aspx.

75. **The Gambia will remain in a debt trap if the government continues to be fiscally passive**. Buffie (2019) analyzes how The Gambia can scale up investment and continue to grow without causing debt sustainability risks. The paper finds that, in the absence of improvements in domestic revenue and project implementation capacity, public debt would remain unsustainably high, confining The Gambia into a debt trap. It is not possible for The Gambia to grow its way to debt sustainability. However, if the government uses the honeymoon period of generous external finance to expand the tax base, small increases in tax rates prove compatible with debt reduction. Revenue mobilization efforts would, nonetheless, be insufficient and should be combined with improved investment implementation capacity to achieve debt and growth targets. Together with fiscal consolidation, debt restructuring would be needed for The Gambia to escape the debt trap.

Tax Revenues

76. **The average tax-to-GDP ratio in The Gambia is 10 percent of GDP, which is well below the SSA average of 17 percent.** The average tax-to-GDP among all structural peers amounts to 10.8 percent of GDP (0.8 percentage points more than the Gambian average). Aspirational peers recorded average tax revenues of up to 13.6 percent of GDP, with Rwanda, Senegal, and Uganda recording 13.8 percent, 14.9 percent, and 11.6 percent, respectively. Moreover, The Gambia has no significant nontax revenue sources in contrast to other countries with low tax-to-GDP ratios, such as Benin, Mali, Botswana, or Mozambique.

77. **The low domestic revenue collection is the result of both weak administration capacity and policy gaps.** These include, for example, limited capacity to effectively enforce tax collection and flawed tax policy design, including too many exemptions narrowing the tax base of the most important instruments. Strengthening revenue mobilization requires tax administration and tax policy reforms to supplement grants that have been a major source of expenditure financing and could be subjected to volatility.

78. **Sales tax was abolished and replaced with the value-added tax (VAT), effective from January 1, 2013.** The VAT regime in The Gambia largely reflects the ECOWAS regulations, allowing much flexibility in its implementation. The VAT applies to taxable supplies of goods and services, specifically the supply of goods and services in The Gambia, and on the importation of goods and services. There are two rates of VAT in The Gambia: the standard rate, charged at 15 percent; and the zero rate, charged at 0 percent. The initial base (taxable supplies) at the time the VAT was introduced was broad, though it was simultaneously eroded by the proliferation of zero-rated supplies and exemptions. Suppliers of zero-rated goods and services are eligible for refunds on input tax but do not collect any output tax as the applied tax rate is 0 percent. VAT C-efficiency in The Gambia at 25 percent for 2016 is lower than its aspirational peers. The Gambia's VAT framework allows for many exemptions, covering, among other things, basic foods; education, health, and finance services; residential properties; and utility consumption. Although the list of exemptions has not been updated since the VAT was introduced, the list loosely follows ECOWAS stipulations on exemptions.

79. **The Gambia collects relatively little in direct taxes.** The contribution of direct taxes to total tax collection (and GDP) has reduced from 35.2 percent (3.1 percent) in 2008 to 24.8 percent (2.6 percent) in 2018. The Gambia raised less in direct taxes than all structural peers except Guinea-Bissau and also less than all its aspirational peers. Personal income tax (PIT) and corporate income tax (CIT) averaged 1.2 percent and 1.4 percent of GDP, respectively. Compared to its peers, The Gambia collects relatively little CIT although receipts have increased in recent years despite systematic reductions in tax rates. Its CIT productivity—the revenue collected as a share of GDP for every one percent of the CIT tax rate—has averaged 4 percent, lower than for all peer countries except Uganda. PIT also contributes relatively little due to reductions in tax

rates and increases in the tax threshold, and the ratio of PIT revenue to GDP is amongst the lowest in SSA. Small self-employed individuals with no permanent place of business are taxed under a presumptive scheme, and only required to prepare very simplified records. This framework generates only very modest revenue, despite the high prevalence of informal sector activities and agents. As seen in other countries, low and generous tax liabilities for informal agents tend to keep them from graduating to the higher tax rates in the formal sector.

80. **The prevalence of tax exemptions reduces tax collection and introduces distortions in the economy.** To boost competitiveness, MoFEA granted many tax exemptions that have resulted in substantial forgone revenues. The prevalence of these tax incentives is one key explanation of revenue loss at the border—on customs duties, VAT, and excises. Total exemptions in 2018 amounted to GMD 2.04 billion, standing at 2.6 percent of GDP (and amounting to 14.1 percent of total revenues). Moreover, the revenue forgone on the domestic VAT exemptions on basic consumables amounted to GMD 35 million, representing 0.5 percent of total revenues and 0.06 percent of GDP in 2015. Moreover, the Government grants businesses generous incentives, significantly narrowing its corporate tax base; 43 percent of large corporate taxpayers are eligible for these incentives in 2019, although the incentives themselves are not excessive.

81. **The institutional framework on taxation and the related tax policy and administrative capacity are relatively weak.** Relatively infrequent tax policy assessments and reviews are conducted by either MoFEA or the Gambia Revenue Authority (GRA). The medium-term tax-to-GDP target is not underpinned by a bottom-up assessment of revenue potential, by tax source, and an action plan to achieve revenue improvements. The recent TADAT assessment of April 2018 observed key strengths in tax administration, including improvements in taxpayer education, the use of withholding at source for income taxes, electronic payments of taxes, and a relatively strong system to resolve tax disputes. However, entrenched weaknesses still impede the GRA from achieving its revenue potential, including deficiencies in improving compliance, low integrity of the taxpayer registration base, and relatively weak ICT and refund systems, among others.

82. **A structural tax gap of 5–7 percent to GDP indicates a significant margin for improvement in domestic revenue generation.** Such a sustainable level of tax to GDP is also evidenced in the "tipping point" general proposition, understood as a minimum tax-to-GDP ratio of 12.9 percent, below which a state will experience difficulties in carrying out its most basic functions and financing development programs (Gaspar, Jamarillo, and Wingender 2016).

83. **Enhancing revenue collection will need to play a significant role given the country's large investment needs**. Domestic resource mobilization needs to be made more efficient, albeit in a growth-friendly manner. Systematic reforms, such as reviewing and rationalizing the tax expenditures of businesses and at the border; increasing statutory rates on personal income, corporate income, and VATs; and expanding the domestic excise tax base, should improve revenue mobilization in the short to medium term. Additionally, institutional capacity—particularly the tax policy unit of MoFEA and the elaboration of a medium-term revenue strategy—and comprehensive capacity development on the tax administration should be short-term priorities. Furthermore, articulating a road map for international and property taxation, both vaguely employed in The Gambia, would have long-term benefits in galvanizing revenue mobilization.

The Efficiency of Public Spending and Investment

84. **The limited fiscal space available to the government underscores the importance of ensuring value for money in public spending.** For every Gambian dalasi collected, 42 bututs are dedicated to interest payments

and security spending. That means just 58 bututs out of that single dalasi are available to the government for all other activities, including spending on health, education, and infrastructure. [35] Honoring its obligations while boosting human capital and physical infrastructure requires improving the efficiency of public spending.

85. **Efforts could be made to generate efficiency gains from spending without compromising the quality of service delivery.** Public spending nearly doubled between 2004 and 2018 reaching 24.4 percent of GDP—above the average for selected peers. Preliminary analysis suggests that efficiency gains could be achieved through targeted adjustments in the spending composition. Improved expenditure prioritization and efficiency will help authorities to free up fiscal space for priority spending in key sectors**.**

86. **Spending on education is low, and available evidence suggests that efficiency could be improved** (World Bank 2018i). In 2018, total spending on education in terms of GDP was 2.4 percent, below the recommended Global Partnership for Education benchmark of 4–5 percent of GDP and the aspirational and regional averages, such as Senegal (6.1 percent) and SSA (4.5 percent). However, the education sector is the biggest budget spender in The Gambia, making up 10 percent of total spending for 2018. The unit cost by level of education has been increasing over time both in nominal value and as a share of GDP per capita. An international comparison of public spending per student (as a share of GDP per capita) indicates that The Gambia spends relatively more on the primary and secondary levels but below the SSA average on the postsecondary level. This suggests that spending is appropriate for youth at the primary and secondary levels, but it is insufficient for the postsecondary level. Given The Gambia's fiscal challenges, growth in unit costs appears unsustainable, and measures to strengthen the technical efficiency of the current expenditure is critical to improve service delivery.

87. **Similarly, at 1.1 percent of GDP in 2018, health expenditure is low relative to regional and aspirational peers.** The country's health system was once a model for peer countries, but years of poor management reduced the quality of services and outcomes. The sector is under pressure due to high population growth, insufficient financial resources, deterioration of critical infrastructure, shortfall in supplies, and limited trained personnel. The Ministry of Health (MoH) operates vertical programs for specific priority areas, such as malaria, tuberculosis, or reproductive health. However, expenditure monitoring is weak, and the system lacks an appropriate reporting and accountability framework. A fragmented network for service delivery, uneven implementation of policies and guidelines, and frequent cost overruns at the MoH reduce the efficiency of health spending and contribute to worsening health outcomes. Inefficiencies at the operational level have negative implications for the sector's fiscal sustainability and will require targeted interventions focused on expenditure rationalization.

88. **Security sector spending in The Gambia is high for a country at peace, suggesting that there might be scope for fiscal savings.** Military spending in The Gambia, at 2.1 percent of GDP in 2018, is on a par with conflict-affected Mali and is considerably higher than neighboring countries with lower external threat exposure and more expansive territory, such as Senegal. Furthermore, the composition of security expenditures is tilted toward spending on personnel and related operations, with negligible spending on capital investments. Nonetheless, the government has embarked on security sector reform, starting with a payroll audit and sector assessment; however, concrete reform steps—in terms of the structure and composition of the services in line with their functions and mandates—have yet to be taken. Moreover, this process needs to be grounded in a realistic analysis of the affordability and sustainability of resource allocations to the sector.

89. **Analysis of capital spending patterns shows a fragmented picture, in which external financing dominates.** Capital expenditure has, historically, driven the growth rate of total expenditure. In 2009 the entire growth rate of public spending was mainly explained by capital expenditure, whereas in 2017 capital expenditure represented 32.3 percentage points of the growth rate of public expenditure (23.5 percent). Moreover, the public capital stock estimated at around 120 percent of GDP for 2015 is in the midrange for SSA countries. In recent years, around 85–90 percent of infrastructure has been externally financed, from many donor sources. Investments in roads and bridges, agriculture, environment, and energy have predominated. Roughly two-thirds of the public capital stock is held by the seven major SOEs.

90. **There is substantial scope to make public investment more efficient.** Findings from the 2019 Public Investment Management Assessment indicate a mixed performance of The Gambia that does not compare favorably with regional counterparts (IMF 2019a). Although performance is relatively strong in some areas under planning, information gaps and nontransparent disclosure policies, flawed monitoring and evaluation systems, and significant capacity gaps in key areas of infrastructure governance are major bottlenecks to efficient public investment. There are also cases of financial irregularity and lack of financial oversight of SOEs. In addition, the Gambian budget system and supporting information systems do not currently identify capital projects within its development budget. Finally, projects implemented using domestic resources employ different and less advanced (selection and public procurement) practices than projects dependent on donor funding.

91. **Tackling the myriad of fiscal pressures necessitates containing spending and addressing weaknesses in public investment management**. The crucial challenge is not just to reduce public expenditure but rather to raise the efficiency of spending to reinforce a performance and an evaluation culture. Thus, over the medium term, the main concern should be to ensure that spending is sustainable by emphasizing efficiency and value for money.

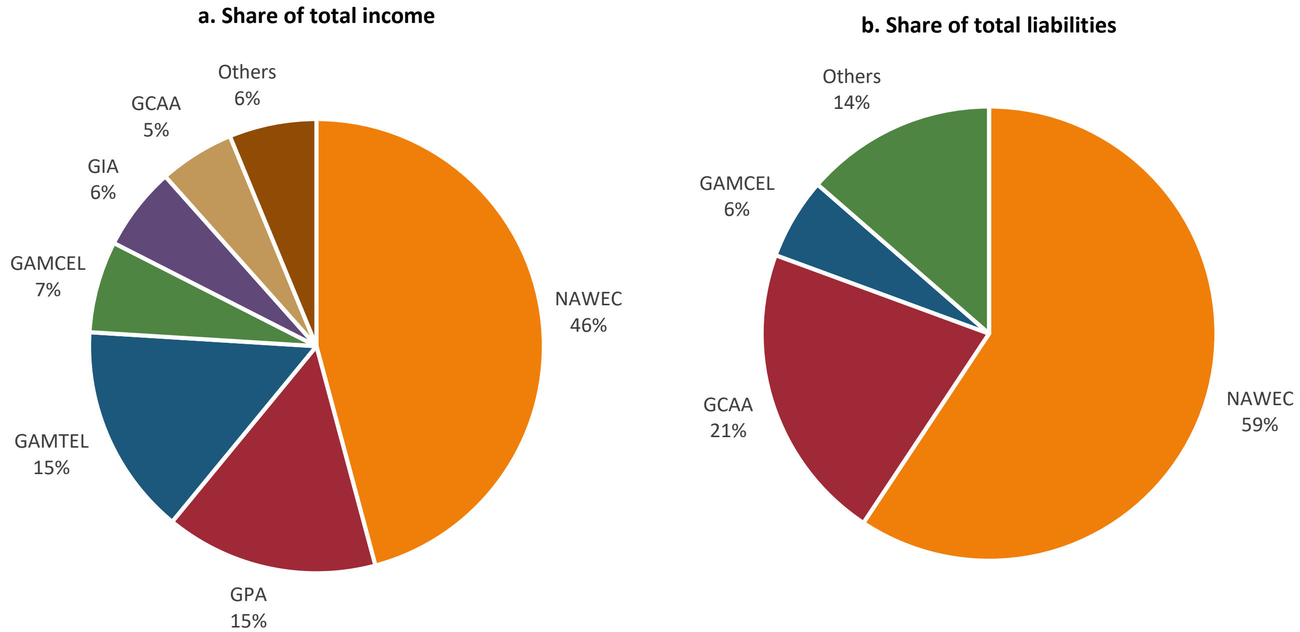
SOEs as a Source of Fiscal Risk

92. **Economic mismanagement, limited corporate governance, and scant oversight of SOEs have elevated fiscal risks for the government and undermine efforts to reduce the public debt**. The poor economic performance of SOEs, combined with weak management and inadequate oversight, have led to an accumulation of tax and nontax arrears to the government. The most recent assessment carried out in June 2019[36] showed that, after netting out of "cross arrears," the total amount owed by the SOEs was GMD 3 billion. NAWEC remains the largest debtor by far compared to other SOEs with the government, owing GMD 4.1 billion (5.3 percent of GDP). The other net debtors are the Gambia Civil Aviation Authority (GCAA) (GMD 1.4 billion), Gamcel (GMD 832 million), the Gambia Radio and Television Services (GMD 147 million), and Gambia International Airlines (GMD 143 million).

93. **The aggregate sector performance indicators are heavily influenced by a few large SOEs.** In 2016, NAWEC, the Gambia Ports Authority (GPA), and Gamtel accounted for 76 percent of total sector income (figure 3.8), and NAWEC, GCAA, and Gamcel for 86 percent of total sector liabilities. The consolidated SOE sector reversed its financial performance from aggregated losses of about 4 percent of GDP in 2013 to a surplus of about 2 percent of GDP in 2015. However, three SOEs had large losses in 2015 (NAWEC with losses of around 2.5 percent of GDP as well as Gamtel and Gamcel). The aggregate figures also mask large arrears and defaults by NAWEC and Gamtel/Gamcel. NAWEC was essentially bankrupt with a negative net worth of about 6 percent of GDP. Although restructuring plans for NAWEC and Gamtel/Gamcel are being implemented and worked on, restructuring plans for SSHFC and GPA should be the next priority given the

fiscal risk and actual burden on public finances that these SOEs present. It should also be noted that while many efforts have been made to improve NAWEC's electricity arm through the IDA-funded GERMP, water was not included in this operation and so the progress is in reality uneven.

Figure 17: Relative size of individual SOEs (%), 2016



Source: Based on data from the Gambian authorities and World Bank staff calculations.

94. **The recently concluded special audits of seven key SOEs indicate a broken accounting cycle, weak internal controls, huge losses due to hidden or unrecorded liabilities, and continued government intervention.** These audits (i) obtain an in-depth understanding of the financial performance of the SOEs, identify key financial issues, and establish the financial position of the seven SOEs concerned as of December 31, 2017; (ii) conduct a review of internal controls and evaluate the systems and controls in place in the SOEs; and (iii) assess the corporate governance structure/environment of the SOEs and the institutional oversight arrangements. The audits pointed out that 32 bank accounts were not disclosed in the SOE financial statements. The information technology system and internal control environment is weak, resulting in manual data manipulation, lack of efficiency, risk of fraud, and poor data quality. Moreover, hidden or unrecorded liabilities include punitive interest payments, unrecognized interest, depreciation and decreasing net worth resulting from inter-SOE debt, contingent liabilities, unrecorded loans, and accumulation of tax arrears. Funds diversion and misuse occurred in all SOEs prior to December 2016 through executive directives, and most SOEs continue to receive these directives to date. Improved corporate governance, internal control systems, and oversight mechanisms for SOEs will be crucial to contain contingent liabilities, improve debt sustainability outlook, and enhance service delivery.

95. **The legal framework governing the SOEs is unclear on some essential governance features**. These include, in particular, the exercise of ownership rights (multiple entities are mentioned with mandates that would need to be better defined and coordinated) and the corporate organization of SOEs (including the application of the Companies Act) is not in line with good corporate governance principles. The governance structure of SOEs in The Gambia is characterized by institutional confusion and overlaps as well as political interference in SOE management. Boards are merely formal institutions. and their members are not selected

based on a clearly defined, coherent policy (including as regards their qualifications, in particular sectoral or technical knowledge relevant to the SOEs). Overall, they do not play a strategic oversight role comparable to private sector companies. The ongoing revision of the SOE law, nonetheless, would define a governance framework in line with international standards, allowing for proper monitoring and adequate implementation of restructuring measures and oversight.

96. **Despite recent reform efforts undertaken by the authorities, fiscal risks linked to a financially strained SOE sector remain a major threat to fiscal sustainability.** It is estimated that at the end of 2017, the realization of contingent liabilities related to SOEs (that is, SOE debt guaranteed by the government) amounted to 13.9 percent of GDP, up from 7.2 percent in 2016 (IMF 2017).

Macrofinancial Risks

97. **The Gambia is also exposed to substantial macrofinancial risks, which can amplify the effects of economic shocks** (IMF 2018a, 18, box 3). The main source of macrofinancial risks is the link between the public sector and the banking sector. First, domestic banks are highly exposed to the public sector because of their large holdings of government debt. The accumulation of public debt in domestic banks' balance sheets is a result of years of large financing needs by the government. Second, a multiplicity of arrears has affected banks' balance sheets due to (i) government arrears to SOEs; (ii) arrears between SOEs; and (iii) government and SOE arrears to private sector suppliers. The largest of these debts is owed by NAWEC to banks, which was consolidated into a bond in 2014 (NAWEC bond). The Gambian government assumed debt servicing for the bond, which amounted to GMD 1.6 billion (3.3 percent of GDP) by the end of 2017 (IMF 2018c). Moreover, banks have not made adequate provisions for their exposure to the public sector (SOE lending or government borrowing) on their balance sheet (IMF 2018b). Enhanced bank supervision will be needed to manage macrofinancial risks, especially as the government embarks on fiscal consolidation and the restructuring of SOEs.

4. Poverty and Inequality: Trends, and Characteristics

Almost half the population in The Gambia lives in absolute poverty, most in less accessible rural areas where poverty is also more severe. Even though poverty rates are high in the interior of the country, the highest density of the poor population is found near the capital city area. Recent progress in poverty reduction has been minimal. Falling agricultural productivity increased rural poverty and more than canceled the gains in poverty reduction made in urban areas that were mainly the result of increases in international remittances and tourism-related employment. In combination with rapid population growth, the total number of poor in the country increased from 792,000 in 2010 to 935,000 in 2015.

98. **Almost half the population of The Gambia is poor, and poverty rates differ systematically between rural and urban areas.** The Gambia uses a consumption-based monetary measure of poverty.[37] In 2015, the latest year for which data is available, 48.6 percent of Gambians lived in absolute poverty (GBoS 2017a). Poverty incidence, however, varies significantly across three geographic locations (figure 4.1). In the twin urban LGAs of Banjul and Kanifing, The Gambia's hub of key economic activities that includes tourism, trade, and government administration, the poverty rate was about 17 percent. In other urban areas—scattered across the country, but mostly concentrated in the Brikama LGA—the poverty rate, at 41 percent, was more than twice as high. However, it is in the rural areas where the poverty rates are the highest—almost 70 percent live in poverty. Poverty severity, as measured by the average gap between the poverty line and actual consumption of the poor, also follows the same pattern: it is 2.7 percent in Banjul and Kanifing, 11.2 percent in other urban areas, and 25 percent in rural areas.

99. **About one out of five Gambians is considered extremely poor, and the rural-urban differences in the incidence of extreme poverty are striking.** For Gambians who are extremely poor, their nonfood expenditure comes at the expense of reducing food spending below what is needed for a minimally healthy diet. The incidence of extreme poverty is negligible in the urban LGAs of Banjul and Kanifing (1.1 percent), about 13 percent in other urban areas, and about 36 percent in rural areas. There are also examples of inequality in accessing utility services. In Greater Banjul, for example, water supply is highly variable, with some areas receiving water every day and others facing up to 3 months or more without water network supply. As a coping mechanism, some households are drilling boreholes but only few can afford them (average cost is USD 300), thus creating massive inequality in what should be a public service. The same is true of sanitation. Greater Banjul has the only sewerage network in the whole country but even then, the only wastewater treatment plant, located in Kotou, serves tourist zones only.

100. **The poor are spatially concentrated in rural areas and in the Brikama LGA.** There were about 935,000 people living in poor households in The Gambia in 2015, and about 64 percent of them lived in rural areas (figure 4.2). Only about 7 percent of the poor lived in Banjul and Kanifing, which accounts for about 22 percent of the population. The other urban areas account for 28 percent of the poor. Although the highest regional poverty rates are observed in Janjanbureh and Kuntaur, they do not translate into large numbers given that they are relatively sparsely populated (figure 4.3). Kuntaur has a poverty rate of more than 70 percent, but due to low population density accounts for only 7.5 percent of the total poor. Janjanbureh, likewise, has the second highest poverty rate among LGAs, but only accounts for 11.7 percent of the total poor. The largest concentration of the poor population is in the Brikama LGA, which has a lower poverty rate of about 50 percent but accounts for almost 40 percent of the entire country’s poor.

Figure 18: Poverty head count (% of total population), 2015

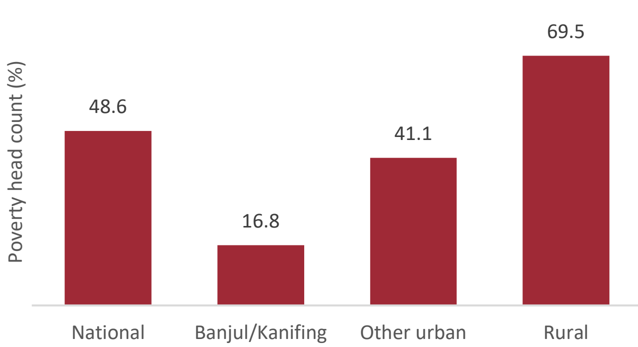
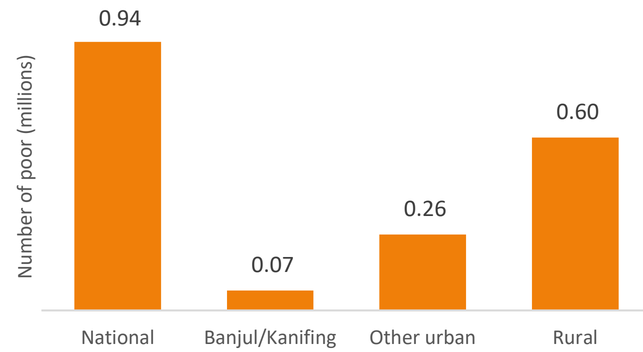


Figure 19: Distribution of the poor (absolute number), 2015



Source: World Bank staff estimations based on the Integrated Household Survey 2015/16.

Figure 20: LGA-level poverty head count, 2015

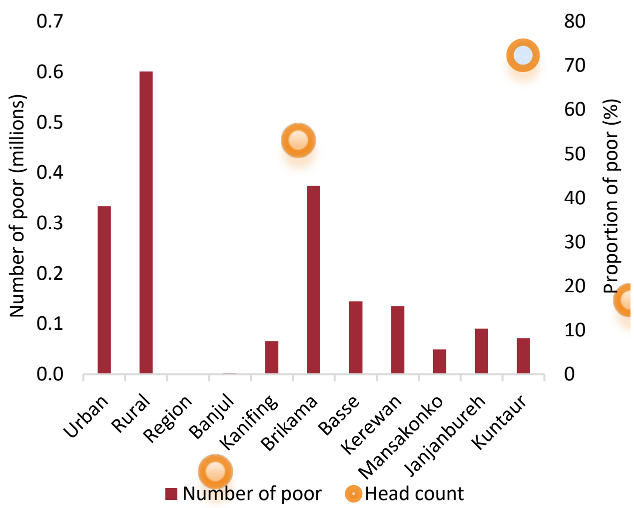
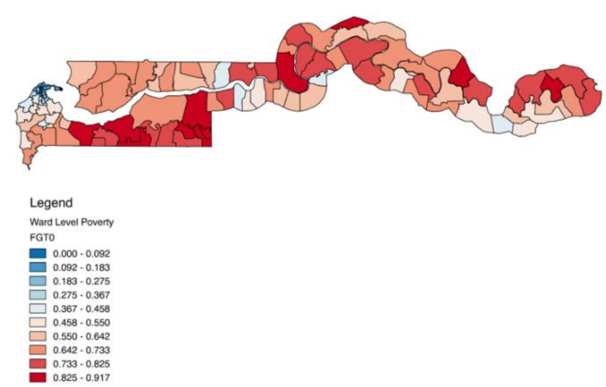


Figure 21: Ward-level poverty head count, 2015



Source: World Bank staff estimations based on the Integrated Household Survey 2015/16.

101. **Spatial differences in the incidence of poverty and the number of poor are more striking at the ward level** (World Bank 2019e). Poverty data show substantial massing of the poor population in areas adjacent to the Greater Banjul urban center. The uneven geographic distribution of The Gambia's population introduces a sharp contrast between ward-level poverty rates and the actual number of ward-level poor. Although poverty rates are high in the interior wards of the country compared to coastal wards (figure 4.4), the highest concentration (density) of poor is found in the urban wards of the Brikama LGA near the Greater Banjul Area (figure 4.5). Brikama consists of two parts: the urban *kombos* with high inequality, and the rural *fonis*, which include some of the country's poorest districts. This distribution both demonstrates social implications and provides important information for programs that target poverty reduction. Although most of the poor live in rural areas, they are spread over much of the country's interior, making it challenge to geographically target policies. The massing of poor people in the urban areas of the Brikama LGA offers support for targeting poverty-reducing policies toward specific wards. It also points out the need to pay attention to negative social outcomes that arise in poor and congested sections of urban areas.

Figure 22: Number of poor, ward level, 2015

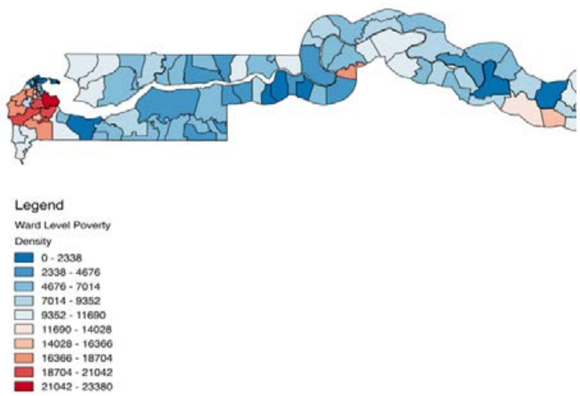
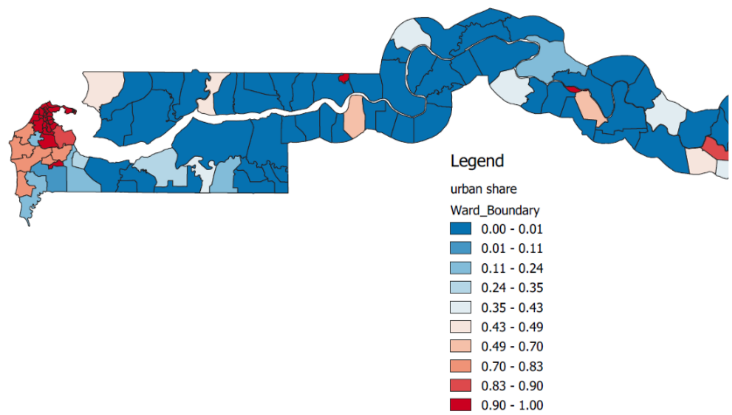


Figure 23: Urbanization rate, ward level, 2015



Source: World Bank staff estimations based on the Integrated Household Survey 2015/16.

A. Poverty and Inequality Characteristics

102. **Poor and nonpoor households differ in terms of household size, demographics, and adult literacy rates.** First, the poor tend to live in large households—almost three-fourths of them live in households that have eight or more people, and almost half of these households practice polygamy. Second, they tend to have a larger proportion of their households as dependent children. Third, they have low education levels compared to the nonpoor. The adult literacy rate is less than 40 percent among the poor compared to 60 percent among the nonpoor, and about 45 percent of the poor youth are illiterate. Though female-headed households are not more likely to be poor than male-headed households—about 34 percent of female-headed households are poor, and constitute only 13 percent of all poor households—many polygamous households that are poor have separate living arrangements and are de facto headed by women.

103. **Moreover, the poor and nonpoor have different labor market outcomes: although the poor have higher labor force participation rates, they rely more on agriculture and unpaid jobs.** Labor participation rates are significantly higher for the poor (71 percent) than for the nonpoor (60 percent), which hides high levels of informality, underemployment, and contributing family workers. Furthermore, the poor are more likely to work in the agricultural sector and less likely to be employed in either salaried jobs or in the commercial sectors (figure 4.8).

104. **Differences in job characteristics of the poor in rural and urban areas illustrate that the rural poor have less diversified jobs than those in urban areas.** Although half of the working poor in both rural and urban areas are self-employed, the rural poor are much less likely to be salaried workers and more likely to be unpaid family workers compared to the urban poor (figure 4.9). Whereas in the urban areas more than half of the working poor are employed by the services sector, in the rural areas an overwhelming majority works in the agricultural sector (figure 4.10). When a more detailed occupational classification is used, substantially more variation in the types of jobs held by the poor in urban areas—agriculture, craft and trade, sales and service—is observable in contrast to rural areas, where more than 80 percent of poor are agricultural workers (figure 4.11).

Figure 24: Demographic characteristics of the poor and nonpoor (%), 2015

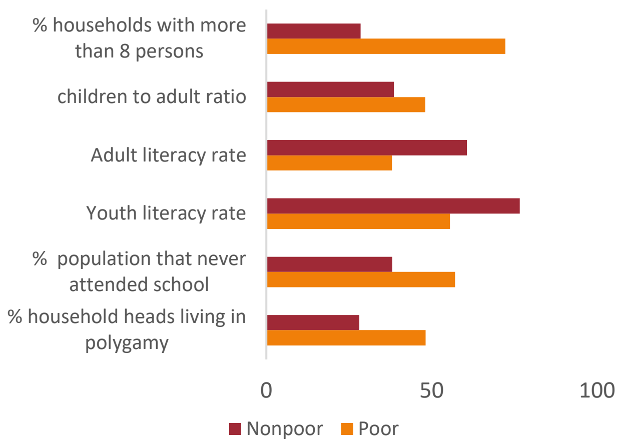
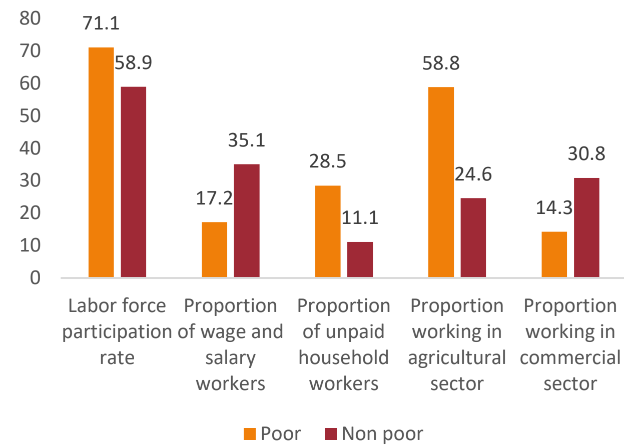


Figure 25: Labor market participation of the poor and nonpoor (%), 2015



Source: World Bank staff estimations based on the Integrated Household Survey 2015/16.

Figure 26: Distribution of working-age poor, by type of employment (%), 2015

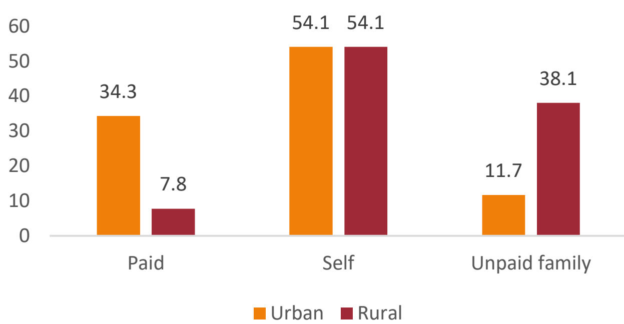
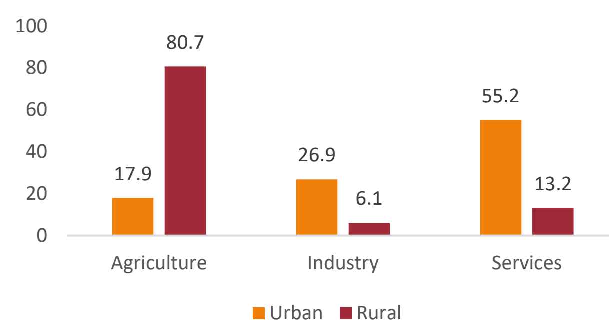


Figure 27: Distribution of working-age poor, by sector of occupation (%), 2015



Source: World Bank staff estimations based on the Integrated Household Survey 2015/16.

Figure 28: Distribution of working-age poor, by type of job (%), 2015

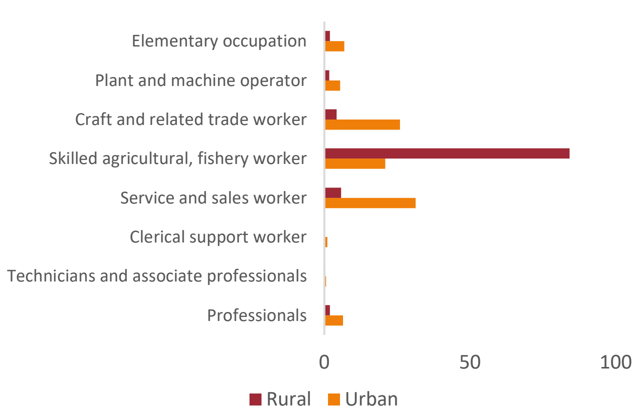
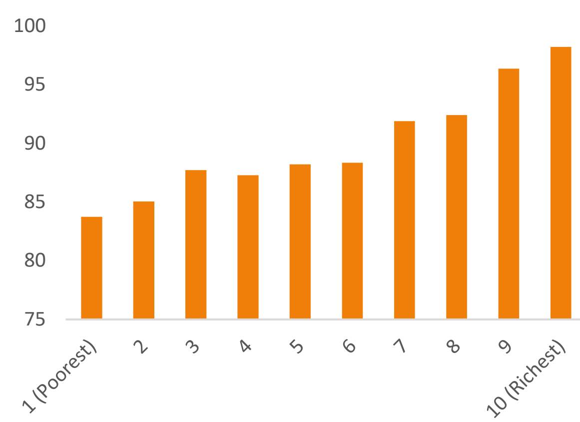


Figure 29: Proportion of food purchased, by expenditure deciles (%), 2015



Source: World Bank staff estimations based on the Integrated Household Survey 2015/16.

105. **Private transfers (remittances) are very common in The Gambia, particularly for richer households**. Overall, 36 percent of Gambian households have received remittances. Although 31.6 percent of the households in the bottom decile get remittance income, nearly 44 percent of the richest households receive such transfers (figure 4.13). Further, the average value of remittance income of the richest half of the country's households (GMD 1,218) is almost twice that for the bottom half (GMD 620). Most remittances are received in cash for all households (figure 4.14).

Figure 30: Proportion of households with remittance income, by expenditure deciles

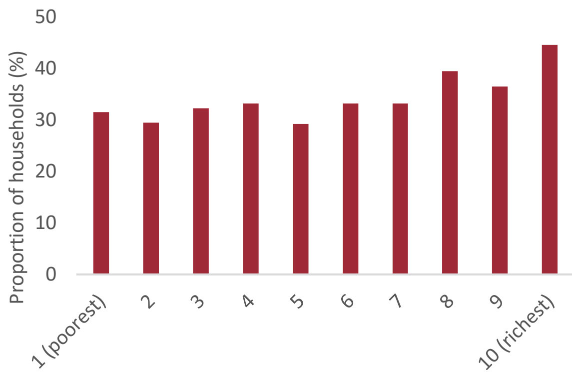
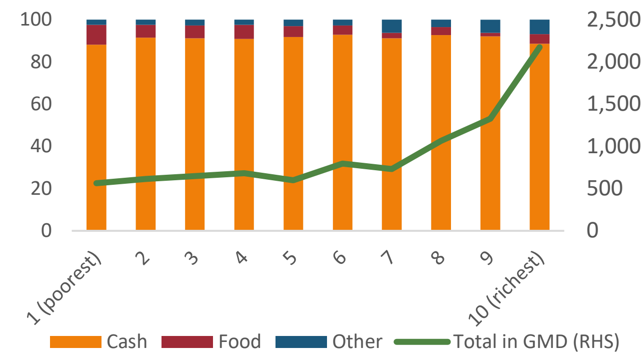


Figure 31: Average remittance income, by expenditure deciles



Source: World Bank staff estimations based on the Integrated Household Survey 2015/16.

106. **Poor households are highly vulnerable to food-price and weather-related shocks.** Unlike in many other SSA countries, the poor in The Gambia purchase rather than produce most of their food needs (figure 4.12). Even for those in the poorest decile, purchased food accounts for nearly 85 percent of total consumption, exposing them to market price risks. As rice is the main staple and most of it is imported, price risks can be further accentuated by exchange rate risks. Also, given the poor population's overwhelming dependence on agriculture, increased weather variability also exposes the poor to risks on the income side. In 2015, more than half of all households and more than 70 percent of the poorest 40 percent reported experiencing weather-related shocks over the 2010–15 period. Hence, the churning around the poverty line, although unpredictable, is inevitable in The Gambia: it is estimated that a 5 percent change in real income (as a result of fluctuation in incomes or prices) can reduce or increase poverty by about three percentage points.

Nonmonetary Poverty

107. **Using a multidimensional approach to define poverty, high poverty rates point toward poor living standards of households and deficits in the human capital endowment.** The 2013 multidimensional poverty index computed by the Oxford Human Development Initiative includes 10 indicators of nonmonetary poverty that span the dimensions of health, education, and living standards. About 60 percent of Gambians are classified as deprived in at least one-third of these weighted indicators (OPHI 2017). The highest incidence of deprivation is in the dimension of living standards (figure 4.15): half the population lacks access to electricity and nearly two-thirds lack access to proper cooking fuel and cook with dung, wood, or charcoal. In the dimension of education, close to 40 percent of the population lives in households that have school-age children not attending school, and almost 20 percent of households have no members who has completed five years of schooling. In the health dimension, nearly 40 percent of the population lives in a household that has experienced child mortality recently, and 20 percent in households that have

malnourished individuals. Many of the poor are simultaneously deprived in several dimensions: it is estimated that about 60 percent are deprived in one-half of all indicators used.

108. Like in the case of monetary poverty, there is a strong rural-urban divide in multidimensional poverty. The multidimensional poverty index in rural areas, a little above 0.45, is twice that for the urban areas of 0.18, and the proportion of the population deprived is larger for the rural areas for every indicator (figure 4.16). The biggest rural-urban gap is in access to electricity, and the smallest gap is in ownership of consumer assets.

Figure 32: Multidimensional poverty, 2013

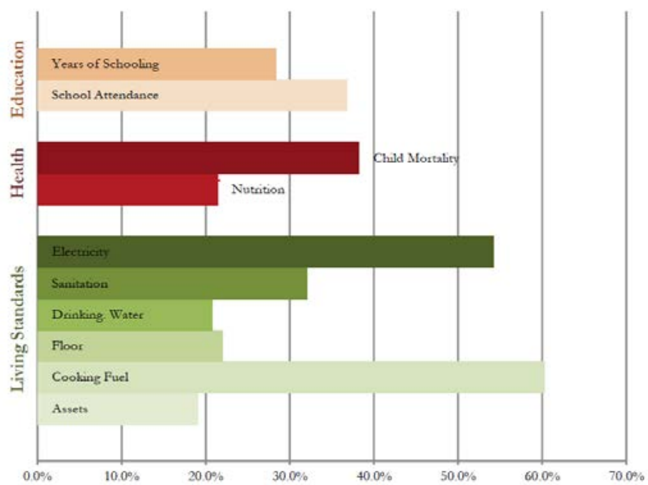
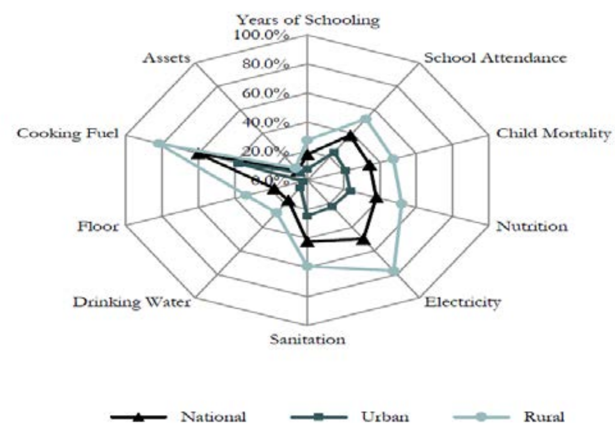


Figure 33: Gaps in multidimensional poverty between urban and rural areas, 2013



Source: OPHI 2017.

Inequality

109. Although inequality in The Gambia is moderate by SSA standards, there are wide differences in living standards between rural and urban areas. In 2015, inequality in The Gambia as measured by the Gini Index was 0.36, significantly lower than in neighboring Guinea-Bissau (0.50) and Senegal (0.43) (Beegle et al. 2016). Inside the country, inequality within urban areas is significantly higher than within rural areas (Gini coefficient of 0.34 and 0.28, respectively), making rural areas poorer but more equal. The large difference in consumption levels between the urban LGAs of Banjul and Kanifing and the other LGAs is striking and points to large inequities in living standards between rural and urban areas (figure 4.17). LGA-specific consumption distribution indicates that no matter what the threshold, one would always find a higher proportion of the population in the rural LGAs living under that threshold than in Banjul and Kanifing. When decomposing overall inequality into "between" rural-urban inequality and within the two groups, it is found that "within" inequality accounts for about 80 percent of overall inequality. High inequality in urban areas (figure 4.18) is likely the result of unequal distribution of skills, assets, and opportunities among a more heterogenous urban population working across a wider array of economic sectors.

Figure 34: Inequality in consumption: Banjul, Kanifing versus the rest, 2015

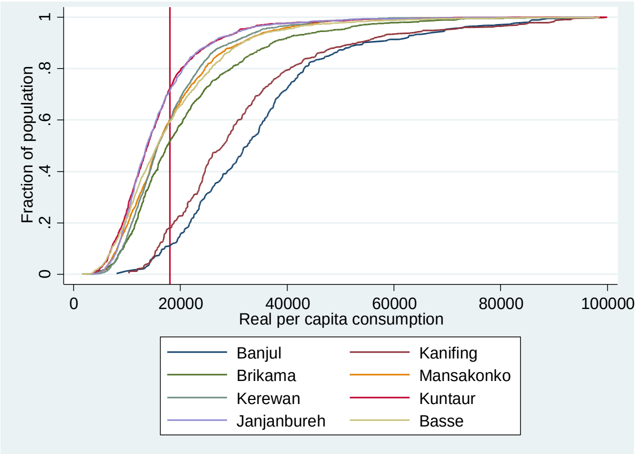


Figure 35: Ward-level inequality (Gini coefficient), 2015

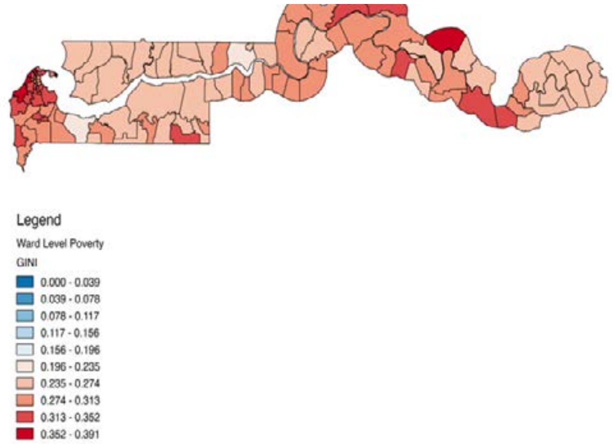
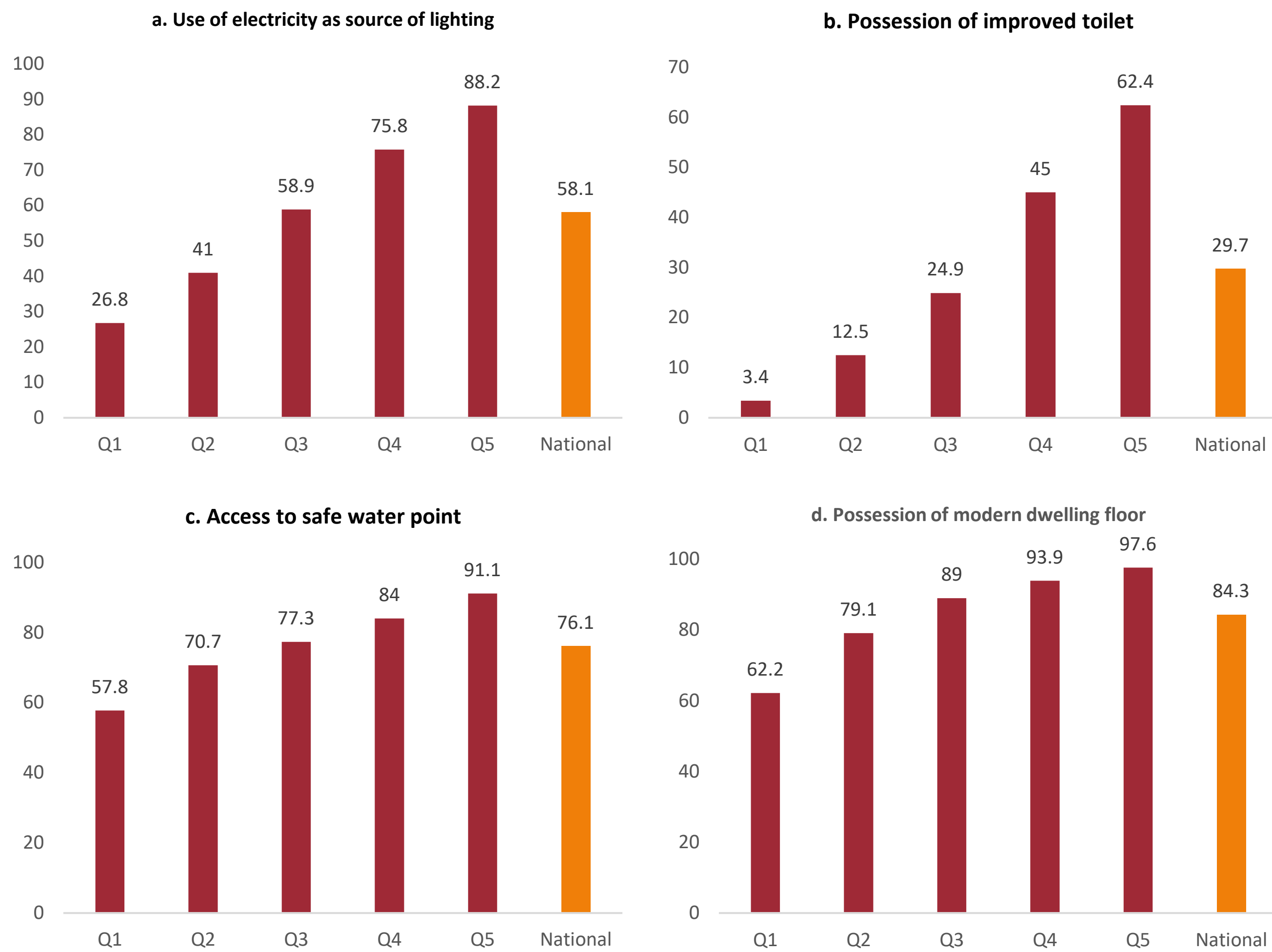


Figure 36: Inequality in access to basic facilities and services (%), 2015



Source: World Bank staff estimations based on the Integrated Household Survey 2015/16.

110. **Inequality in access to services, like electricity and sanitation, is also prevalent across consumption quintiles.** More than 70 percent of people in the poorest quintile and about 60 percent of those in the second poorest quintile do not have access to electricity compared to more than 80 percent in the top quintile who have access (figure 4.19). Inequities in access to improved sanitation are even larger: more than 90 percent of the bottom 40 percent of the population did not have access to improved sanitation in 2015 compared to more than 60 percent of those in the top quintile who did. Gaps between the richer and poorer groups in access to safe water and ownership of a modern dwelling are somewhat smaller compared to the gaps in access to electricity and sanitation: more than two-thirds of the bottom 40 percent of the population have access to both safe water and a modern dwelling floor.

B. Trends in Poverty and Inequality

111. **The poverty rate remained unchanged between 2010 and 2015, but the depth of extreme poverty has become less severe.** The country witnessed no change in poverty incidence between 2010 and 2015 at the national level (figure 4.20). The depth of absolute poverty, as measured by the poverty gap (average consumption shortfall from the poverty line) also remained unchanged at 16 percent between 2010 and 2015. The poverty gap at that extreme poverty line, however, declined from 15.6 percent in 2010 to 5 percent in 2015, indicating a significant reduction in extreme deprivation. Even though there was no increase in the poverty rate, the total number of the absolute poor increased by 18 percent between 2010 and 2015, due to rapid population growth (figure 4.21).

112. **Disparities in the incidence of poverty between urban and rural areas widened between 2010 and 2015.** Changes in the poverty rate over 2010–15 were asymmetric across rural and urban areas, in incidence and depth (figure 4.21). In the Banjul and Kanifing LGAs, the poverty rate declined by about six percentage points, from 23 percent to 16.8 percent, and the fall in the poverty rate was sufficient to reduce the number of poor in the two LGAs by 30,000 (figure 4.21). Other urban areas witnessed a marginal fall in the poverty rate by about 2 percent, but this was not enough to reduce the number of poor given the population increase and that the number of poor in other urban areas grew by 78,000. The performance was bleakest in the rural areas where the poverty rate increased by about five percentage points, pushing up the number of poor by 144,000. At the LGA level, poverty declined in Kanifing, Banjul, and Brikama and increased in the rest, except in Kerewan where it remained the same (figure 4.22). The increase in the rate of poverty incidence was highest in Janjanbureh. The incidence of extreme poverty followed the same trend. Depth of both absolute and extreme poverty, as measured by the average poverty gaps at the corresponding poverty lines, rose in rural areas.

113. **The simultaneous decline of poverty in urban areas and the increase of poverty in rural areas between 2010 and 2015 reflects pro-poor growth in the urban areas and across-the-board declines in consumption levels in the rural areas.** Even though consumption growth was uneven in urban areas, the poorest 10 percent experienced positive gains, as did the richest 5 percent (figure 4.23). In rural areas, by contrast, consumption growth was negative across the entire distribution. At the national level, the consumption growth rate of the bottom 40 percent (0.08 percent per annum) slightly exceeded that of the top 60 percent (-0.38 percent per annum), mainly due to growth in the urban areas. At the LGA level, mean consumption grew only in Brikama (figure 4.24). The mean consumption growth rate was close to zero in Banjul and Kanifing, and it was negative everywhere else. The bottom 40 percent made positive gains in Kanifing, Banjul, Brikama, and Kerewan but lost out everywhere else.

Figure 37: Poverty head count, 2010 and 2015

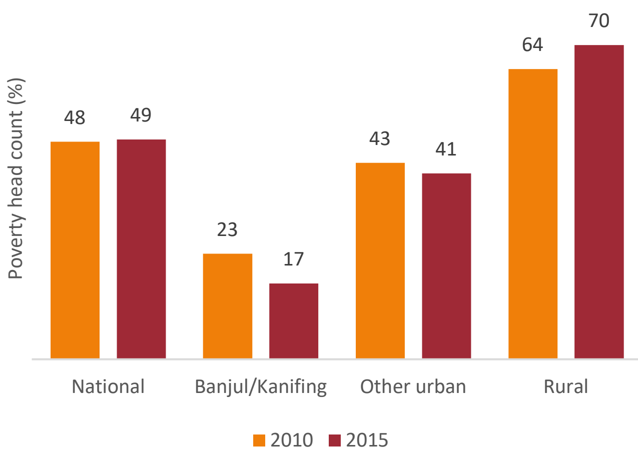
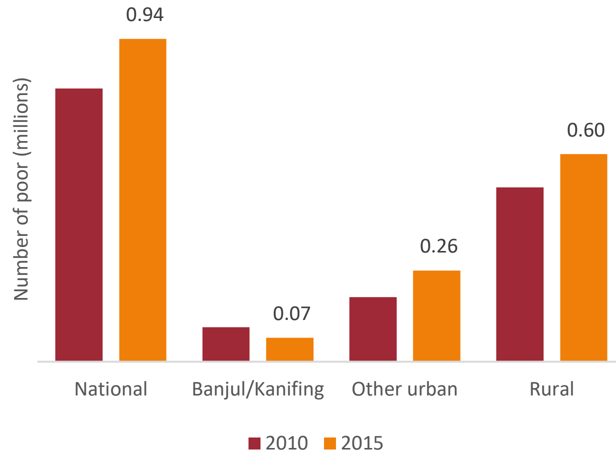


Figure 38: Number of poor, 2010



Source: World Bank staff calculations based on the 2010 and 2015 Integrated Household Surveys.

Figure 39: Changes in poverty rates, by LGA, 2010–15

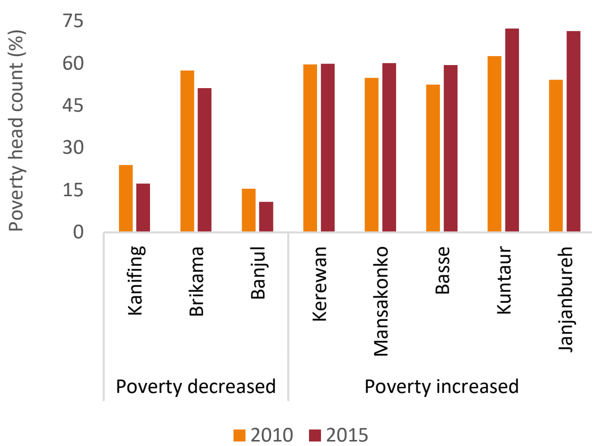
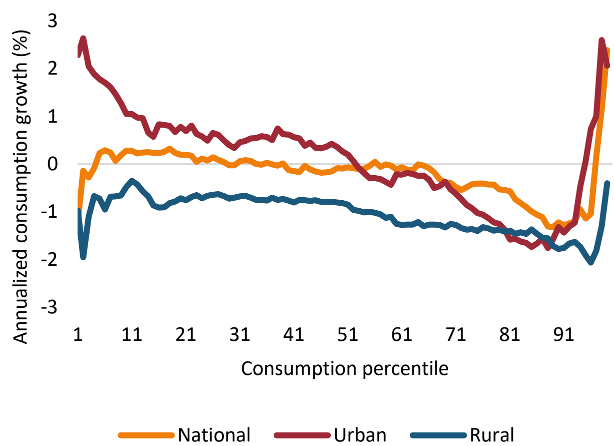


Figure 40: Growth incidence curve, 2010–15



Source: World Bank staff calculations based on the 2010 and 2015 Integrated Household Surveys.

114. **Consistent with the above findings, decomposition of changes in poverty between 2010 and 2015 into its growth and redistribution components shows that dampening of the increase in the national poverty rate was due to changes in the distribution of consumption rather than its overall growth**. Distributional change in consumption favoring the bottom 40 percent was important in reducing the poverty rate in urban areas, as there was no overall growth in incomes there (figure 4.25). In the rural areas, poverty increased as negative income growth was unaccompanied by any such distributional change favoring the poor. It must be noted that the redistributive effects apparent in the urban areas were not due to any tax and transfer policies. It was due to consumption losses faced by a section of higher consumption groups and the gains made by the poorer groups.

115. **When the change in poverty is decomposed by LGA, three areas with large urban populations—Banjul, Kanifing, and Brikama—accounted for most of the poverty reduction.** The biggest contribution to poverty reduction came from Brikama, followed by Kanifing and Banjul (figure 4.26). All the other LGAs contributed

to increased poverty. Population shifts across LGAs had the effect of increasing the overall poverty rate. Of significance is the large migration of the poor from the mostly rural LGAs to Brikama. The 2013 census indicated that population growth in the Brikama LGA was 6.1 percent over 2003–13, the highest among all LGAs. This population inflow contributed to a higher poverty rate in Brikama even in the face of relatively large intra-LGA poverty reduction. The high density of poverty in the Brikama LGA noted earlier is in great part due to the effects of significant rural-to-urban migration.

Figure 41: LGA-specific consumption growth, 2010–15

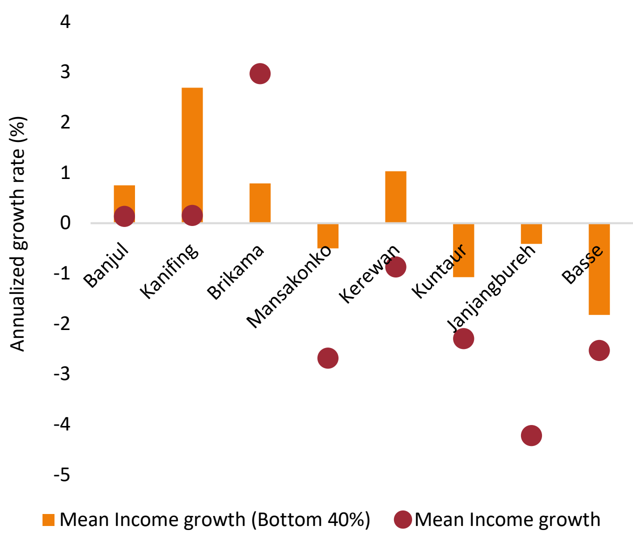
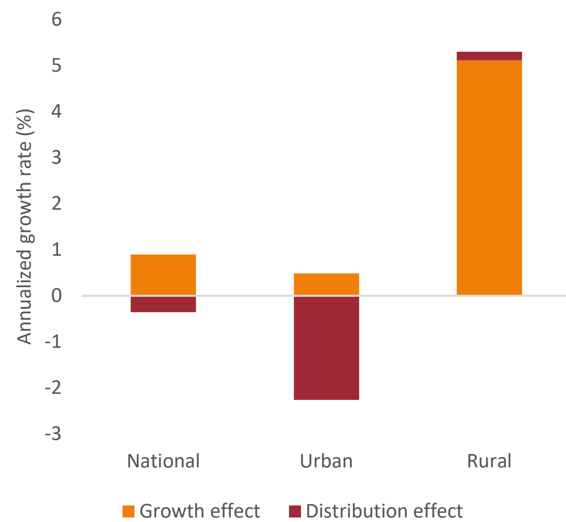


Figure 42: Poverty decomposition by growth and distribution, 2010–15



Source: World Bank staff calculations based on the 2010 and 2015 Integrated Household Surveys.

Figure 43: Decomposition of poverty by LGA, 2010–15

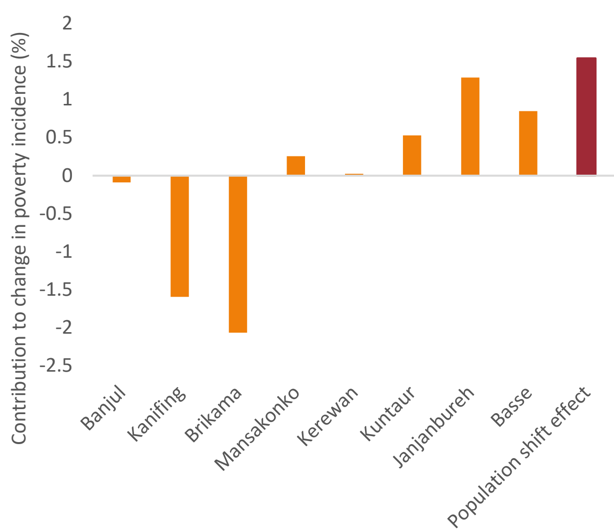
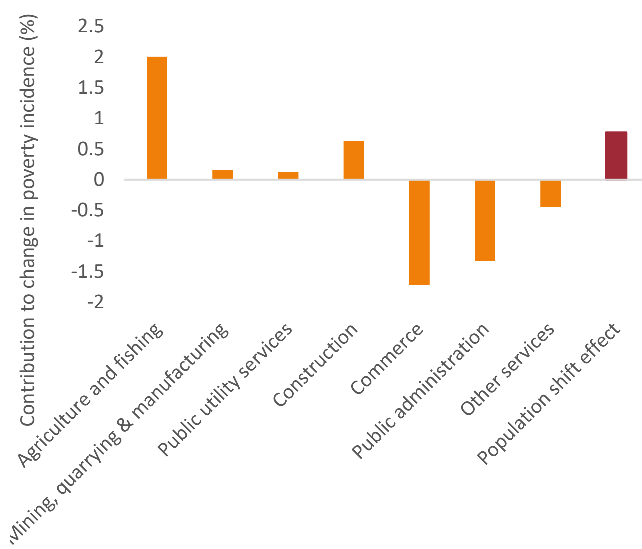


Figure 44: Decomposition of poverty reduction by income source of main provider of the household

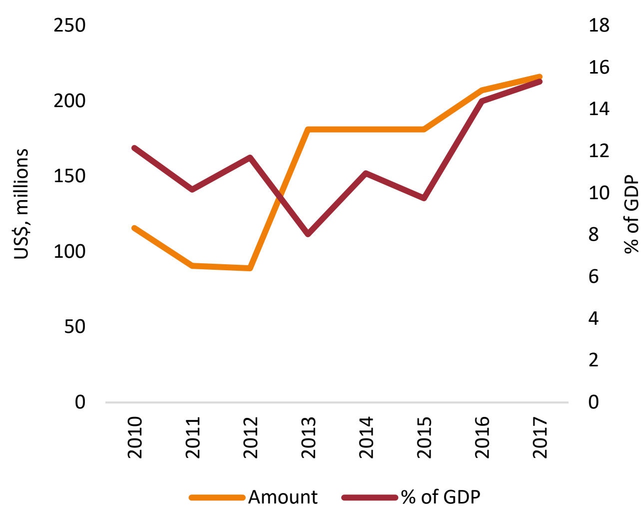


Source: World Bank staff calculations based on the 2010 and 2015 Integrated Household Surveys.

116. **When the change of the poverty rate is decomposed by sector of employment of the household head, three sectors of the economy—commerce, public administration, and services—contributed most to poverty reduction.** The largest contribution to poverty reduction (figure 4.27) came from the commerce sector (2.01 percentage points), followed by public administration (1.32 percentage points), and services (0.44 percentage points). The negative performance of the agricultural sector drove much of the poverty increase (2.01 percentage points). This is consistent with the earlier finding that poverty reduction mostly occurred in the urban areas and increased in the rural areas where agricultural incomes fell.

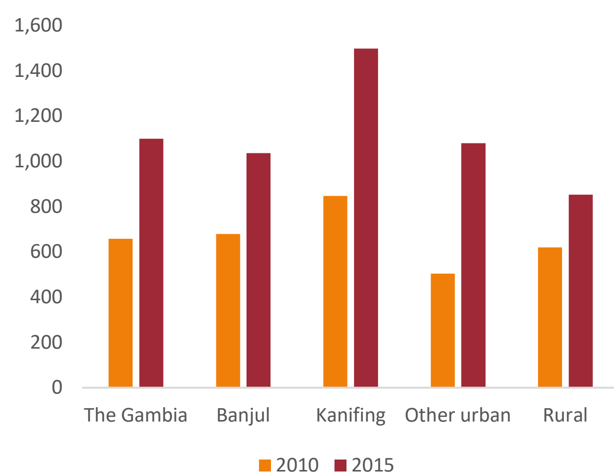
117. **Declining agricultural production drove incomes down and poverty rates up in the rural areas.** As described in chapter 3, production of the key crops—groundnuts and rice—both declined in The Gambia over 2010–15. Rice production in 2015 was only half the level in 2010 and groundnut production in 2015 was only three-fourths the level in 2010. Not just production, but also acreage allocated to the two crops declined. The decline in acreage, unlike decline in production, reflects strategic choices taken by the farmer at the planting stage. In the case of The Gambia, this decision could be related to declining profitability in the cultivation of the two crops. Many farmers also report growing labor shortages during key agricultural seasons due to significant rural to urban migration, which has the effect of increasing local labor costs and constraining farmers in the application of optimal amounts of labor during the planting season.

Figure 45: International remittance flows to The Gambia



Sources: Based on UN DESA 2018 and World Development Indicators database.

Figure 46: Average monthly receipt of remittances per household



Source: World Bank calculations based on the 2010 and 2015 Integrated Household Surveys.
Note: Amounts are for dalasi in 2015 prices.

118. **The key drivers of income gains made by the poor in the urban areas are likely the direct and indirect effects of higher international remittances and the growth of the tourism sector.** Between 2010 and 2015, even while GDP growth stagnated, annual international remittances to The Gambia increased from about US$100 million to US$136 million (figure 4.28). Households in The Gambia received an average of GMD 1,099 in remittances per month in 2015, about 67 percent higher than the average of GMD 658 for 2010 (figure 4.29). The highest levels of remittance receipts were in the urban areas, including Kanifing and Banjul, and the "other urban areas," located mostly in the Brikama LGA. Remittance receipts increased income and consumption levels of the recipients, creating multiplier effects as demand increased for nontradables such as wholesale and retail services, transportation and communication, real estate, construction, and financial services. Though LGA-wise disaggregation is not available, both construction and transportation GDP

increased in the 2010–15 period, and so did GDP originating from real estate, renting, and business activities as well as from the trade, repair, food, and accommodation sectors. The Greater Banjul Area, including parts of Brikama, also benefited from an increase in tourism-related employment by 23,000 between 2010 and 2015 (WTTC 2018).

119. **Going forward, progress in poverty reduction will require stopping the declining trend in agricultural productivity and reviving the rural sector in addition to accelerating the growth of low-skilled jobs in high-density poverty districts in urban areas** (Beegle and Christiaensen 2019). The Gambian people coped with decades of neglect of both the urban and rural economies through international migration as well as rural-to-urban migration. Those who succeeded in migrating overseas have supported families and friends back home with an increasing flow of remittances. These remittances, along with tourism and trade, have fueled economic growth and jobs in the urban areas, helping to reduce poverty even in the face of sluggish or declining domestic engines of growth, especially in the agricultural sector. Declining agriculture production is not only driving up poverty in the rural areas, but by fueling rural-to-urban migration, is also creating enclaves of deep poverty pockets within urban areas, especially in areas like the Brikama LGA, as not all internal migrants are able to find remunerative employment. To the extent that youth are more likely to migrate, increasing numbers of unemployed or underemployed youth can increase social tensions. Given this, stepping up agricultural productivity will be paramount as it will not only contribute to improved incomes in the rural areas where most of the poor live, but by stemming the pace of rural-to-urban migration, will also contribute to a more orderly pace of migration and eventually support higher rates of urban economic growth.

5. Social Inclusion and Human Capital Formation

Barriers to social inclusion and human capital formation exist in four areas: access to productive jobs, access to good education, access to basic health services, and access to basic social protection services. Underemployment and low productivity contribute to low incomes, and in urban areas women face barriers to employment. The health sector, despite achievements of the past, is under great pressure due to high population growth and increasing morbidity, and lack of resources and insufficient focus on primary health care. Similarly, education levels in The Gambia are lower than the SSA average, and there has been limited progress on key education access indicators at all levels of education, except for gender parity, which has been largely achieved from preschool through secondary education. The Gambia has one of the lowest social safety net coverage rates in Africa; even though a National Social Protection Policy and Implementation Plan has been developed, it has yet to be financed and implemented. Future social sustainability hinges upon the provision of high-quality public services and policies to respond to poverty in rural and urban areas, high internal migration and rapid urbanization, and persistent gender disparities.

A. Labor Markets

120. **Rural-urban disparities and gender differences hinder the role of labor markets to help households move out of poverty** (World Bank 2019c). Though the labor market participation rate for the working-age group (15–64 years) is higher than in many other SSA countries, there is a significant urban-rural divide, especially for women (figure 5.1). Overall labor market participation in The Gambia is 64.2 percent and is higher than in Senegal (60.6 percent), Mali (59.4 percent), and Sierra Leone (58.1 percent). Labor market participation rates in the rural areas reflect the ubiquity of semi subsistence agriculture where both men and women tend crops and, to a lesser extent, livestock. Typically, men tend to grow cash crops like groundnuts and have greater control over income than women, who are more likely to be engaged in the production of food crops. However, there appear to be significant constraints to the participation of women in urban labor markets: female labor market participation is only 37 percent compared to 70 percent for men. Low labor market participation rates for women not only implies lost productivity but also makes them dependent on the earnings of men.

121. **A young, growing population creates the need for jobs that incorporate youth into labor markets** (Filmer and Fox 2014). About 30 percent of the working-age youth population are categorized as not in education, employment, or training (NEET) (figure 5.2). This figure is high in urban areas, where about a quarter of all young males and about half of all young females are in the NEET category. Apart from the fact that NEET compromises future employability, significant numbers of unengaged and unemployed urban youth can give rise to new forms of social risks, especially in urban areas. Although development partners have initiated training programs, such as the European Union's Youth Empowerment Program, to qualify young people and connect them to labor markets, poverty reduction will depend on integrating them into the labor market in a sustainable manner.

122. **Open unemployment is another challenge, particularly in urban areas, and this could give rise to social risks.** Unemployment rates average 10 percent nationally (figure 5.3) mainly because of low open unemployment in rural areas (2.9 percent) where most work on family farms.[38] In urban areas, where wage employment is more common and family-based employment less common (figure 5.4), open unemployment is much higher (16.5 percent) and is significantly higher for women (21 percent) than for

men (13 percent). It is also significantly higher for the youth population. Geographically, open unemployment is the highest in Kanifing LGA, an urban LGA, where it exceeds 20 percent. High unemployment rates in urban areas with a large migrant population that do not have access to traditional family-based coping systems can generate negative social externalities and contribute to increasing crime and other types of negative social behaviors.

Figure 47: Labor market participation rates for working-age population, 2015

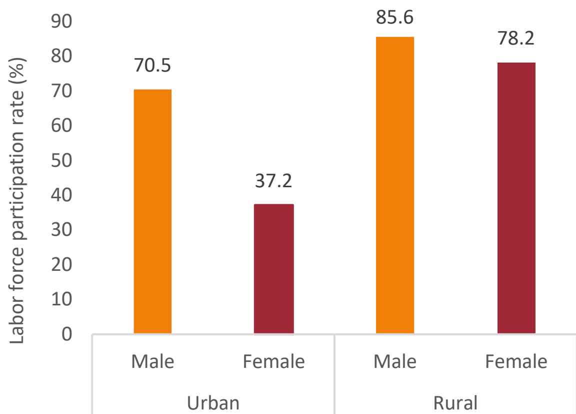
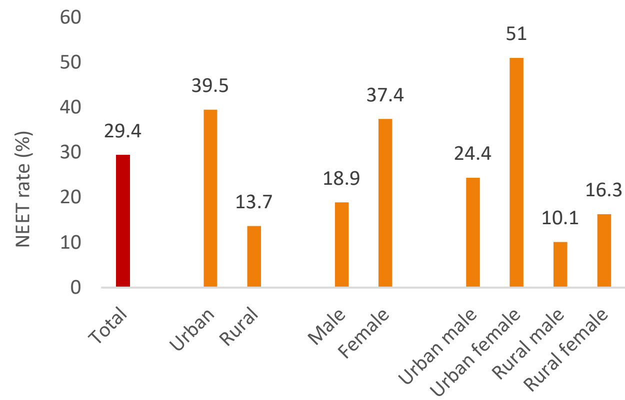


Figure 48: NEET rates for youth population (15–35 years), 2015



Source: World Bank staff calculations based on the Integrated Household Survey 2015/16.

Figure 49: Open unemployment rates in The Gambia), 2015

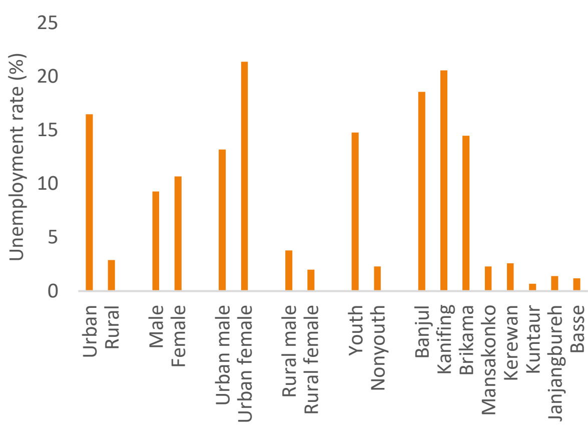
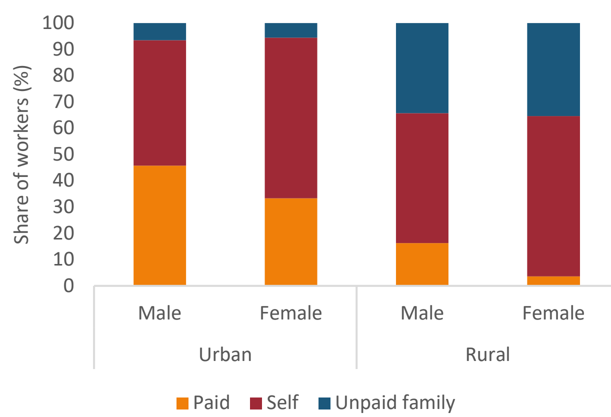


Figure 50: Distribution of workers by type of work performed (%), 2015



Source: World Bank staff calculations based on the Integrated Household Survey 2015/16.

123. **Although open unemployment is low relative to other SSA countries, especially in rural areas, more than a third of the workers face underemployment.**[39] About 36 percent of workers in The Gambia are estimated to be underemployed (figure 5.5). Underemployment is much more prevalent in rural areas (31.8 percent) than in urban ones (23.4 percent), reflecting low levels of agriculture intensification and uneven labor demand across agricultural seasons: more than 45 percent of those who work in the agricultural sector are underemployed. In both urban and rural areas, underemployment is higher for women than men. Consequently, low incomes, especially in the rural areas, are the result of low productivity and underemployment rather than open unemployment.

124. Factors that determine productivity matter more than mere occupational choice in determining poverty status. The dominant occupational sectors are similar for the poor and nonpoor, in both rural and urban areas (figure 5.6). In the rural areas, agriculture dominates for both the poor and nonpoor; in the urban areas, a combination of agriculture, crafts and trade, and sales and services dominate, though the nonpoor are significantly more likely to be in the sales and services sector.

Figure 51: Underemployment rates, by location, age group, and sector, 2015

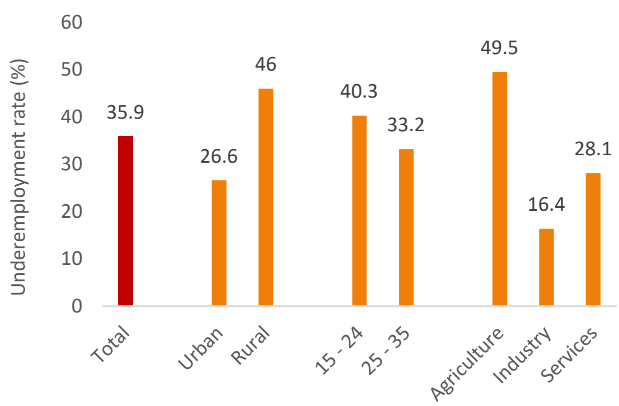
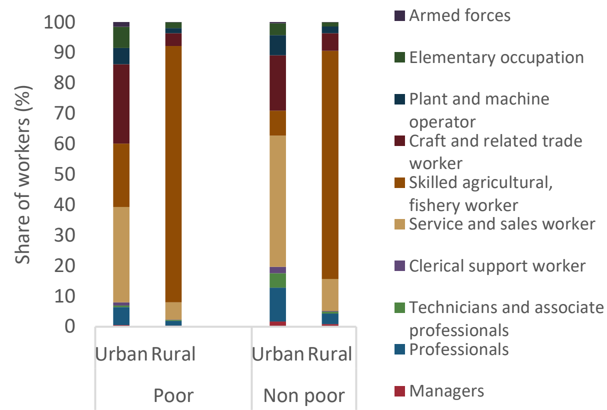


Figure 52: Occupational choice, by poverty status (%), 2015



Source: World Bank staff calculations based on the Integrated Household Survey 2015/16.

Figure 53: Education level and sector of employment (%), 2015

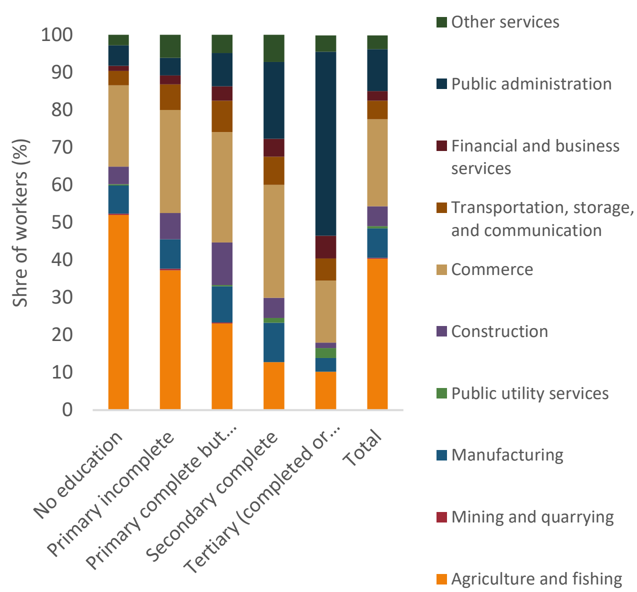
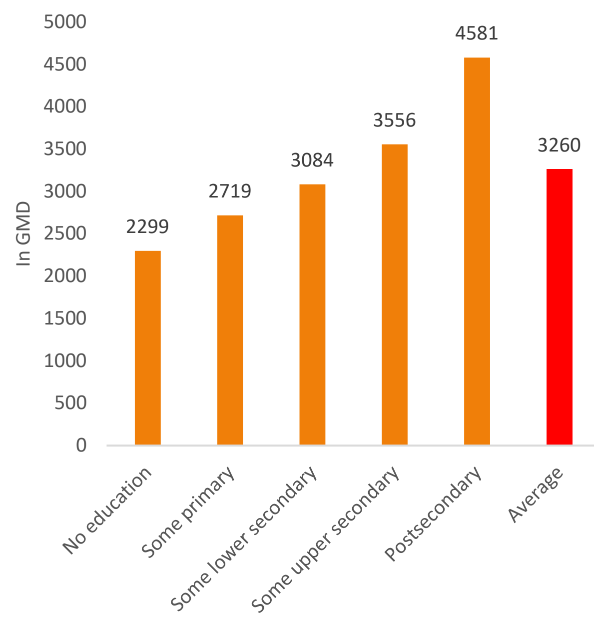


Figure 54: Education levels and earnings (dalasi), 2015



Source: World Bank staff calculations based on the Integrated Household Survey 2015/16.

125. Education levels have a strong bearing on the sector of occupation. Exit out of agriculture occurs almost as soon as some primary-level schooling is acquired and then steadily declines from there (figure 5.7). Whereas about half of those with no education work in the agricultural sector, only about 10 percent of those who have acquired tertiary-level education work in this sector. Workers tend to be drawn to the commercial and public administration sectors as education improves, and the public sector is the sector of choice at the tertiary level.

126. **A lack of skills reduces productivity and constrains earnings from labor markets** (Arias Diaz, Evans, and Santos 2019; Choi, Dutz, and Usman 2019). Average estimated earnings steadily increase from GMD 2,299 for those with no formal education to GMD 4,581 for those with postsecondary education (figure 5.8). The actual rate of return to education varies across sectors and gender. At the national level, an additional year of schooling yields a 6 percent return. For the same amount of education, women have a higher rate of return (7 percent) than men (5 percent). This suggests fewer educated women than men in the labor force. The rate of returns on education in the services sector is higher than in the other sectors, suggesting that productivity in the services sector is higher.

127. **The combination of political instability, economic stagnation, and a dearth of domestic jobs has resulted in substantial labor migration, both domestic and international**. As mentioned in chapter 2, approximately 9.8 percent of Gambians lived outside the country, and remittances accounted for 15.3 percent of GDP in 2017, one of the largest in Africa. The country's skilled emigration rate, 63 percent in 2000, was ranked second highest in Africa, with most skilled emigrants leaving for the United States and the United Kingdom (Kebbeh 2013). More recent emigrants have included less-skilled workers who made perilous journeys to countries like Spain and Italy, overstaying visas and/or seeking asylum status. Some of these migrants have recently been deported back to The Gambia, which has placed stress on weakly developed labor markets in the country. Inside the country, deterioration of the agricultural and rural economy has resulted in significant rural-to-urban migration. Between 1993 and 2010, the proportion of the population living in urban areas increased from 37 percent to 57 percent.

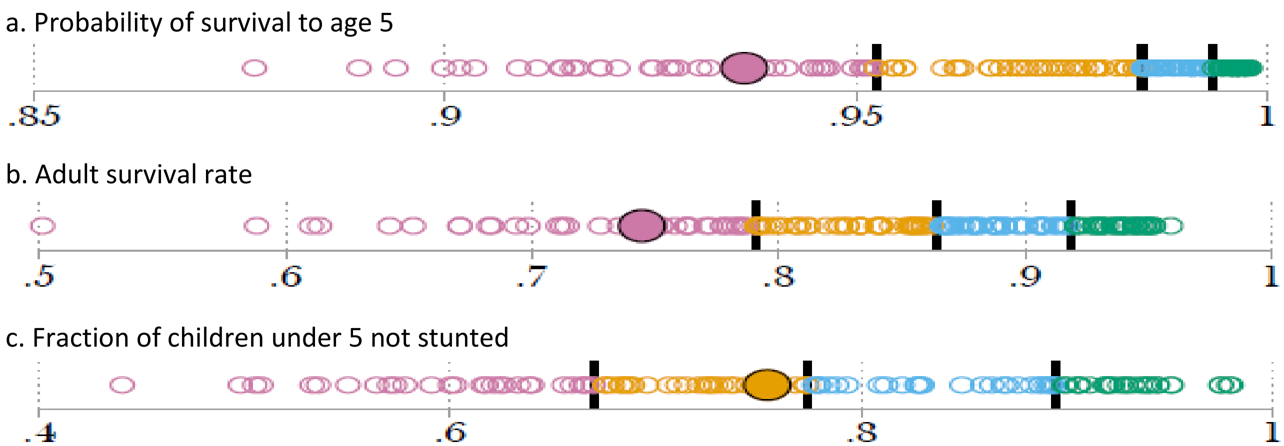
B. Health

128. **Service provision in the health sector remains under pressure from high population growth and high morbidity and mortality.** The annual population growth rate of 2.9 percent is due in large part to a high total fertility rate (4.4), including among adolescents (the adolescent birth rate is 67 per 1,000 women), and low modern contraceptive prevalence (16.8 percent) (GBoS 2019).[40] The Human Capital Index (HCI) for The Gambia is 0.40, such that if key health and education outcomes and trends remain constant, the cohort of Gambian children born today will achieve 40 percent of its potential productivity when it reaches adulthood. The Gambia's health-related components of the HCI are shown in figure 5.9. Several indicators have made progress, including the under-five mortality rate (167 in 1990 to 58 in 2018),[41] maternal mortality ratio (932 in 2000 to 597 in 2017)[42] (figure 5.10), and life expectancy at birth (52 in 1990 to 61 years in 2015).[43] The declining age dependency ratio in conjunction with other factors is moving the country toward the demographic dividend.

129. **The lack of resources and excessive focus on tertiary care are constraining factors for universal health coverage.** The government's health policies and strategies focus on achieving universal health coverage.[44] However, government health expenditures constitute 1.1 percent of GDP, below the recommended 15 percent as agreed in the 2001 Abuja Declaration.[45] Although the government finances approximately 47 percent of total health expenditures, 39 percent is financed through development assistance, and the remaining 14 percent through out-of-pocket expenditures. Within The Gambia's three-tiered health system, health expenditures largely favor tertiary (24 percent) and secondary (23 percent) care over more cost-effective primary health care (0.01 percent), which is driven by excessive verticalization within government services.

130. **Maternal and child health indicators show significant variation by the mother's education level, place of residence, and household welfare distribution.**[46] Births attended by skilled health personnel (82.7 percent overall) is 72.4 percent among the poorest wealth quintile and 96.5 percent among the richest. The total fertility rate (4.4 births per woman overall) is 6.0 among the poorest and 2.7 among the richest. The adolescent birth rate (67 per 1,000 women overall) is three times the value in the eastern versus the western LGA. It is 150 for those with preprimary or no education and 28 for those with secondary or more education, demonstrating the importance of ensuring girls complete secondary education. The percent of women ages 20–24 years who were married or in a union (such as an engagement) before age 15 (7.5 overall) and age 18 (25.7 overall) is 16.9 and 50.7 for those with preprimary or no education, and 2.5 and 10.4 for those with secondary or more education, respectively (figure 5.11). The number of pregnant women receiving four or more prenatal visits (75.6 percent) shows less variability. Other literature and empirical evidence points to the positive impacts of adequate water, sanitation and hygiene (WASH) facilities and better hygiene in health care centers on maternal health. For instance, handwashing with soap by mothers and birth attendants has been shown to reduce neonatal fatality by 41 percent (Rhee, et al. 2008).

Figure 55: Health components of The Gambia's Human Capital Index



Source: World Bank 2018e.
Note: Large circles represent The Gambia, small circles represent other countries, and thick vertical lines and color of circles represent quartiles of global distribution.

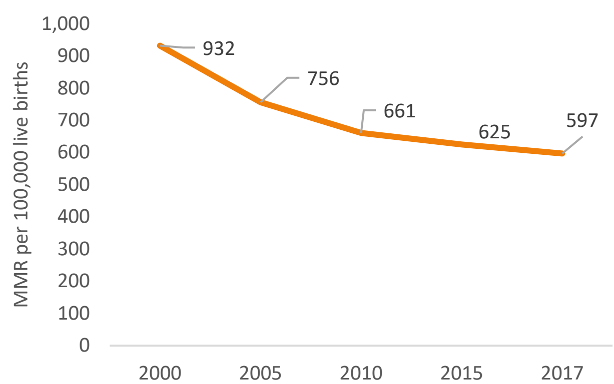
131. **Among the health outcomes on which The Gambia has made progress is child immunization.** Immunization coverage is quite high in The Gambia, with the majority (83.2 percent) of children ages 12–23 months fully vaccinated with basic antigens. This value does not show much variability according to wealth index quintile, residence, or mother's education level (figure 5.12).[47] Exclusive breastfeeding for children under six months of age has increased from 33.5 percent (GBoS 2011) to 47.0 percent (GBoS and ICF International 2014) and finally to 55.2 percent (GBoS 2019). Additionally, since 2010, new human immunodeficiency virus (HIV) infections have decreased by 3 percent and deaths related to acquired immune deficiency syndrome (AIDS) have decreased by 23 percent (UNAIDS, n.d.).

132. **The high disease burden resulting from the combination of poverty and inadequate health care compromises the welfare of The Gambians and reduces productivity and obstructs human development**. The top three contributors to disability-adjusted life years (DALYs)[48] in 2016 were lower respiratory infections, neonatal preterm birth, and diarrheal diseases, even though their individual contributions to DALY declined over 2005–17 (figure 5.13). Also, malaria continues to be a top 10 contributor to DALY, even

though DALY for malaria declined by more than 35 percent over 2005–16. On the other hand, DALY for HIV/AIDS increased by 10 percent and for iron-deficiency anemia increased 25 percent.

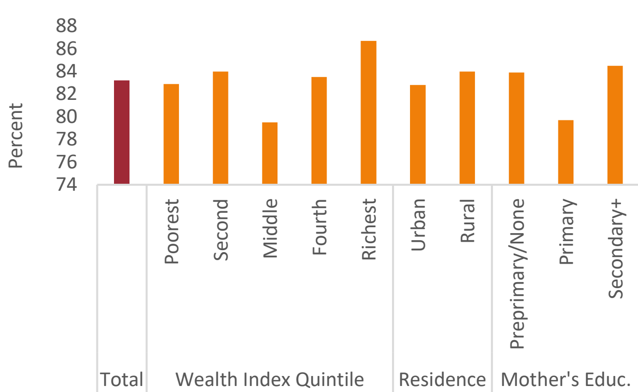
133. **The key risk factors that drive disability are intertwined with poverty: malnutrition, poor living conditions, and poor access to water, health, and sanitation**. Malnutrition has persisted to be the number one risk factor contributing to lost years due to death and disability in the last 10 years (figure 5.14). About 25 percent of the children are stunted, and 12 percent are wasted (have low weight for height). Household air pollution, caused by the indoor burning of solid fuels, is a significant contributor to respiratory illnesses, and lack of sanitation, child care, and basic health services contribute to diarrheal diseases among children, further compromising their health.

Figure 56: Maternal mortality ratio (per 100,000 live births)



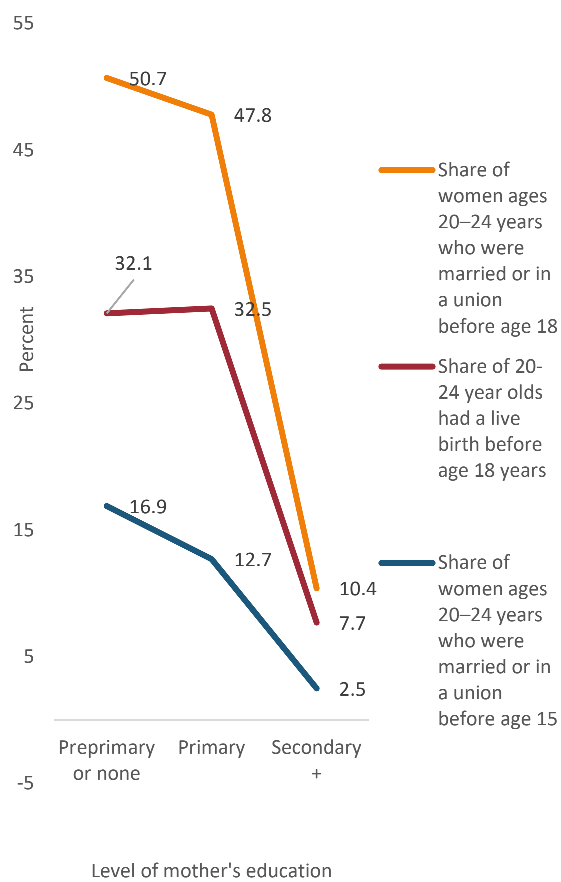
Source: UNFPA 2019.

Figure 58: Percentage of children fully vaccinated



Source: GBoS 2011.

Figure 57: Adolescent health indicators

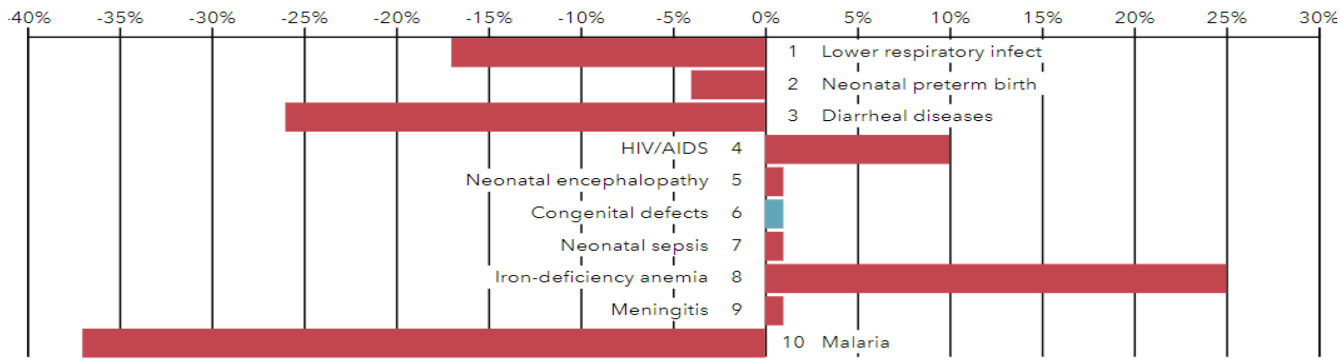


Source: GBoS 2019.

134. **Access to the three principal drivers of malnutrition—adequate food and care; clean water, sanitation, and hygiene (WASH); and health services—remains a challenge for most children, especially in rural areas**. Eighty percent of children under the age of two do not have access to a diet that provides minimum nutrition, and only 37 percent have access to adequate sanitation facilities (figure 5.15). Access to health facilities is comparatively more widespread, with 62 percent of children living in households near a health facility. However, one-third of rural children have access to WASH compared to 45 percent of urban children, and 57 percent of rural children have access to health facilities compared to 75 percent of urban children.

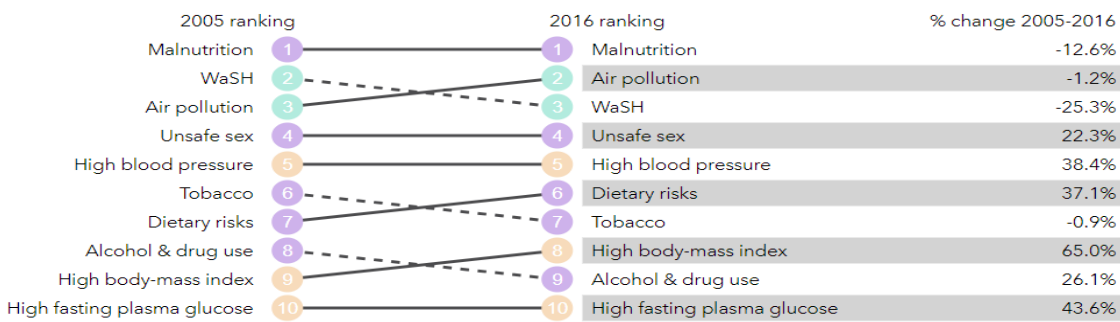
Only 5 percent of children in the country have adequate access to all three drivers, and 19 percent have access to no drivers (figure 5.16). The prevalence of stunting[49] decreased from 23 percent in 2010 to 19 percent in 2018, yet it remains at 22 percent for rural versus 17 percent for urban dwellers. The prevalence of wasting[50] decreased from 10 percent in 2010 to 6 percent in 2018 (GBos 2019).

Figure 59: Causes of DALYs in 2016, % change 2005–16, all ages



Source: IHME 2017.
Note: The figure distinguishes between (i) communicable, maternal, neonatal, and nutritional diseases (red); and (ii) noncommunicable diseases (blue).

Figure 60: Top 10 risks contributing to DALYs in 2016, and % change 2005–2016, all ages



Source: IHME 2017.
Note: The figure distinguishes between (i) metabolic risks (orange); (ii) environmental/occupational risks (green); and (iii) behavioural risks (purple).

Figure 61: Proportion of Gambian children with access to food, sanitation, and health (%)

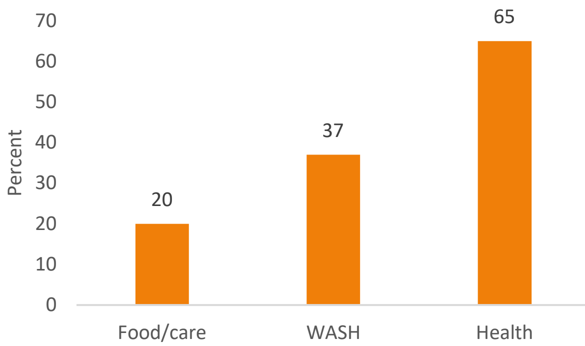
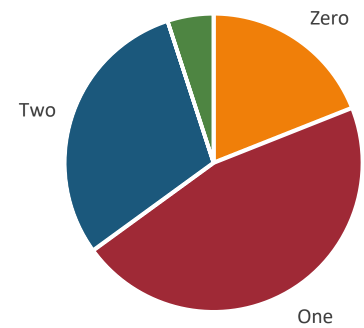


Figure 62: Access to the three principal drivers of nutritional outcomes—food, WASH, and health (%)



Source: World Bank 2018a.

135. **In terms of the availability of health services, most Gambians have relatively high access to facilities, but types of facilities are unevenly distributed** (GBoS 2017a)**.** Approximately 88 percent of people report living within 30 minutes of a health facility, which represents a high level of accessibility. Access to hospitals shows variability by place of residence, as 74 percent of urban residents and 33 percent of rural residents report access to a public or private hospital within 30 minutes. Affordability and time to travel to health facilities have shown to be constraints for usage. Approximately one-tenth of people used private health providers but 30 percent of the richest decile used private care. Likewise, use of public hospitals (67 percent in Banjul and 6 percent in Basse LGAs) and public health centers (7 percent in Banjul and 64 percent in Basse LGAs) showed variability by place of residence. Overall, The Gambia has relatively high access to facilities and its health outcomes have improved over time.

136. **The Gambia performs poorly on public health emergency preparedness and response.** The Gambia has signed on to the International Health Regulations, or IHR (2005), and the implementation requires countries to: a) develop and strengthen specific national public health capacities; b) identify priority areas for action; c) develop national IHR implementation plans; and d) maintain these capacities and continue to build and strengthen them as needed over time. A Joint External Evaluations in September 2017 assessed Gambia's IHR core capabilities to prevent, detect and respond to public health risks and emergencies.[3] Of the 19 technical areas assessed on a scale of 1 (no capacity) to 5 (sustainable capacity), only immunization had a favorable rating of 4 with the majority of the technical areas rated as 1 or 2. These included antimicrobial resistance, national laboratory system, medical countermeasures and personnel deployment, IHR coordination, communication and advocacy, biosafety and biosecurity, and zoonotic diseases.

C. Education

137. **Even though the government's commitment to education has historically been strong, total spending on education is comparatively low and significant other challenges remain**. The government has made significant efforts to increase enrollment numbers at all levels of education, and has been successful in reaching full gender parity through basic and secondary education levels. It has also made significant efforts to address quality challenges and has made progress in areas such as teacher qualification and deployment,

[3] Joint External Evaluation of IHR Core Capacities of the Republic of The Gambia. Geneva: World Health Organization; 2017. Licence: CC BY-NC-SA 3.0 IGO.

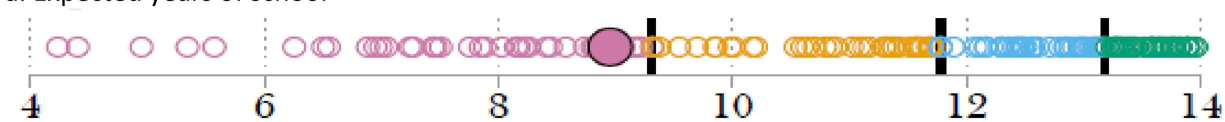
integrating public school curriculum in madrassas, and piloting technology-informed teaching approaches. Total spending on all levels of education represented only 3.2 percent of GDP, compared with the SSA average of 4.5 percent.

138. **Despite these efforts, the education sector faces challenges in terms of access and quality.** Findings from the HCI (see figure 5.17) suggest that in all three domains linked to the access and quality of education, The Gambia falls into the bottom quartile of a global distribution. With less than eight years of schooling and low test scores, a child in The Gambia is expected to benefit from less than five years of learning-adjusted years of school. An Early Grade Reading Assessment (EGRA) assessment in 2007 revealed low reading scores, and the government has since been conducting lower grade teacher training to improve literacy skills. More recent EGRA tests showed significant improvements in knowledge of letter sounds and word recognition. However, reading comprehension is still low. The EGRA 2016 shows that on average students in grades one through three answered only one out of five reading comprehension questions correctly.

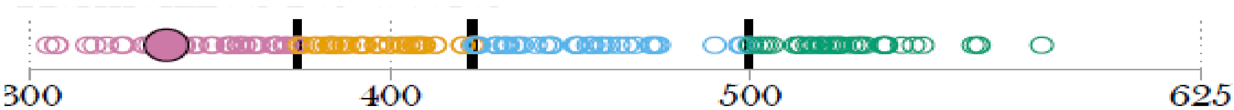
139. **Access to education is lower in The Gambia than the SSA average across all levels of education and most categories, and access rates to primary education stagnated between 2010 and 2015** (World Bank 2017) (figure 5.18). The gross enrollment ratio (GER) marginally decreased from 90 percent to 87 percent, compared to the SSA average of 102 percent. The rate of primary-school-age children who were out of school (7–12 years) increased from 27 percent to 30 percent. This represents about 100,000 out-of-school children, 95 percent of whom never went to school, and the remaining 5 percent dropped out of the system. Access to secondary schooling is even lower, with a GER of 62 percent in the upper basic school (UBS) and 44 percent in the senior secondary school (SSS). The out-of-school rate for UBS is high at 30 percent, with 80 percent of the children having never attended school. The rate is even higher for SSS (43 percent). Access to the postsecondary school is 7 percent, lower than the SSA average of 10 percent. However, gender parity indices at the preschool, primary, and secondary levels have been met, though it falls short at the tertiary level.

Figure 63: Education components of The Gambia's Human Capital Index

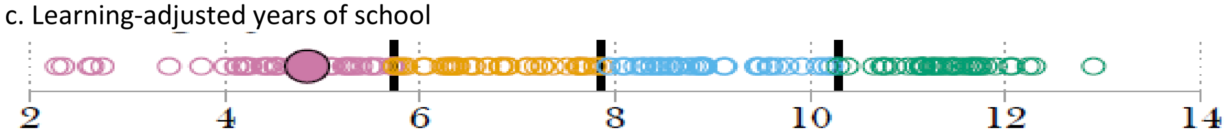
a. Expected years of school



b. Harmonized test score

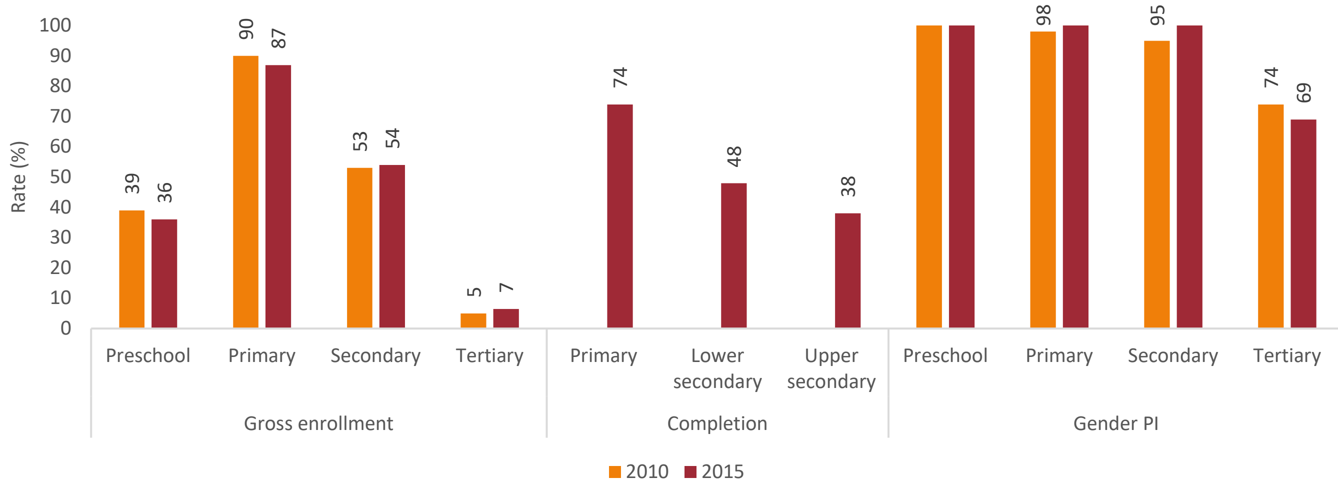


c. Learning-adjusted years of school



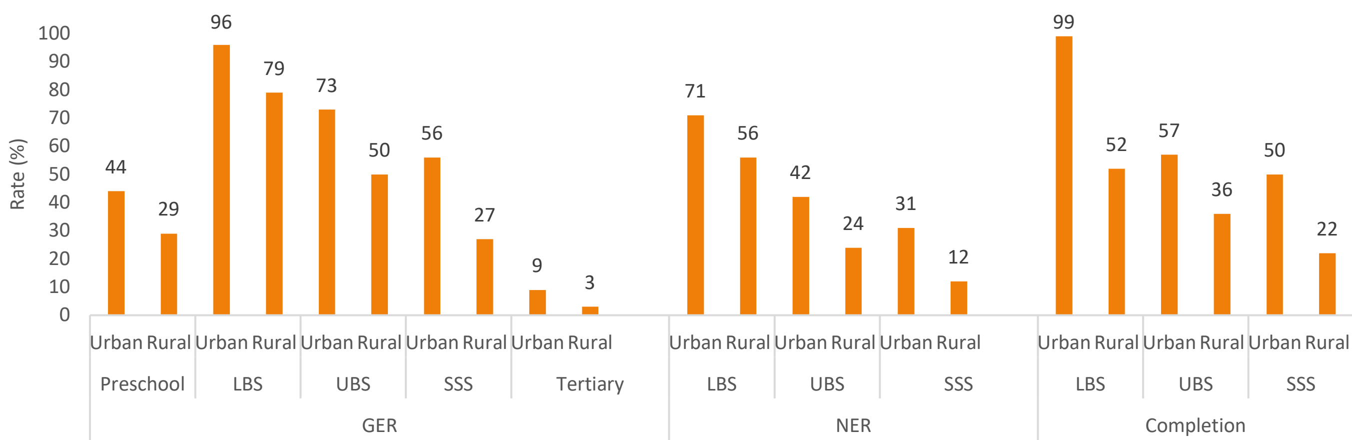
Source: World Bank 2018e.
Note: Large circles represent The Gambia, small circles represent other countries, and thick vertical lines and color of circles represent quartiles of global distribution. Statistics on "Harmonized Test Score" and "Learning-adjusted Years of School" were calculated based on the 2011 version of Early Grade Reading Assessment (EGRA). More recent findings from the EGRA 2016 suggest that "Harmonized Test Score" and "Learning-adjusted Years of School" have increased over time.

Figure 64: Educational outcomes: Enrollment, completion, and gender parity index, 2015



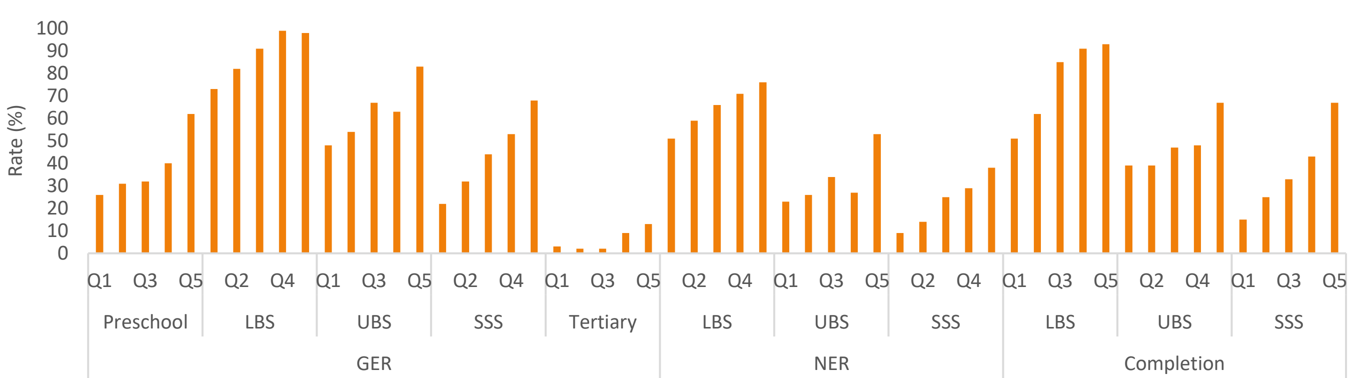
Source: World Bank 2017.

Figure 65: Enrollment and completion, by rural/urban area, 2015



Source: World Bank 2017.

Figure 66: Enrollment and completion, by income level, 2015

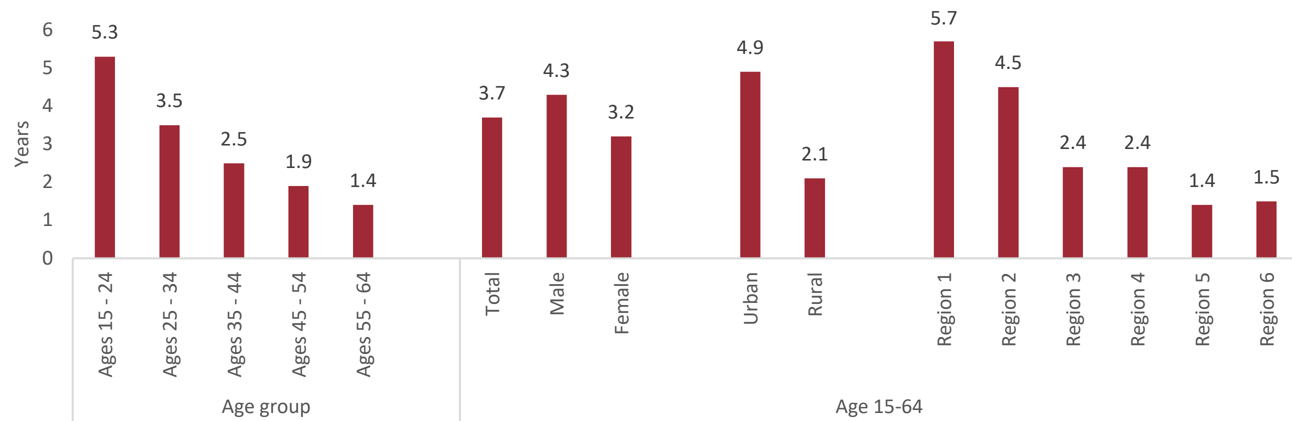


Source: World Bank 2017.

140. **Substantial inequities characterize access to education, both spatially and across income groups.** Enrollment and completion rates across all levels of education are lower in rural areas compared to urban areas. For instance, the GER is 96 percent for the urban population at the lower basic level, whereas it is only 79 percent for the urban population (figure 5.19). Enrollment by wealth quintile also illustrates a clear rich-poor gap. At the preschool level, the GER for children from the poorest consumption quintile is 26 percent compared to 62 percent for the richest quintile. Similarly, at the lower basic level, the GER for the poorest quintile is 48 percent compared to 83 percent for the richest. Completion rates are also significantly higher for children from the richest households. Because the rate of returns on education increases with the level of education, inequality in access has direct effects on inequality in living standards.

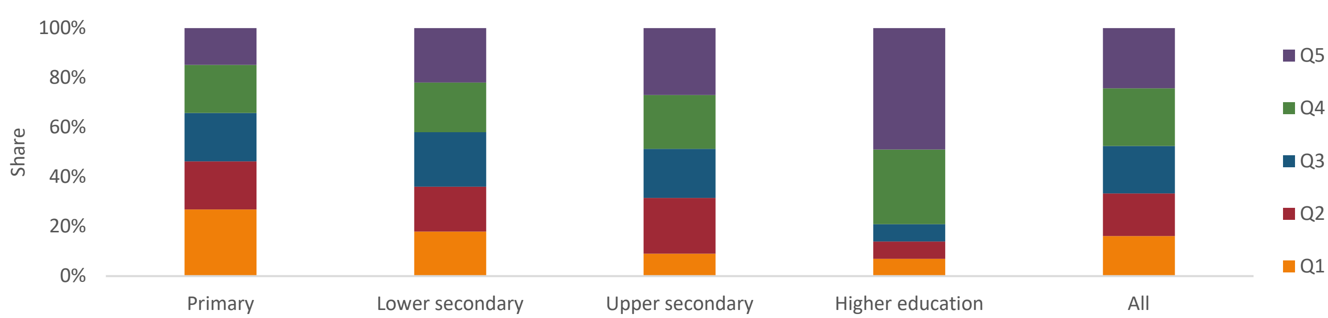
141. **Education levels of the working-age population are very low.** On average, less than half of The Gambia's working-age population has completed primary education, severely handicapping growth and global competitiveness. In 2015, the average years of schooling among those of working age was only 3.7 years at the national level and 5.3 among the youth population (figure 5.21), constraining productivity and citizen engagement and entrapping a big segment of the population in low-productivity sectors where skill requirements are minimal. Average years of schooling is lower for women (3.2 years) than men (4.3 years) and lower by half in rural areas (2.1 years) than in urban areas (4.9 years). Because rates of return to education increase with each successive level of education (World Bank 2018i), the rural population and women are more likely to be economically and socially excluded than the rest.

Figure 67: Education level (years), by age group and region, 2015



Source: World Bank 2017.

Figure 68: Benefit incidence of public expenditures in education, 2015



Source: World Bank 2017.

142. **Although school fees were abolished in lower basic schools, UBSs, and SSSs, the nonfee component to education is largely privately financed, and poor households struggle to meet the cost of education**. The Gambia has one of the lowest expenditures on education as a share of GDP in SSA. Average education spending as a share of GDP stands at 4.6 percent, and only 12 countries within SSA spend less on education as a share of GDP than The Gambia (World Bank 2018i). The education sector is funded in large part by private households that contributed about 58 percent of total spending in education in 2015, in comparison with public funding, which accounted for 34 percent. In addition, public funding is not pro-poor (figure 5.22), as the poorest quintile receives 16 percent of the total education funds (4 percent less than its share of the population), and the richest quintile receives 24 percent of the total benefits (4 percent above its share of the population). The distribution of public spending appears to be quite equitable at the primary level but is reversed at the senior secondary and higher education levels, where enrollment from poor families declines. At the senior secondary level, whereas the richest quintile receives 30 percent of total spending, the poorest quintile receives only 10 percent. Similarly, 49 percent of the total spending in higher education is absorbed by the richest quintile compared to 7 percent for the poorest quintile.

143. **Cultural and religious barriers to formal schooling are difficult to overcome, and the integration of religious schools remains a key challenge**. There are 350 madrassas that are recognized by the government but the quality of education in these institutions remains a serious issue. Recently, certification and registration of these schools, as well as their adoption of government curriculum with subsidized English teaching, have helped attract populations to this school system. The government also supports 17 *majalis* (Koranic centers) by providing a monthly cash transfer on the condition that these centers offer government-provided literacy and numeracy classes to enrolled children, most of whom would not receive any form of formal schooling otherwise.

144. **There is also an important link between WASH, gender and education outcomes.** WASH facilities and hygiene promotion initiatives at school can impact human capital development, especially for female students. There is evidence that providing latrines at school reduces absenteeism among the targeted school-age population, and that separate latrines for girls, including when designed for proper management of menstrual hygiene, substantially increase school attendance and reduction in girls' school dropout rates, resulting in better education and further increased economic opportunities for young adult women.

145. **Teaching skills are lagging.** In 2016 about 96 percent of teachers from schools were credentialed from The Gambia College. However, most teachers in public schools still lack content knowledge, and pedagogical skills and training do not necessarily translate to higher literacy rates.

D. Social Protection

146. **High and stagnant poverty suggests that the safety net for poor and vulnerable households is inadequate.** Existing social safety net programs cover less than 1 percent of the population in The Gambia, placing it among countries with the lowest social safety net coverage in SSA (Beegle, Coudouel, and Monsalve Montiel 2018). Countries with the same level of poverty, such as Niger, Senegal, or Sudan, all have a flagship safety net project that covers many more beneficiaries than The Gambia.

147. **The Gambia has a National Social Protection Policy (2015–25) and Implementation Plan (2015–20), but they are at a nascent stage of implementation.** Both the policy and the plan recognize the importance of social safety nets to safeguard the lives of all poor and vulnerable groups and contribute to broader human development, economic productivity, and inclusive growth. They set out important commitments: to

safeguard the welfare of the poorest; protect vulnerable populations from transitory shocks; promote the livelihoods and incomes of the poorest; reduce people's exposure to social risks; and strengthen leadership, governance, and social protection systems. Improvements in social protection would lead directly to increases across the range of HCI indicators. The government, led by the Office of the Vice President, is leading efforts to scale up social protection programs and to support the underlying systems needed to promote a more efficient and effective social safety net.

148. **There are no reliable statistics on social assistance expenditures.** A 2018 World Bank analysis estimated that social assistance expenditures total an estimated 0.9 percent of the GDP with only 0.09 percent of GDP financed from the government (World Bank 2018g). Subsequently, a MoFEA paper estimated that the government's expenditure on social assistance was 0.18 percent of GDP with donor contributions of 2.5 percent of GDP.[51] In 2017, a fiscal space analysis was conducted to estimate the costs of introducing a maternal and newborn child health cash transfer, a national school meals program, a youth empowerment program, and a social pension as well as to assess the current availability and potential to create a fiscal space for their sustainable financing (EPRI 2017). The most likely sources of financing identified were additional earmarked tax revenue and continued grant financing from development partners. It concludes that a range of 0.26–0.67 percent of GDP per year could be created for additional social protection financing, and the costs of the modeled programs lie in the range of 0.04–0.65 percent of GDP depending on the programs and coverage levels chosen. In the medium scenario of each program, the two with most targeting are affordable in a low fiscal space scenario, whereas those that are more universal in nature are only affordable in a medium fiscal space scenario. All four programs in the medium fiscal space scenario would cost 1.25 percent of GDP, in line with the average for SSA. Two of the programs are already under way with existing donor resources, but the other two are unfunded.

149. **Protective social protection schemes exist, but they have limited coverage and are mostly donor financed.** Protective social protection redistributes income to prevent the extreme poor from destitution or from falling deeper into poverty when faced with a shock. The main forms of social protection interventions are noncontributory social assistance programs that target poor or vulnerable individuals or households in project-based and donor-financed cash and in-kind social transfer projects. Social assistance predominantly addresses food insecurity and malnutrition; infants, children, and pregnant and lactating mothers are the most common beneficiaries. There is no poverty-targeted program to help the extreme poor smooth consumption or make basic investments in human and productive capital, although such a program is currently under preparation. A combination of small-scale income support with behavioral change communications can provide the means and guidance to help poor families make investments that will reduce the intergenerational cycle of poverty, and such a program is currently under preparation. Although many of the current programs have shown promising results, none yet has the scale or scope necessary to address The Gambia's needs.

150. **The social protection sector lacks both the human and financial resources to protect and respond efficiently to the needs of the most vulnerable population**. Consequently, interventions cannot address vulnerabilities throughout the life cycle and ensure continuity when crises occur. The special needs of particularly vulnerable groups (such as people living with disabilities, people living with HIV, malnourished children, and the elderly) are not adequately covered.

151. **Preventive social protection programs mainly cover a better-off segment of the population**. Social insurance is only accessible to a minority of workers in the formal sector: only 10 percent of all employees are covered (Gavrilovic 2013). The coverage does not include unemployment insurance. No national minimum wage has been legislated. In addition to the benefits available to the whole population (for

example, free schooling and health care), formal sector workers have access to sick pay, coverage for work-related injuries, and pensions. Even though household livelihoods rely heavily on agriculture, with its high level of weather-related risks, and despite the government's priority for this sector, the country has no state-led crop insurance program for farmers.

152. **The Gambia does not have a national health insurance program, but subsidized health care is available for vulnerable groups (pregnant women, small children, and people with HIV/AIDS).** The only existing health insurance schemes are those for private sector workers. Only 2.3 percent of women and 3.3 percent of men have health insurance coverage, mostly through employer-based insurance and mostly in urban areas. However, children under the age of five, pregnant women, and people living with HIV/AIDS do have access to free health care provided by subsidized health services.

153. **Scaling up any social protection program will require the introduction of a national system to identify poor or vulnerable individuals, coordinate efforts, and monitor quality of service and results**. In the absence of a coordinating body, many social assistance activities take place in isolation. There are few statistics or reports on the sector as a whole, and no known impact evaluations of social assistance programs exist. A stronger evidence base would shed light on gaps in coverage or overlaps as well as on impact or opportunities for more efficient resource use. Significant work is needed to strengthen existing structures and their implementation capacity for registration, targeting, delivery of benefits, and monitoring and evaluation. The Social Protection Secretariat, a coordination body identified in the National Social Protection Policy, is currently being established with government and development partner resources. A new Ministry of Women's Affairs, Children and Social Welfare was created in 2019.

E. Social Sustainability

154. **Citizens have high expectations for tangible political and economic change, and delivering quick results will build trust in the new administration.** After years of violent repression and human rights abuses, the population is in the process of reshaping its relationship with the state. People expect the state to provide public services, including security, invest in human capital and physical infrastructure, and create an institutional environment where businesses can grow, jobs are created, and households can prosper. Yet a weak governance structure, combined with limited fiscal space, constrains the delivery of public goods and causes disappointment among citizens, which can derail the development process.

155. **The Gambia has a young population, more than half of whom are younger than 20.** A sizable proportion of the population is of working age but has yet to be fully integrated into the labor market. According to the Integrated Household Survey (IHS) 2015/16, about 37 percent of the working-age population in urban areas were NEET, and among the active labor force, about 20 percent were underemployed. All in all, one half of the working-age population in urban areas are either without jobs or are unable to work full-time. Under these circumstances, continued weak economic growth—which is not sufficient to absorb the growing working-age population—and limited access to economic opportunities feed growing frustration.

156. **Expectations for better economic opportunities and living conditions triggers internal and international migration.** The high rate of rural-to-urban migration of the youth population poses risks of social unrest in urban areas and threatens to disrupt traditional self-support systems in the rural areas. The 2013 census indicated that the migrant population in the Greater Banjul Area (Kanifing and Brikama LGAs) was about 16 percent of the total population. In Brikama, where 27 percent of the population are migrants, migrants accounted for 40 percent of the total poor population in the country. Most rural-urban migrants have little

education or skills and end up working for low-paying or seasonal jobs in the informal sector; they also lack access to social support systems. In rural areas, high rates of youth migration are said to have led to a shortage of labor in critical agricultural operations, placing a higher work burden on women and the elderly.

157. **Despite internal migration and rapid urbanization, the agglomeration has not yet translated into economic and productivity growth.** As population density increases, transaction costs between actors decrease and the exchange of ideas and goods benefits higher economic growth (Glaeser 2008). However, urbanization in The Gambia was largely driven by the migration of low-skilled workers who lack the skills needed to accelerate productivity growth. Similar to other countries in SSA, the lack of physical infrastructure, including roads for connectivity, and provision of public services, such as electricity and water, constrain the growth potential of urban areas (Lall, Henderson, and Venables 2017). The lack of better economic opportunities in urban areas, and a further deterioration of urban slums, threatens to feed disappointment, especially among young men with high expectations, and raises the risks of social unrest.

158. **The Gambia has historically had high levels of international migration, but an increase in the number of returning vulnerable Gambian migrants poses new social risks.** Officially, 90,000 Gambians are living outside of the country: half of them live in the United States, Spain, or the United Kingdom; a quarter are spread across West Africa; and the remaining quarter live in the Maghreb/Gulf region and European countries. Though the emigration of skilled labor resulted in a substantial brain drain (especially for doctors and nurses), it also reduced pressure on domestic resources, and The Gambia continues to benefit from high levels of remittances that account for almost 15 percent of GDP. However, not all migrants fared well: many Gambians took the “back way” to pass through West Africa and on to Libya, where they attempted to cross the Mediterranean Sea, and many failed. A rising number of unsuccessful and often traumatized migrants are returning, and many are also being deported from EU countries. In 2017 alone, 500 migrants received assistance in returning from Libya by the IOM. Without adequate reintegration arrangements or adequate livelihoods to which to return, the plight of the already traumatized returnees can easily aggravate social tensions, especially in the urban areas where family and social support is generally not available.

159. **Although The Gambia has long enjoyed a reputation for ethnic pluralism, ethnic tensions cannot be completely ruled out given the previous government’s use of ethnic favoritism** (AfDB and WBG 2017). The Jammeh regime deliberately stoked ethnic tensions and argued that members of the Mandinka ethnic group were not Gambians, blaming them for the country’s political and economic troubles (AfDB and WBG 2017). Moreover, ethnic polarization in the security sector has not yet been resolved. Ethnic divisions, once created, are hard to patch and remain open to exploitation by rival political parties. The urbanization process could destroy the source of ethnic pluralism in The Gambia, which is anchored on the traditions of rural villages rather than urban centers (AfDB and WBG 2017).

6. Structural Transformation and Labor Productivity

Since the early 2000s, The Gambia's economic structure has shifted; it is now heavily reliant on services to drive growth. The country's weak total factor productivity performance can be partly explained by low labor productivity, which is due to differences in growth across sectors. Low productivity slows the pace of structural transformation and economic diversification, reducing job creation. For example, agriculture is a key sector of The Gambian economy, but it lacks productivity gains and diversification. Marked by declining crop yields, low agricultural productivity can be attributed to a combination of structural and policy/institutional shortcomings as well as infrastructure issues, low access to financial services, and degraded environmental resources. Similar issues appear in the fisheries sector, which is important for reducing poverty and achieving food security yet faces several challenges that constrain its development. The Gambia's travel and tourism sector contributes more to GDP and employment than in other African countries, but the sector's criticality to the country's wider economy serves to underscore the importance of expanding it. Finally, the education profile of workers and the types of jobs available also help explain why labor productivity is low.

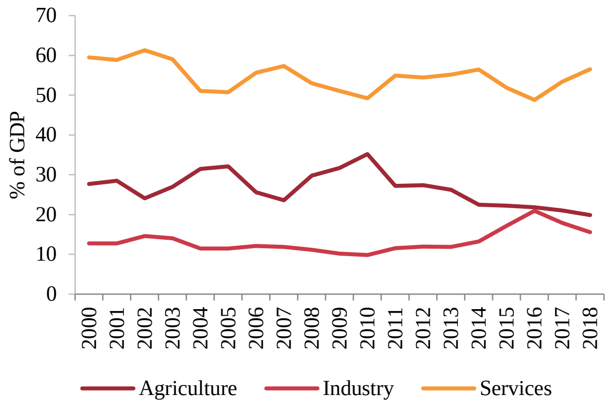
160. **The structure of the Gambian economy has shifted since the early 2000s and now relies heavily on services as the main driver of growth.** The services sector is now the largest contributor, with its share increasing from 50 to 57 percent of GDP between 2000 and 2018. (figure 6.1). Within the services sector, finance, transport, and telecommunications have grown fastest. In the services sector, tourism contributes about 9 percent of GDP and has been the largest foreign exchange earner. Within services, wholesale and retail trade dominate, reflecting the contribution of reexport trade, which accounted for about 85 to 89 percent of the merchandise in recent years. The manufacturing sector is underdeveloped (4–5 percent of GDP), serving the small domestic market, and faces competition from imports. The share of agriculture declined from 32 percent of GDP to 20 percent between 2000 and 2018. The decline in the share of agriculture was not due to global price developments of groundnuts (its main export crop) which has trended upwards since 2008 and reached a peak price in 2013, but rather poor internal marketing arrangements combined with erratic rainfall that negatively affected crop output.

161. **The shift from agriculture to services is not unusual for SSA countries, which tend to skip the traditional intermediate stage of industrialization** (Nguimkeu and Zeufack 2019). The industrial sector's contribution to growth remains negligible, albeit slightly greater more recently due to an expansion in construction activity. Progress toward a more service-centered economy occurred without significant growth in the industrial sector. Other countries in Africa have recently shown a similar development trend, where this type of structural transformation is driven by rising domestic demand in contrast to the export-oriented industrialization model and that productivity growth in these new services sectors is not as strong.

A. Trends in Labor Productivity

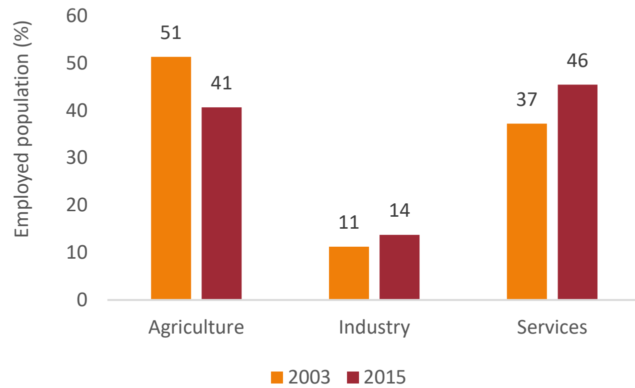
162. **The Gambia's weak TFP performance can be partly explained by low labor productivity.** A decomposition of the drivers of per capita GDP growth by labor productivity, employment rate, labor force participation, and demographic change shows that labor productivity negatively contributed to economic growth (figure 6.3). Labor productivity declined at an annualized rate of 0.18 percent in 2000–17, erasing any gains from a growing working-age population and higher labor force participation rate. Low productivity growth was mainly due to low within-sector productivity, given the sectors that employ the bulk of the labor force, notably agriculture, experienced negative productivity growth. Increasing labor productivity is crucial for

Figure 69: Sectoral shares (% of GDP), 2000–18



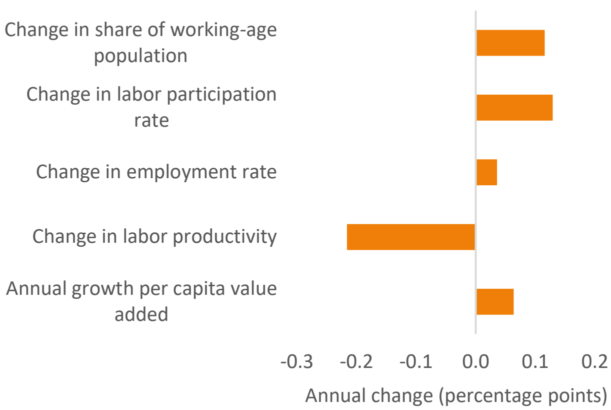
Source: World Development Indicators database and data from CBG 2013.

Figure 70: Sectoral distribution of jobs, 2003 and 2015



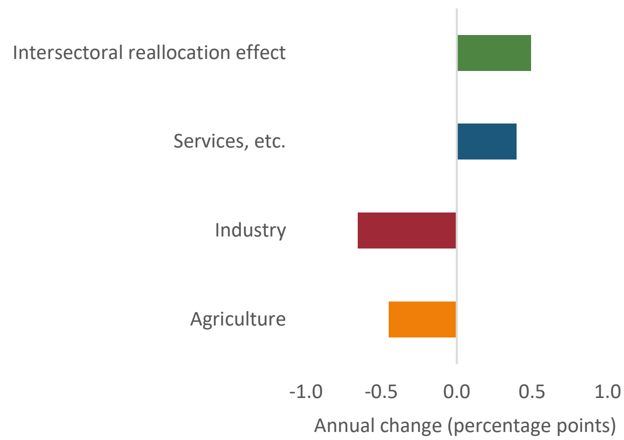
Source: Heintz, Oya, and Zepeda 2008; CEIS 2018.

Figure 71: Shapley decomposition of per capita value added, 2004–16



Source: World Bank staff calculations with data from World Development Indicators database.

Figure 72: Labor productivity growth, 2004–16

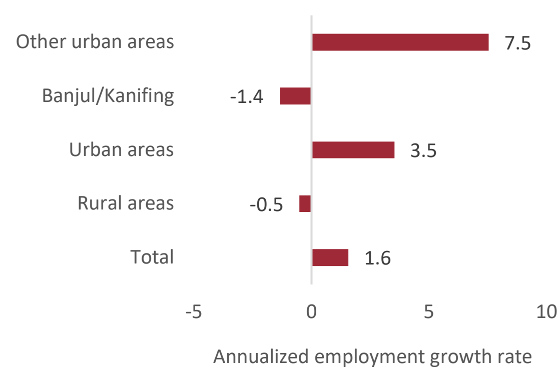


Source: World Bank staff calculations with data from World Development Indicators database.

Figure 73: Number of workers by sector and education, 2015

Source: World Bank staff calculations based on data from the Integrated Household Survey 2015/16.

Figure 74: Employment growth by rural and urban areas, 2010–15



Source: World Bank staff calculations based on data from the Integrated Household Survey 2015/16.

poverty reduction because of its association with labor earnings. Increasing the level of capital per worker will result in higher labor productivity and growth.

163. **The decline in aggregate labor productivity is explained by differences in labor productivity growth across sectors.** The service sector showed positive labor productivity growth (figure 6.4). The reallocation of labor from a low productivity sector like agriculture to the service sector had a positive impact on labor productivity growth. The decline in labor productivity in agriculture and industry during that period erased any gains from sectoral allocation of labor, explaining why overall labor productivity contracted.

164. **The education profile of workers and types of jobs also helps explain why labor productivity is low**. About 60 percent of workers do not have any type of formal education. Agriculture employs the largest number and percentage of workers without education (figure 6.5). Wage employment accounts for 22 percent of jobs, with the public sector and SOEs offering 72 percent of those jobs.

165. **Firms experienced only modest productivity improvements between 2006 and 2018 and are least productive compared to peers, according to the 2018 World Bank Enterprise Survey.** Median labor productivity in The Gambia is low, about three times lower than that in Benin. The efficiency of Gambian firms slightly declined over 2006–18. In addition, the capital intensity and productivity of Gambian firms is low and below those for most regional peers. The Gambia experienced significant dispersions in all productivity measures. Some of the least productive firms possess more capital than their efficiency and/or size would support, which indicates the existence of room to improve productivity by reallocating resources to the most productive firms. However, the proportion of firms engaged in either direct or indirect exporting increased from 6 percent in 2006 to 16 percent in 2018, although The Gambia still lags behind most of its regional peers.

B. Growth by Sectors

166. **The lack of economic convergence with SSA reflects differences in growth and productivity at the sectoral level**. The sectoral performance, especially in sectors subject to high volatility like agriculture and tourism, are crucial for understanding long-term growth patterns in The Gambia. The gap in labor productivity (GDP per person employed) between The Gambia and regional comparators (Senegal or the average for SSA) has been widening. At the firm level, manufacturing firms have the lowest productivity levels and levels of capital relative to labor (World Bank 2009).

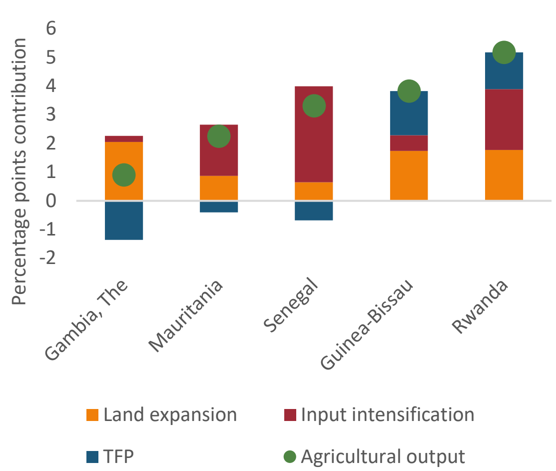
167. **Understanding sectoral dimensions of growth and productivity is important to reduce poverty.** As shown in chapter 4, changes in the consumption of agricultural households contributed to the poverty increase in rural areas. Thus, productivity growth in agriculture has a larger poverty-reduction effect because agriculture is the source of employment for many of the poor (Fuglie et al. 2020; Ivanic and Martin 2018). Increasing labor productivity in agriculture contributes more to poverty reduction than changing income source from farm to nonfarm (Christiaensen, Demery, and Kuhl 2011). Moreover, the annualized employment creation between 2010 and 2015 of 1.6 percent was below population growth (3.1 percent) during that period. This implies that The Gambia needs to achieve higher rates of growth to achieve adequate job creation. This section focuses on the following sectors: agriculture, fisheries, tourism, and selected services subsectors.

Agriculture

168. Agriculture is a key sector of the economy, but its growth has been low and lacks productivity gains and diversification.[52] It generates about 25 percent of GDP and employs 40.3 percent of the workforce. Moreover, the top four agriculture products by export value (groundnuts, groundnut oil, cashew nuts, and fisheries products) accounted for almost 80 percent of domestically exported products in both 2010 and 2015. Agriculture production is relatively undiversified and largely subsistence oriented, with 62 percent of farm households growing crops only for subsistence. However, 73 percent of villages experience their self-produced food from the last harvest depleted three to seven months after the harvest. The agriculture sector grew at an average rate of 1.9 percent between 2000 and 2016, which is low when compared to other countries in the region. Most of its growth has been driven by land expansion (not irrigated) rather than intensive use of inputs and productivity improvements (figure 6.7). Gambian farmers show allocative inefficiencies, suggesting a failure to respond to prices when making resource allocation decisions.[53]

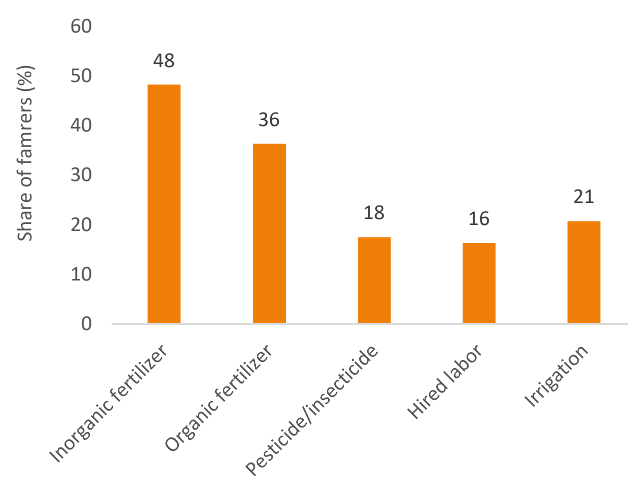
169. Declining crop yields indicate low productivity in the agricultural sector. Data from the Food and Agriculture Organization Corporate Statistical Database (FAOSTAT) show that rice yields in The Gambia are only 35.6 percent and 18.7 percent of the average rice yield for West Africa and Senegal, respectively, over the 2014–16 period. In the case of maize, the yield of Gambian farmers is 53.6 percent below the West African average of 1.6 tons per hectare. Overall, the yields of rice, maize, millet, and groundnuts declined between 2010 and 2016 (by 36 percent, 26 percent, 17.7 percent, and 8.7 percent, respectively), but that of cassava and cashew nuts increased over the same period. With declining crop yields, crop production contracted significantly between 2010 and 2016. For example, the harvested amount of rice and maize in 2016 was 40 percent lower than in 2010.

Figure 75: Decomposition of agricultural growth, 2000–14



Source: World Bank staff calculations based on data from the U.S. Department of Agriculture, data set on International Agricultural Productivity.

Figure 76: Use of agricultural inputs (%), 2015



Source: World Bank staff calculations based on data from the Integrated Household Survey 2015/16.

170. Poor rural infrastructure represents a major obstacle for transitioning from subsidence-based farming to commercial agriculture. This includes insufficiently developed water management systems and poor feeder roads, especially in rural areas. Lack of well-developed water management systems leaves agriculture almost entirely dependent on rainfall, despite the availability of important inland water resources. About 90 percent of agricultural production is highly dependent on rainfall and any sudden change in weather conditions can negatively impact agricultural output and food security (Niane et al. 2019). In 2005, only 3 percent of the overall arable land (corresponding to approximately 320,000 hectares) in the country was under irrigation, with little improvements in recent years. At the same time, a poorly maintained road network represents an obstacle for farmers to access input and output markets. Poor road conditions carry additional costs for farmers, as they imply high vehicle maintenance costs, delayed delivery, and limited access to markets. Lastly, trade logistics infrastructure needed to further develop agriculture is also lacking, namely (cold) storage facilities linked to the port as well as supporting the Gambia-Senegal trade and the reexports to other neighboring countries.

171. **Degraded land and water resources and low soil fertility represent key constraints for the growth of the sector**. The quality and productive capacity of the resource base has declined due to land degradation and depletion of soil fertility. The uplands, where rain-fed groundnuts and coarse grains are grown, suffer from scant organic matter and basic nutrients (low fertility) and low water retention capacity, but their drainage conditions are good. The lowlands, where rice and horticulture farms are located along the floodplain of the Gambia River, are flat and poorly drained. Seawater intrusion in the Gambia River is estimated to reach 280 km during the dry season. Thus, lowlands are vulnerable to seawater inundation of the Gambia River, which has increased soil salinity, restricting production during the wet season when water salinity is lower. The depletion of the soil fertility and vulnerability to increased salinity are one of the main reasons for low and declining crop yields and response to fertilizer use. Unsustainable farming practices, such as deforestation and poor management of irrigation schemes, have contributed to the loss of soil productivity.

172. **Declining farm sizes and the fragmentation of landholdings contribute to low (negative) productivity in agriculture.** The Gambia's fast population growth has put pressure on land resources. For example, due to demographic trends the average size of landholdings has declined from about 3 hectares in 2005 to 1.3 hectares in 2015 (Niane et al. 2019). Generating a marketable surplus becomes more difficult with smaller landholdings. Moreover, farms have become more fragmented. A comparison of the results of the 2002 and 2012 agricultural censuses shows that the number of agricultural plots increased by 49 percent but the area under cultivation increased by 14 percent. This most likely suggests a decline in the average farm size and an increase in the number of agricultural plots on each farm. About 37 percent of farm households were operating in 6 or more agricultural plots, an indication of land fragmentation. In the West Coast region, around 9 percent of household farms had 6 or more agricultural plots. The combination of a decline in farm size and a higher number of agricultural plots per farm could threaten the economic and social viability of farming, raising serious challenges for technology adoption, input intensification, and productivity growth.

173. **Low access to financial services limits the growth and productivity of the agricultural sector.** Both farmers and private investors struggle to access credit, which prevents them from investing to modernize their production systems or agribusiness. The share of domestic credit that went to agriculture steadily declined from 6.7 percent in 2010 to less than 2 percent in 2018 (IMF 2019b). Despite the reduction in interest rates, lending to agriculture has yet to recover. Instead, high perceived credit risks related to agricultural activities, such as price volatility, crop failure, weather shocks and the seasonality of production, have kept lending to this sector consistently low. As such, risk-sharing mechanisms need to be developed to boost the appetite for lending. In addition, further developments and innovations are needed in the financial sector (that is, customized financial products) to effectively improve access to finance to this sector. Where credit is available, interest rates have been prohibitive relative to the returns available to investors in the agricultural sector, and further progress is needed to boost financial deepening in the agricultural sector.

174. **The lack of agricultural insurance products and schemes in The Gambia is particularly problematic given the country's high vulnerability to weather and climate shocks.** High volatility in agricultural production is largely attributable to weather-related shocks. The development of agricultural insurance products and schemes, particularly through the financial sector, would provide options to reduce this vulnerability and mitigate the impact of these shocks. In addition, agricultural insurance not only contributes to increased productivity in agriculture and related sectors by managing climate-related risks, but it also improves access to credit for farmers and small and medium enterprises (SMEs) engaged in the sector by making investments less risky. Further, with limited fiscal space, short- and medium-term options for reducing risks in the agricultural sector are more likely to come from the private sector than the public sector.

175. **On the policy side, key constraints include the low effectiveness of public spending, an inefficient subsidy program and property and land rights system** (Goyal and Nash 2017). Although price control has been abolished, the Essential Commodities Act of 2015 confers on the government the power to intervene in the pricing of some imported goods considered essential. This type of policy encourages rent-seeking behaviors such as excessive pricing or overinvoicing to capture excess rent. In a study of rice and sugar imports by the competition commission, the price charged for rice was 47 percent higher than the economic total cost, with a difference of GMD 267.33 between the total cost and the wholesale price. In the groundnut sector, increasing productivity and private investment will likewise be contingent on (sensitive) structural reforms to improve incentives and enable price differentiation (including reforms to the government's current price-fixing system and restructuring of the groundnut oil SOE).

176. **Poorly targeted and ineffective subsidies for fertilizers create negative distortions in agricultural markets.** The current subsidies scheme constitutes an obstacle to farmers' access to inputs. The quantity of fertilizers produced by the government is insufficient to cover farmers' needs. The IHS 2015/16 revealed that only 13 percent of farmers benefited from subsidized inputs. The current scheme encourages rent-seeking and undermines incentives for the private sector to play a role in the market. Fertilizer subsidies range from 30 to 35 percent.[54] This means that the subsidy will lower the production cost by the same proportion. The use of subsidies remains a subject of ongoing debate, but it is argued that the use of subsidies is desirable to boost production and help poor farmers.[55] Although the use of fertilizer subsidies is justifiable in a context of declining soil nutrient, the government's direct involvement in the importation and distribution is likely to crowd out private sector investment.

177. **The current land rights and tenure system is complex, creating uncertainties regarding land acquisition and leasing for commercial purposes**. The main tenure systems are private property, lease, commons, and customary land (Byamugisha 2014). The customary system of land rights varies greatly from district to district, and rights are determined through membership to lineage groups. Locally selected individuals preside over district tribunals regarding land disputes. Because of the diversity and evolution of customary practices, few of the precepts of the traditional systems have been codified. The number of intra and intercommunity land disputes increased during the last two years, and some of these conflicts turned violent. Moreover, these customary land right systems are highly inequitable because women's rights to land, though mandated by the Land Act, are not implemented, certainly not in rural areas. In the case of the private tenure system, the formal legislation is fragmented and subject to uncertainty in its interpretation. This uncertainty affects private sector incentives to invest in land-related businesses. These incentive issues increasingly affect farmers' behavior, especially in the case of borrowed or leased farmland. Using a 1993 survey of 120 farm households, Hayes, Roth, and Zepeda (1997) find that tenure security enhances investments, which in turn enhance yields.

178. The Gambia is failing to maximize trade benefits in international, regional, and domestic markets. Agricultural exports from the Gambia perform under their potential owing to (a) the lack of compliance with World Trade Organization (WTO) sanitary and phytosanitary requirements and Technical Barriers to Trade Agreements, (b) market information gaps, and (c) failure to meet standards and technical requirements in the European Union markets. Road blocks, illegal payments to road agents, and the lack of harmonized border procedures between the Gambia and Senegal also constitute major constraints to the growth of domestic and regional trade.

179. Future growth of the agricultural sector will require structural and policy/institutional reforms that support productivity and competitiveness (Fuglie et al. 2020). These include (i) an input subsidy policy reform for better targeting, transparency, and efficiency, and for a functioning input market led by the private sector; (ii) groundnut pricing reform, with the removal of groundnut price setting and of the export tax to allow more competitiveness; (iii) more resources for agriculture and more efficiency in their allocation; and (iv) land policy reform to secure farmers' land property rights while fostering private investments.

Fisheries

180. The fisheries sector is important for reducing poverty and achieving food security. The Gambia is endowed with abundant and diverse fish species that live in a continental shelf area of about 4,000 km^2 and the Gambia River. The sector is the main source of income for coastal communities and a supplementary source of income for rural households. Overall, the 2014 UN Conference on Trade and Development (UNCTAD) study reports that the sector creates about 32,000 jobs, but that the livelihoods of about 200,000 people depend on the fisheries sector as a source of income. Like crop production, the fisheries sector employs a large share of women. About 80 percent of fish processors and 50 percent of small-scale fish traders are women (UNCTAD 2014). Moreover, the sector has the potential to boost its exports and strengthen linkages with hotel operations.

181. Although The Gambia is endowed with rich fish resources both in the ocean and inland, the contribution of these to GDP and exports is relatively small. Fisheries contributed 4.6 percent of GDP, on average, during 2013–17. However, the sector's contribution could be underestimated given the informal nature of artisanal fishing and artisanal processing activities. Exports of fish and crustaceans are a source of export revenues, accounting for 10.7 percent of merchandise exports (excluding reexports) in 2015Error! Reference source not found.. In practice, the fisheries sector contributes very little revenues to the government, partly attributed to foreign industrial vessels landing in foreign ports due to the unavailability of appropriate landing and port facilities and ancillary facilities in The Gambia (UNCTAD 2014).

182. The sector is divided into small-scale artisanal fisheries and industrial subsector. The artisanal fisheries sector is predominantly run by small-scale artisanal fishery operators employing simple fishing gear and postharvest processing techniques. Foreign fishermen are present in the artisanal sector—often from neighboring Senegal—and operate mainly in the Atlantic Coast off West Africa, which is known for its high productivity. The industrial fisheries sector comprises a fishing fleet of 38 domestic vessels and 21 foreign vessels as of October 2017. The foreign vessels operate through licensing and joint ventures under a fishing access agreement.

183. The fisheries sector faces several challenges that constrain its development and contribution to growth. First, illegal fishing is prevalent and poor surveillance makes it difficult to ensure an adequate supply for fish processing in the country. Fishermen find it more profitable to sell their catch in Senegal because payments are made in cash, whereas in The Gambia fish-processing companies buy on credit and often make delayed payments (UNCTAD 2014). Second, the lack of adequate infrastructure and processing facilities, such as cold storage facilities at landing sites and insulated transport services, often result in high postharvest losses in the artisanal fisheries subsector. Third, the inability to meet sanitary and phytosanitary requirements of the European market limits fisheries' ability to tap a large potential foreign market. Finally, high energy costs (to power boats and transport catch) and lack of a cold supply chain undermine the sector's competitiveness, and limited access to credit facilities for operators hinders efforts to carry out capital investments to modernize the industrial and artisanal subsectors.

Tourism

184. **The travel and tourism sector contribute more to GDP and employment in The Gambia than in other African countries, reflecting the criticality of the sector to the wider economy.** Within African countries that have a sizable tourism sector, The Gambia ranks at the top in terms of tourism's direct contribution to both income and employment (figures 6.9 and 6.10). In comparison to key tourist destinations, the tourism sector plays a more dominant role for the economy than in South Africa, Kenya, and Morocco, but relative to countries with similar size including Mauritius and the Seychelles, reliance on tourism is less pronounced. This relative size of the tourism sector also reflects the low contribution of other economic sectors of the economy.

185. **The travel and tourism sector's contributions are even higher when indirect effects are included, reflecting the large number of Gambians whose livelihoods directly and indirectly depend on tourism.** Contribution of the travel and trade sector to GDP more than doubles when indirect effects via tourism-related capital investments, government spending, and supply chain effects are considered (figure 6.11). They are further amplified by induced effects that result from spending by those employed in tourism-related businesses. The same is true about the tourism sector's contribution to employment. When total effects are considered, the travel and trade sectors contribute to about 22 percent of the country's GDP and 19 percent of total jobs.

186. **The tourism sector benefits from the presence of sandy beaches, favorable climate, and wildlife, but this trend remains vulnerable to regional and political shocks.** Tourism started in the early 1960s. Since then the number of international tourists, mainly from Scandinavia, Great Britain, and the Netherlands, increased substantially to 114,000 in 1991, and 220,000 in 2018 (figure 6.13). It is estimated that around half of high season (winter) tourists are repeat visitors to The Gambia. The tourism sector lacks resilience to external shocks, including regional events such as Ebola and political uncertainty, which (temporarily) decreased the number of tourists. Even though there were no cases of Ebola in The Gambia, the perceived effects of the Ebola crisis in 2010 reduced tourist arrivals. Similarly, the political transition from Jammeh to Barrow had a deeply negative impact on the number of arrivals during the 2016–17 tourist season. Furthermore, the sector will become increasingly vulnerable to coastal erosion given that Gambia's beaches are the main tourist attraction.

Figure 77: Tourism's direct contribution to GDP (%), 2017

31	Gambia	8.2
32	Morocco	8.2
39	Tunisia	6.9
53	Egypt	5.6
65	Senegal	4.5
81	Botswana	3.8
85	Tanzania	3.8
89	Kenya	3.7
	World	3.2
114	South Africa	2.9
120	Namibia	2.9
	Sub-Saharan Africa	2.7

Figure 78: Tourism's direct contribution to employment (%), 2017

36	Morocco	7.1
41	Gambia	6.7
48	Tunisia	6.3
72	South Africa	4.5
81	Egypt	3.9
84	Senegal	3.8
	World	3.8
103	Kenya	3.4
104	Tanzania	3.3
108	Namibia	3.2
121	Botswana	2.6
	Sub-Saharan Africa	2.3

Figure 79: Direct and indirect contribution of the travel and tourism sector, 2017

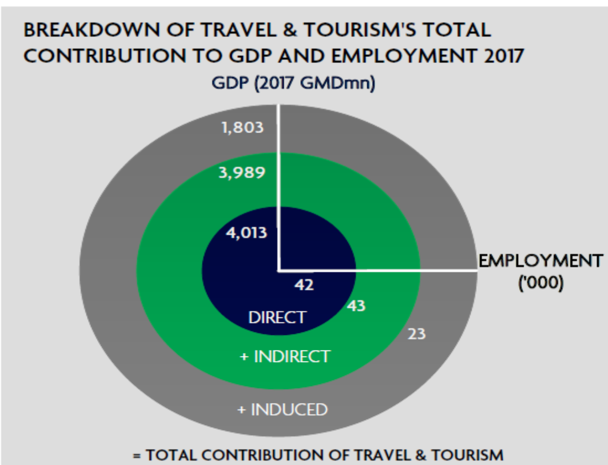


Figure 80: Direct and indirect contribution of the travel and tourism sector to GDP, 2008–18

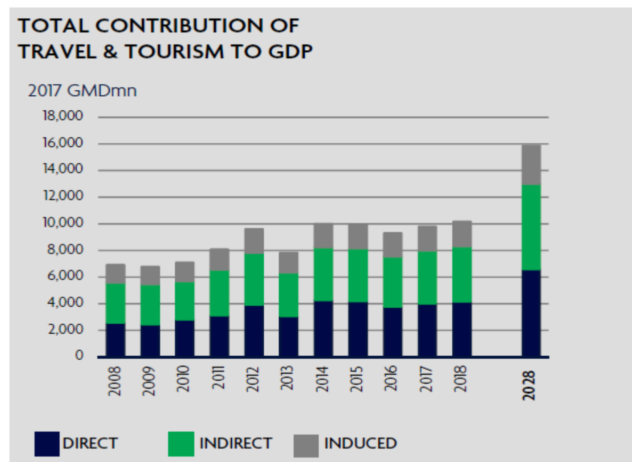


Figure 81: Tourist arrivals, 1992–2017

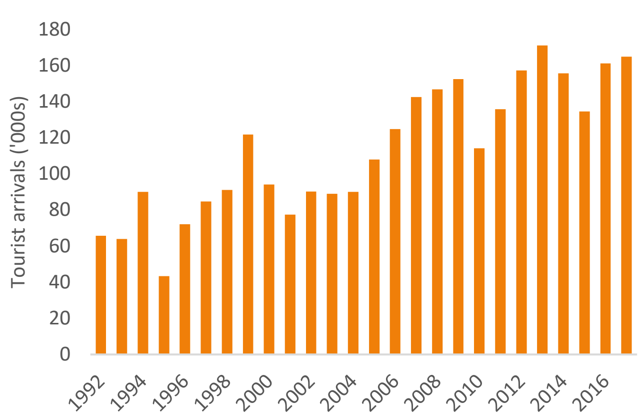
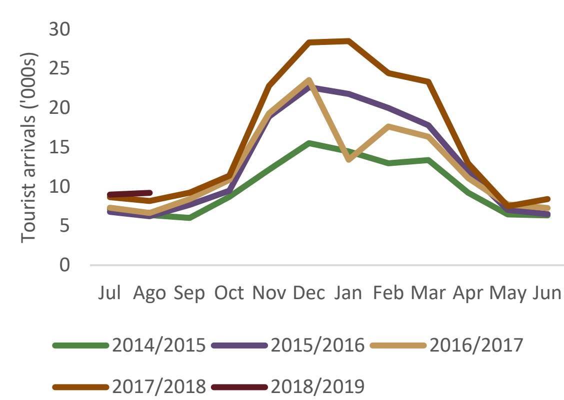


Figure 82: Monthly tourist arrivals, 2014–18



Source: World Bank staff calculations based on data from the Gambia Tourism Board.

187. Tourism is concentrated in the West Coast region and shows a strong seasonal pattern, with very low occupancy rates and unemployment in the off-season months, especially for low wage workers. Most tourists stay in hotels in the Banjul area, with day trips to nearby tourist sites, such as national parks or historical places. The sector is also highly seasonal with tourist arrivals peaking at 13,000 to 21,000 per month between November and March, and sharply declining to under 7,000 per month from June to August (figure 6.14). Many tourist establishments completely shut down during the summer months and workers are laid off. The seasonality in income earnings stresses the livelihoods of low skilled works who are forced to find alternative employment during the summer months. The very low occupancy rates in tourism establishments during the low season constitute a significant waste to investors and discourages investments.

188. Gambia's tourism sector relies heavily on vertically integrated international tour operators (ITOs), making the sector highly vulnerable to changes in ITO strategies and operations, notably the recent Thomas Cook bankruptcy. ITOs control 70 percent of all air access and have significant market power over the rest of the value chain (hotels and activities) as well as the marketing of the destination (World Bank 2019d). This phenomenon helps explain the sector's high seasonality, limited source markets, single product focus, and limited economic impact. On September 22, 2019, the UK-based tour operator Thomas Cook declared bankruptcy, effectively canceling 60,000 reservations and flights for the current tourist season. Given Thomas Cook's large market share, The Gambia risked losing around 45 percent of all its total tourist arrivals for the seasons, according to Ministry of Tourism estimations. This would, in turn, affect 90 percent of hotel and Gambia Tourism Board revenues as well as GDP growth. IMF staff projections estimated the overall effect of Thomas Cook's collapse could translate into a loss of 2 percent of GDP in the last quarter of 2019, with growth slowing from 6.5 to 4.4 percent. Rapid government outreach to other ITOs resulted in the rebooking of about half of the canceled arrivals, which will reduce the impact on revenues and growth. This event demonstrates the risks that are posed by a handful of ITOs controlling tourist access to the country and reinforce the importance of diversifying tourism sector.

189. Given the concentration of sun-and-sand tourism in The Gambia, there are opportunities to diversify the market and extend the tourism season to the summer months. Currently, the tourism sector relies on a handful of European-based tour operators who mainly use chartered flights to fly in visitors from a narrow source market during the winter months (figures 6.15 and 6.16). Increasing tourist arrivals in the summer months and extending the tourist season would therefore greatly improve returns to existing investments and would be a remarkably cost-effective way to increase tourism benefits to the economy. However, this would require considerable investments in deepening market links in the traditional source countries and establishing new ones in nontraditional source countries in Europe as well as from within Africa. It would also require improving year-round flight connections between The Gambia and key international and regional airport hubs as well as a number of reforms to lower air transport costs, which are higher in The Gambia relative to other West African countries (World Bank 2019d).

190. There are opportunities to increase both tourist volumes and their in-country spending, provided investments are made to develop new tourism products and a wider range of tourism facilities. There is considerable scope to increase the sun-and-sand tourist segment by improving the quality of hotel accommodations to suit a wider spectrum of travelers, including higher value ones. There is also scope for introducing new tourism segments such as heritage- and nature-related ones. Increasing the overall tourist volume will require investments in improving and diversifying the Gambian tourism brand and broadening the set of tourism operators to include global airlines and hotel chains that not only serve a much wider segment of travelers but that will also finance investments in property development within The Gambia. To this end, the Gambia Tourism Board only provides licenses for the development of four-star hotels or higher.

As the tourism sector is highly service intensive, it will also require improvements in the scale and quality of Gambian value chains servicing tourism establishments, including an improved supply of skilled workers. Last but not least, it will require adequate provisioning of key public goods such as electricity, law and order, and adequate protection of tourism assets from uncontrolled urbanization and erosion of the environment. Due to unreliable electricity services, many hotels are forced to run their own expensive generators to provide electricity to their customers 24 hours per day. Additionally, the sector needs a comprehensive policy framework to guide investment in it so that the country enhances the sector's overall competitiveness.

Figure 83: Use of chartered vs. scheduled flights (%), 2016

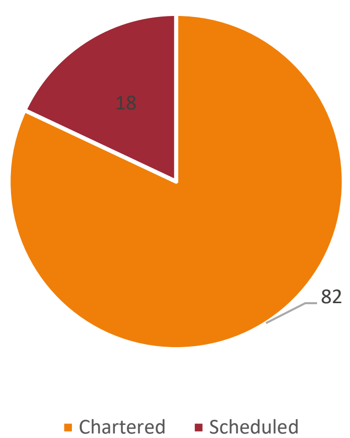
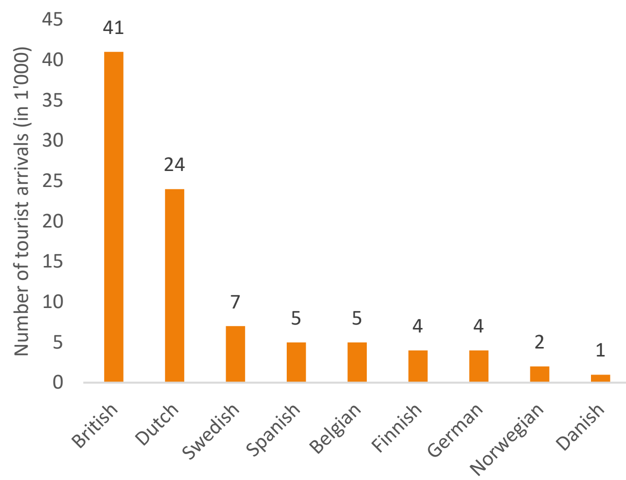


Figure 84: Number of tourist arrivals from key markets, 2016



Source: Gambia Tourism Board 2018.

191. Opportunities also exist to increase the indirect impacts of tourism to the wider population. A 2007 study indicated that half the tourism value chain is captured within the country, but only 14 percent of the Gambian part of the value chain flows to poor groups through retail markets, the agricultural supply chain, nonmanagerial hotel workers, guides, and taxi drivers (Mitchell and Faal 2007). Improving linkages between the wider economy and poorer groups will require establishing local agricultural supply chains that can adequately service food and beverage requirements of tourism establishments as well as supporting growth in ancillary sectors such as arts and crafts and tourist excursion services that increase travelers' out-of-pocket expenditures. As a significant portion of food and beverages consumed in Gambian hotels is currently imported, there is considerable scope for efficient import substitution if Gambian farmers are able to produce and supply products ranging from fruits and vegetables to dairy, eggs, and meat. In addition, much needs to be done to develop market linkages to enable local farmers to adequate serve hotels, notably the development of an aggregation platform to ensure that hotels can purchase in bulk from local suppliers.

Other Service Sectors

192. The retail sector is currently dominated by a few international actors.[56] Between 2015 and 2017, the sector performed poorly due to lower than expected demand. The informal segment currently dominates the sector in the areas of reexport trade of goods, textiles, and apparel from Asia to neighboring countries. Other actors include three supermarket chains, do-it-yourself retailers, and two shopping centers. The analysis indicates that consumers are requesting a growing number of products from the United States, increasing import business opportunities for small private actors in the sector. Moreover, hotels, firms, and the government, along with the lower-income segments, represent strong potential demand components. On the supply side, suppliers plan to expand the number of stores domestically and regionally in upcoming years and target the lower-income segments. Private sector actors in the sector report facing challenges with inventory management and control, Central Bank foreign exchange rate policies, and expensive import products.

193. **The real estate sector's contribution to GDP has remained stable over time, accounting for about 3 percent of GDP.** There are currently 12 property companies and 2 foreign real estate companies. Their activity is focused on building and selling real estate in the coastal areas. Demand for real estate comes mainly from returning diaspora, middle-class citizens, and some tourists. Demographic trends suggest a significant increase in demand for property in the next years, as housing needs from the large youth bulge will increase. In addition, rapid migration from rural to urban areas and moves from informal to formal housing (34 percent of the population live in slums) create shortages of housing. It is estimated that the housing stock is already 50,000 units short, and the housing deficit will grow (CAHF 2018). As a result, many private sector companies have already started working on their expansion plans for private property, including rentals (66 percent of Banjul's entire housing stock and 46 percent in other urban areas are rental units). Current challenges faced by the sector include access to land, lack of mortgage financing, ineffective regulations, shortage of skilled manual labor, and access to quality construction materials.

194. **The health sector is dominated by the public sector, and there is limited scope for private health care providers**. Although there is currently no private hospital in the country, there are two private clinics (offering maternal and pediatric care, general outpatient consultations, in-patient care, 24-hour emergency care, intensive care units, ambulance emergency services, and vaccinations), two wholesale pharmaceutical distributors, and two pharmacies. Most Gambians who can afford professional medical treatment prefer to go to Senegal (Dakar) for basic treatment. Demand for services remains high, but clinics face supply problems, lack of investment, and lack capacity to deliver. Some clinics made investment plans to expand and modernize their activities and one of these expansions will be funded by the AfDB (Horizons Clinic). The main challenges faced by private sector actors are access to financing, a nondiversified base of revenues (today more than 60 percent of revenues originate from insurance company premiums), complex regulation, limited supply of vital products, and infrastructure costs (for example, electricity).

195. **The Gambia counts a significant number of private sector actors in the education sector**. These include 71 private middle schools and senior secondary schools. Demand for private education originates predominantly from upper-income Gambians and expats. Private schools largely rely on high fees as a source of income (these average US$1,200 per year). Although private secondary education represents the source of the highest quality schooling services, there is a potential to develop supply in the tertiary segment. Key challenges faced by private sector actors aiming to expand their activities include a lack of financing resources, a lack of skilled teachers, and high electricity costs.

7. Constraints and Opportunities in the Private Sector

The Gambia needs not just higher economic growth but also growth that creates quality jobs and contributes to poverty reduction. However, like other small states, The Gambia's private sector faces significant constraints, including lack of access to finance and expensive financial services. Reducing the crowding out of private sector lending is a necessary condition to improve access to finance, as is improving the diversity of financial services. Fostering increased financial inclusion will require developing and improving financial infrastructure. Better access to services and markets, another factor currently impeding private sector development, can be improved with better internal and external connectivity. The country will also be well served if it can modernize its energy sector, reduce the cost of electricity, and achieve 24/7 access for the population. Similarly, The Gambia must expand on the gains it has made in terms of access to communications and Internet services for citizens and businesses.

196. **The Gambia needs not only higher economic growth but also growth that creates quality jobs and helps reduce poverty.** Higher labor productivity and labor intensity, especially in their use of unskilled labor, contribute to economic growth and poverty reduction (Loayza and Raddatz 2010). Generating sustained high growth is not easy; it requires increasing productivity in all sectors, reducing growth volatility from agriculture, and increasing capital investments.

197. **The transition to democracy has exposed structural vulnerabilities to private sector development.** Addressing these vulnerabilities is critical to increase productivity and create jobs for the bottom 40 percent. The Gambia has struggled to establish a vibrant private sector and a diverse economy. According to the 2014 census of establishments, The Gambia had about 37,000 businesses, amounting to 54 people per business. Micro firms (with no paid employees) and small firms (with 1 to 4 paid employees) make up 95.6 percent of firms in The Gambia. Only 4.4 percent of firms have five or more employees. The sectors in which these firms operate are also highly concentrated, as 65 percent of businesses operate in trade and 20 percent are in manufacturing, with the remaining 15 percent spread across 12 different sectors. Gambian firms are highly informal and only 16 percent of firms were registered with the GRA, which suggests scope for higher formalization (figure 7.2). Moreover, only 20 percent of firms kept some form of accounting.

198. **Like other small states, the private sector faces significant constraints related to structural and policy factors** (Lederman and Lesniak 2017). The 2018–19 Global Competitiveness Index (GCI) ranks The Gambia in the 15th percentile, having slipped from the 39th percentile in 2009. According to the GCI, The Gambia's biggest competitiveness challenge comes from the small size of its domestic market, a constraint that underlines the importance of achieving economies of scale by accessing larger regional or international markets which, in turn, points to the importance of infrastructure (electricity, transport, and ICT) that lowers the costs of doing business. The Gambia ranks poorly in the GCI on the following dimensions: strength of investor protection; quality of electricity supply; airport connectivity, tax rates; trade tariffs; access to finance; and Internet and broadband access. The macroeconomic environment (reflected in gross national savings, government deficit and debt, inflation, and the country credit rating) is also a major detriment to competitiveness, resulting in a ranking of 123rd out of 140 in the GCI's macroeconomic dimension.

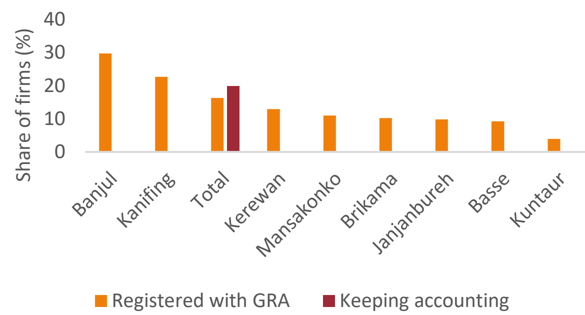
199. **Constraints to private sector growth have been persistent in The Gambia**. The NDP identifies the high cost and intermittent access to electricity, low access to credit, and the tax code as the three main challenges to confront if The Gambia is to harness its citizens' potential to grow businesses and create jobs. The 2018 Enterprise Survey finds that access to finance and electricity are the main obstacles for business operations. This mirrors previous enterprise surveys in The Gambia and those reported by firms in other SSA countries.

The World Bank 2019 study on policies for private sector–led growth in The Gambia identifies the following macrolevel factors as key constraints to growth: (i) limited private investment, (ii) inadequate and inefficient public investment, (iii) low productivity, and (iv) limited economic diversification (World Bank 2019c). In addition, the study highlights the following as binding constraints to private sector growth: (i) limited competitiveness in the key growth sectors (agriculture and tourism), (ii) a weak enabling environment for SME development and growth, and (iii) poor access to finance. All these studies on private sector growth constraints collectively identify unreliable electricity, high government burden, limited access to finance, and poor transfluvial transportation as the most binding constraints to growth.

Figure 85: Distribution of firms by sector and firm size (%), 2014

Source: World Bank staff calculations with data from GBoS 2015.

Figure 86: Firms registered with the GRA and keeping accounting records, 2014



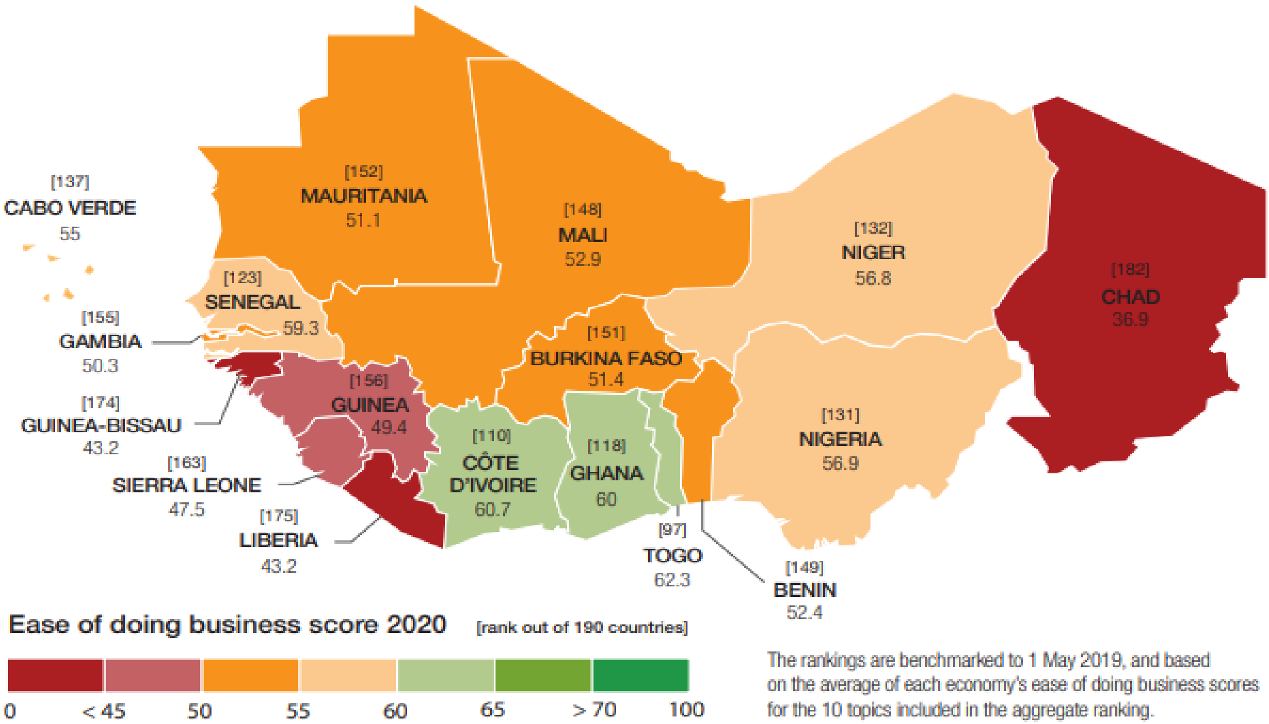
Source: World Bank staff calculations with data from GBoS 2015.

200. The lack of fiscal and debt sustainability negatively impacts private sector growth. The literature on debt sustainability identifies several channels through which public debt accumulation is linked to growth and private investment. High public debt negatively impacts growth because it crowds out private investment and consumption. Moreover, elevated public debt creates uncertainty about higher future distortionary taxation. Indeed, as the stock of debt increases, the private sector anticipates the future tax rate to increase as it expects the government to finance debt repayments. This, in turn, leads to a decline in investment and economic growth. Furthermore, high government debt constitutes a drag on potential growth because it limits the fiscal space in which governments can support development through targeted fiscal policies. High levels of debt distort incentives for governments to implement structural reforms because creditors will capture the benefits of such reform.

A. Business Environment

201. Since 1996 the government has formulated various policies and has created institutions to improve the business environment for the private sector. These include the Investment Policy, the Agriculture and Natural Resources Policy, and the GIEPA Act. The latter provides attractive incentives for investment, export promotion, and enterprise development—particularly for micro, small, and medium enterprises (MSMEs)—and is guided by the National MSME Policy and Strategy. Also formulated is the recently approved public-private partnerships policy framework that aims to improve the business environment, enhance trade and investment, and encourage private sector participation in the delivery of public infrastructure and services. The government has also made some efforts to improve the business climate (including the preparation of a Doing Business action plan to implement short- and medium-term reforms, which resulted in the implementation of two reforms to the business regulatory environment), with a focus on the quality of policy formulation and implementation. Although some reforms have been initiated, more remains to be done. Lastly, the government is seeking assistance to deal with complex international commercial agreements, especially resolving multiple pending court cases for breach of contract and allegations of expropriation which can be a constraint to the private sector going forward.

Figure 87: Doing Business Indicators, 2020



Source: World Bank 2019b, 2020a.

Figure 88: Business regulatory environment

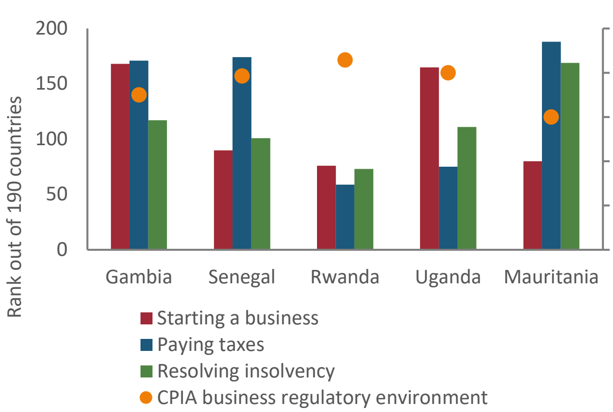
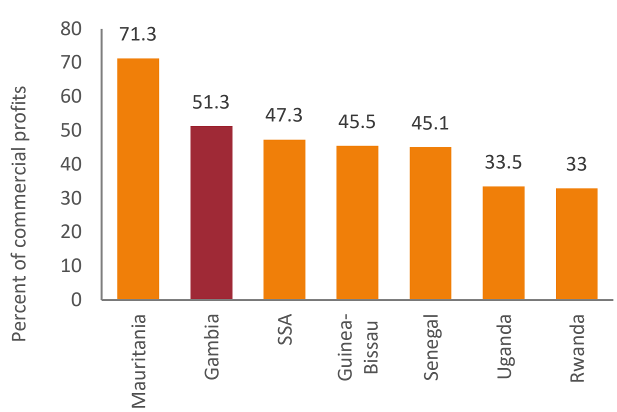


Figure 89: Total tax rates, Selected SSA countries



Source: Based on *Doing Business 2018* (World Bank 2018b).

202. Although previous reforms to the process of starting a business and paying taxes have improved the business environment, The Gambia ranks below the average for SSA in the *Doing Business 2020* report (World Bank 2020a). As shown in figure 7.3, The Gambia ranks 155th out of 190 countries on the Ease of

Doing Business Index, doing relatively better than neighboring countries, such as Guinea (156th), Liberia (175th), and Guinea-Bissau (174th), but falling behind Senegal (123rd). The Gambia reached a score of 50.3, below the regional average for SSA (51.8) and far behind aspirational peers such as Rwanda and Uganda. To ensure that the country can be mapped as a new investment destination, The Gambia will need to improve its business environment, including through policy reforms in the areas of paying taxes, registering property, and cross-border trade, among others. These reforms also need to prioritize enhancing judicial efficiency (for instance doing business indicators on contract enforcement and insolvency resolution) in order to improve the business climate, foster innovation, attract foreign direct investment.

203. **In the long term, poverty reduction will require sustainable and inclusive income growth that is fueled by a conducive business environment and lasting investments in human and physical capital.** The private sector can be a valuable source of capital (that is, risk capital and investment capital) as well as expertise and local knowledge, which are yet to be tapped in the recovery and resilience-building phase. Private sector capital and expertise, including from the diaspora, could spur investments and generate greater economic opportunities for the population. Guarantee instruments, which formalize risk-sharing agreements and thereby reduce risk and helps attract investors, would be of importance within The Gambia's high-risk context. Such investments would require a strong business enabling environment, which in turn would require, among other things, a stable political and economic environment, greater regional integration, and more developed infrastructure networks (that is, energy, ICT, and road/port infrastructure).

204. **The multiplicity of uncoordinated taxes, fees, licenses, and levies across different jurisdictions and sectors is widely perceived as a major detriment to doing business according to studies on constraints to private sector growth**. Beyond administrative complexity, businesses face uncertainty with respect to what payments are required, leaving them vulnerable to the discretion of government officials. The tax burden falls heavily on firms in the formal sector, creating yet another incentive for firms to remain informal. Corporate taxes are levied either on turnover/sales or profits, with The Gambia having the second highest tax on profits in the subregion.

B. Electricity Services

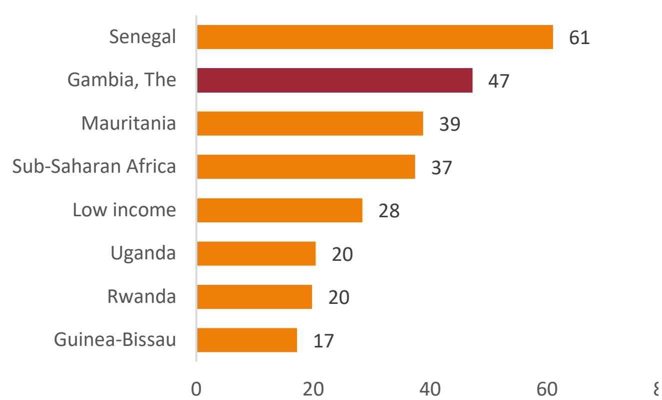
205. **Urban areas have relatively high access to electricity, but spatial disparities are substantial**. Access to electricity increased from around 25 percent of the population in 1996 to 47 percent in 2014 (figure 7.6), which is slightly above the average for SSA (Blimpo and Cosgove-Davies 2019). However, significant and widening disparities in access to electricity between urban and rural populations exist (figure 7.7). Although access to electricity increased in urban areas from 19 percent to 74 percent between 1996 and 2015, it declined in rural areas from 19 percent to 14 percent during the same period. Some areas have less than 7 percent of households with access to electricity (Kuntuar) (GBoS 2017b, table 6.5.1). Electricity services are provided by the National Water and Electricity Company (NAWEC), a vertically integrated state-owned utility. By the end of 2017, NAWEC had 187,000 electricity customers, of which more than 90 percent were in the Greater Banjul Area (World Bank 2018g).

206. **The quality of electricity services is poor and has deteriorated recently, potentially impacting firm productivity and export competitiveness**. Installed generation capacity in the country is 150 megawatts (MW) (of which, the Greater Banjul Area is 139 MW) of heavy fuel oil power plants, but only 90 MW were available as of the end of December 2018. In addition, old and inefficient generation, transmission, and distribution assets have not received routine maintenance and need regular repairs and rehabilitation,

which affect the supply of electricity. As a result, power outages are frequent, with system-wide blackouts an almost daily occurrence, causing damage to equipment and forcing customers to use expensive backup generators. Some estimates find that at least 35 percent of the demand is suppressed, and rapid demand growth (5.5 percent per year) will exacerbate the problem. Firms in The Gambia's manufacturing and service industries lose about 14–16 percent of sales due to frequent power outages, about three times higher than in neighboring Senegal (World Bank 2009).[57] Moreover, the need to maintain expensive generators affects virtually all sectors of the economy, including manufacturing, tourism, and services that rely on Internet connectivity.[58]

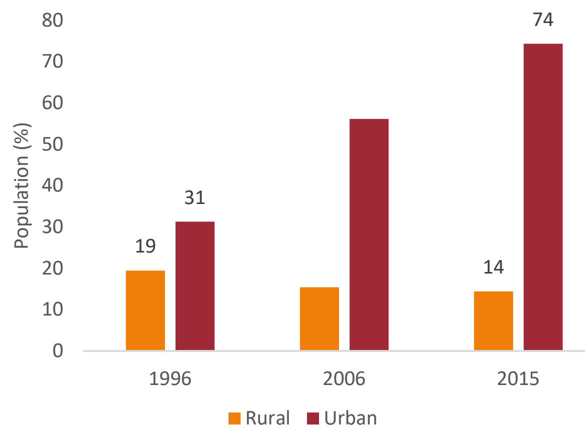
207. The average tariff for electricity is estimated at approximately US$0.26 per kilowatt-hour in 2017, one of the highest in SSA. Cost of electricity is estimated to be as high as US$0.32 per kilowatt-hour, and the cost recovery ratio is approximately 80 percent. As a result, NAWEC accrues losses of GMD 50–80 million per month, which leaves no resources for other basic operating costs and creates fiscal arrears for the government. The high cost of electricity is an obstacle for private sector investment.

Figure 90: Access to electricity in West Africa, 2014



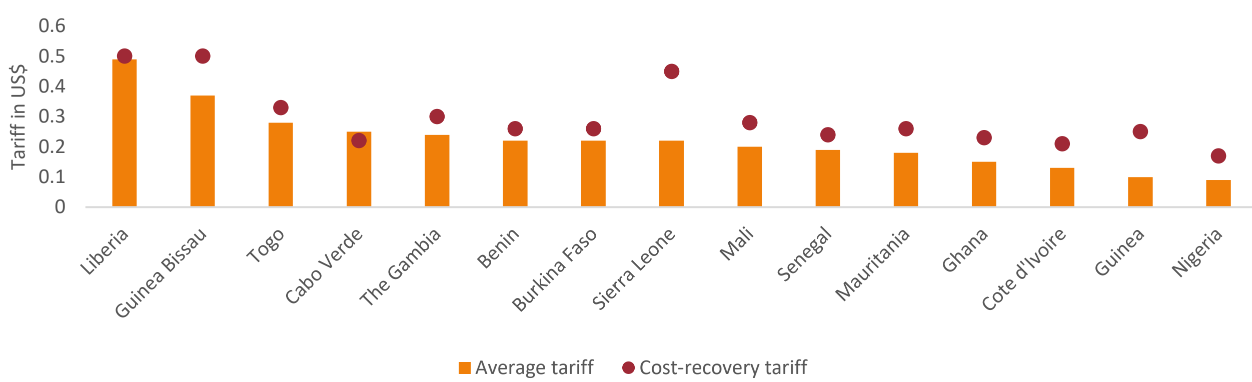
Source: World Development Indicators database.

Figure 91: Access to electricity in urban and rural areas, 2015



Source: World Bank staff calculations based on the Integrated Household Survey 2015/16.

Figure 92: Average tariff and cost-recovery tariff in West Africa (US$)



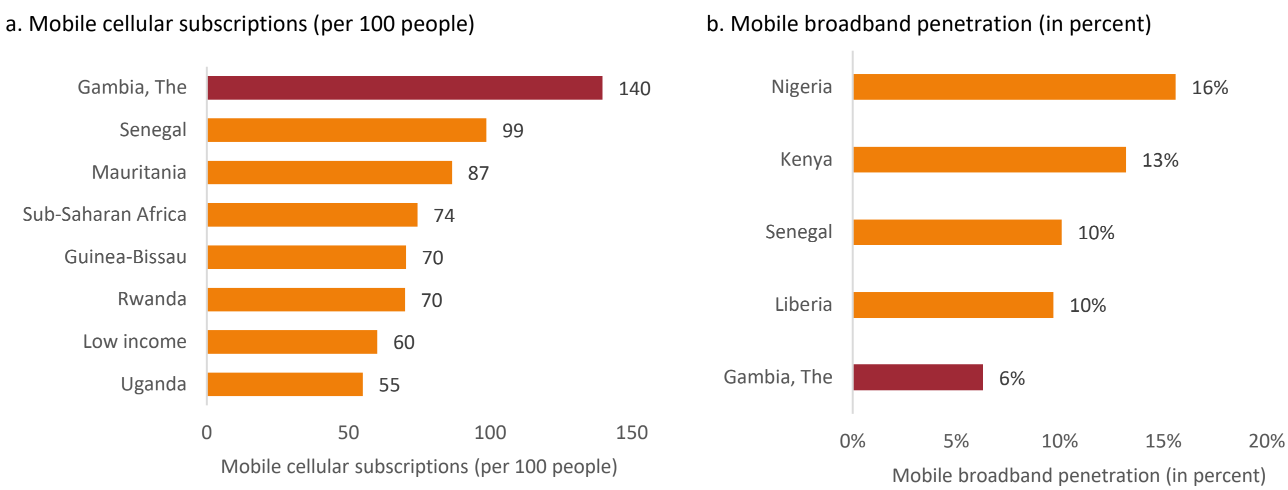
Source: World Bank data.
Note: Information refers to the year 2018.

208. **The government approved an Energy Sector Road Map in October 2017 to provide a vision for modernizing the energy sector, reducing the cost of electricity, and achieving 24/7 access for the population** (World Bank 2018g). The road map encompasses three phases: (i) restore supply in the Greater Banjul Area, (ii) close the supply gap by installing 200 MW by 2020 and introducing renewables in the energy mix, and (iii) scale up capacity up to 300 MW by 2025 by connecting to the West African Power Pool (WAPP) and transition toward universal access through rural electrification. Investments in solar photovoltaics and storage have opened the opportunity to scale up generation capacity and add renewable energy to the mix. In recent years, efforts have been made to assess the potential to extract oil and gas for eight blocks in The Gambia (six off-shore, two on-shore), and exploration activities are ongoing or planned. To date, test drills for oil and gas have not been able to prove reserves, but exploration activities continue.

C. The Digital Economy

209. **Over the past decade, The Gambia has made gains in improving access to communications and Internet services to citizens and businesses.** However, delays in liberalizing the wholesale fiber backbone infrastructure and reforming the declining telecom SOEs has led to technology adoption levels still well below what is expected—particularly for broadband services. Although at the beginning of 2019, overall mobile phone use reached 141 percent,[59] data-enabled services, 3G and 4G services (45 percent and 5 percent, respectively) have not seen the same uptake. Only 1.6 percent of the population has fixed broadband service at home.[60] Today, access to data-enabled or broadband services is a necessary prerequisite for participation in the digital economy, economic diversification, and development in general. This puts The Gambia at a great disadvantage, as it is not yet able to reap the benefits of the digital economy emerging in other parts of the continent. Internet use was 19 percent at the end of 2016, which is low for a country with over 2 million people and a population in which 60 percent are under the age of 25. By comparison, Internet usage in Kenya stood at 26 percent and Sudan at 28 percent.[61]

Figure 93: Mobile cellular subscriptions and mobile broadband penetration, 2016



Source: World Development Indicators database, and World Bank analysis based on data from GSMA.

210. **The mobile voice and data market is growing rapidly, creating growth opportunities.** Penetration rates for mobile services, fixed broadband subscriptions, and Internet use exceed 140, 0.2, and 28 per 100 people, respectively. This has created a platform for new value-added mobile services, such as mobile money, which aim to circumvent the low penetration rates for traditional financial services. Further links have been made

between the electricity and telecom sector with the launch of applications with which to purchase electricity units through mobile phones by both QCell and Africell, which are private carriers. More and more Gambians are starting to purchase data plans and access the Internet. As indicated by the low penetration rate of fixed broadband service, Internet uptake is happening largely through mobile broadband networks (that is, 4G, LTE services). Out of the mobile subscriptions, about 40 percent are for smartphone use, 53 percent for basic phone, and 7 percent for data-only devices (for example, dongles). The future success of financial technologies in The Gambia depends on improving the regulatory framework and investing in the financial infrastructure.

211. **Progress to date can be attributed to three main factors: (i) sound legal foundation, (ii) partially liberalized telecommunications market, and (iii) key investments into the Africa Coast to Europe (ACE) landing station and the ECOWAS Wide Area Network (ECOWAN) fiber-optic network**. The Information Act of 2009 provides a robust legal framework that allows multiple mobile and Internet players to enter the market, leading to competitive pricing for retail services and an overall increase in access to communication services. There are four mobile operators for the global system for mobile communications: Gamcel (a subsidiary of Gamtel), Africell, Comium, and QCell. Netpage, Unique Solutions, Lanix, and QCell have also been licensed as Internet service providers (ISPs). Three key investments have defined ICT sector growth in The Gambia over the last decade. First, the ACE submarine cable system, through the support of the World Bank West Africa Regional Communications Program, increased international bandwidth capacity. Second, the ECOWAN fiber-optic backbone network was funded by the Islamic Development Bank, which is owned by the state. And third, the Export-Import Bank of China entered into a government loan agreement to cover the costs incurred by Gamtel under the Huawei contract to build out the National Backbone Network (NBN).

212. **Continued state management and operation on the supply side of the sector has hampered development of the telecom sector and has increased the fiscal exposure and risks related to the telecom-related state debt.** The wholesale fiber infrastructure (that is, ECOWAN and NBN) has high sunk costs that cannot be efficiently duplicated and would be most financially viable if shared by all retail network operators in The Gambia. Gamtel, a telecom SOE, manages this essential infrastructure, which comprises 817 km of ECOWAN fiber, 130 km of Gamtel legacy fiber (incorporated into ECOWAN), and 420 km of the NBN fiber. Due to Gamtel's inability to manage and commercialize the ECOWAN network, Gamtel's total 2017 ECOWAN-related revenues were just GMD 9.2 million (about US$200,000). This operation as it stands would not be able to cover the aforementioned debt, let alone see any profits. In the meantime, mobile operators and ISPs in The Gambia are not significantly utilizing the ECOWAN network and are instead investing in duplicate networks. This delays service deployment in rural areas, increases the cost of network deployment, and undermines government's ability to repay the ECOWAN and NBN debt.

213. **Gamtel and Gamcel's financial health have been deteriorating for close to 20 years, which has had serious macroeconomic and fiscal implications.** After NAWEC, the IMF has identified Gamtel as having the second largest unbudgeted fiscal spending in 2016; it is critical that further steps be taken to protect the budget from additional problems. Together, their tax arrears to the GRA make up over 50 percent of total SOE tax arrears. Without reforms, Gamtel and Gamcel have been unable to transition from a traditional state-run utility company to a more commercial operation that is better equipped to adapt to the fast-changing and increasingly sophisticated telecom sector. Both companies need to be restructured, and further delays make this an increasingly difficult task. As Gamtel manages key national communications assets, its improved management and operation is important not just for its own value creation but for the country as a whole.

214. **Digital technologies, as well as the ICT sector, could play a catalytic role in The Gambia's future, but the high cost of mobile and broadband services limits their adoption** (Yonazi et al. 2012). As more citizens, businesses, and government agencies use ICT, the demand for digital services is growing. A dynamic ICT industry, in turn, can support economic diversification, promote job creation, and facilitate economic and social exchanges with The Gambia's diaspora. Youth who are empowered with digital skills and know-how will have the opportunity to explore digital entrepreneurship opportunities from within The Gambia, as participation in the global digital industries requires quality broadband Internet connection. Yet the high cost of mobile and broadband remains an obstacle for the sector's development as well as the adoption of digital technologies.

215. **Recognizing the importance of the ICT sector in achieving the country's digital ambitions, the government has included ICT sector development and the mainstreaming of digital technologies in key policy documents**. Under the purview of the Ministry of Information and Communications Infrastructure, the National Information and Communications Policy was revised and updated in 2016 (the National Information and Communication Infrastructure II) to reflect the next generation of challenges to and opportunities for the sector. Furthermore, the NDP 2018–21 has, under the Critical Enabler 5, "Making The Gambia a Digital Nation and Creating a Modern Information Society," outlined a framework to harness the benefits of ICT in all sectors of the economy for equitable development. Furthermore, the government has taken significant steps to further liberalize the telecom sector, breaking the monopoly over the international voice gateway in August 2019. It is also planning to restructure, with potential divestiture, the two deteriorating telecom SOEs, Gamtel and Gamcel, and the wholesale fiber-optic backbone network.

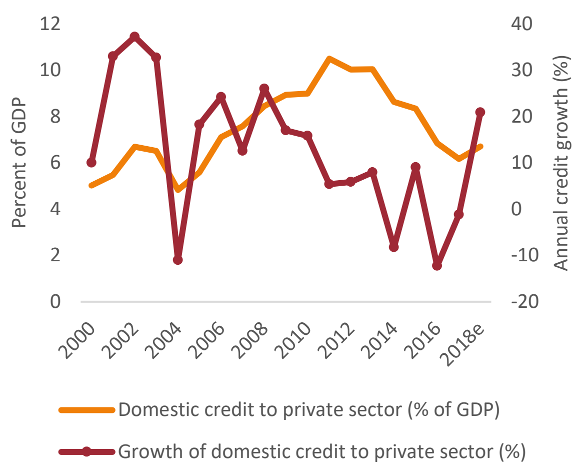
D. Access to Finance

216. **Lack of access to finance and high cost of financial services are key impediments to the private sector.** According to the most recent Enterprise Survey, access to finance is cited as the biggest obstacle to doing business in The Gambia (Enterprise Analysis Unit 2018). Bank credit is considered too expensive, and commercial banks have been focused on lending to the public sector firms, particularly smaller ones (figure 7.10). This was largely driven by high interest rates on government securities . In addition, high perceived credit risk by financial institutions adversely affects their lending decisions as much of the private sector is comprised of MSMEs. These small firms primarily operate in the informal sector and often lack the financial information and collateral required by commercial lenders.

217. **The recent decline in government borrowing may have led to a drop in interest rates since January 2017, but private sector credit growth contracted slightly in 2017.** Rates on government securities fell rapidly over 18 months; for instance, 91-day T-bill rates dropped from about 17 percent in June 2015 to about 5 percent by the end of 2017. Subsequently, the policy rate declined from 23 to 15 percent and the prime lending rate has fallen below 20 percent. Meanwhile, credit growth declined by 1.2 percent in 2017 (figure 7.10), compared to a contraction of 12.3 percent in 2016. The private credit-to-GDP ratio remained low at 6.2 percent of GDP, similar to Guinea-Bissau and well below Senegal (figure 7.11). This decline is partly attributed to prohibitively high interest rates of 22 percent, and the majority of credit offered is short term, with unfavorable payment terms. On the other hand, demand for credit has been limited in part due to business climate uncertainties related to the political transition, including pending investigations about certain individuals and companies by the Commission of Inquiry on cases of embezzlement and theft associated with the previous regime.

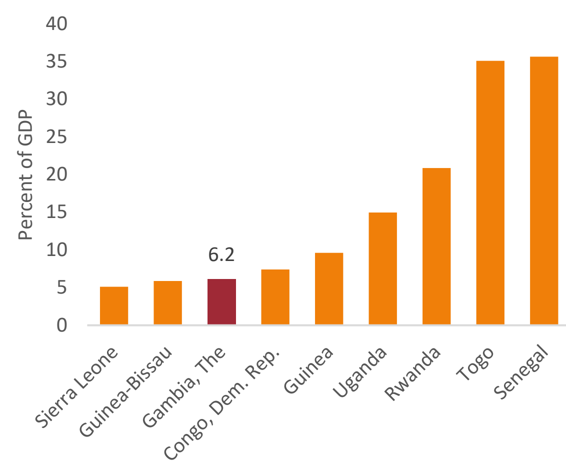
218. **Credit to the private sector recovered in 2018, especially in tourism and construction, and nonperforming loans have declined**. The month-to-month growth of credit to the private sector accelerated from 1 percent in February 2018 to 24 percent in August 2018 (year on year) (figure 7.10). Meanwhile, the average lending interest rate declined from 22 percent in 2017 to 20 percent in 2018, partly explaining the accelerated credit growth. The tourism and construction sectors experienced the strongest credit growth, followed by agriculture and manufacturing. In contrast, credit to consumers and the transport and retail/wholesale trade sectors contracted almost every month in 2018 when compared to the same months in 2017. Despite divergent growth trends, the retail/whole trade sector accounted for the largest share of private sector credit (27 percent) in August 2018. Nonperforming loans fell from 7.2 percent of gross loans in 2017 to 5.9 percent as of June 2018.

Figure 94: Domestic credit to private sector, 2000–18



Source: World Bank staff calculations with data from CBG 2013 and the World Economic Outlook database.

Figure 95: Domestic credit to private sector in West Africa, 2017



Source: World Bank staff calculations with data from the World Development Indicators database.

219. **Reducing the crowding out of private sector lending is, therefore, a necessary but not sufficient condition to improve access to finance.** Other features contribute to limited access to finance in The Gambia, including high interest rates, low lending, weak risk management capacity, excessive collateral requirements, and a lack of diversity of both financial services and products.[62] In addition, the perceived risk of lending to the sector cannot be efficiently mitigated due to the number of weaknesses in financial infrastructure such as issues with collateral enforcement, the efficiency of secured transactions system, and the quality of shared credit/financial information. In a highly cash-based society, the underdeveloped payments system further undermines the potential for financial inclusion that leverages digital financial services. Lastly, low levels of financial literacy, coupled with limited business acumen among MSMEs, severely impact the demand and usage of financial services and products.

220. **The lack of diversity of financial services is also a constraint to inclusive growth.** The financial sector is small and bank-dominated. The banking system accounts for most financial sector assets and is the main form of financial intermediation. The microfinance sector covers only 0.25 percent of the population in terms of borrowers and depositors, far below comparable rates in countries like Ghana or Liberia. Most of the non-bank financial institutions have difficulties accessing long-term and low-cost wholesale funding affecting their ability to provide credit. Mobile money services are limited and there are no leasing services. Regarding institutional investors, the insurance sector in The Gambia is small in terms of assets, and the

main pension scheme—the Social Security and Housing Finance Corporation (SSHFC)—has been significantly weakened over recent years, given poor asset performance and inappropriate usage to support SOEs and extrabudgetary spending. The deteriorated state of the SSHFC not only threatens the stability of the institution but also poses a risk to the banking sector given the interlinkages between these entities.63 In addition, strengthening the SSHFC and other institutional investors will help further develop and deepen the primary debt market and also spur the development of secondary debt markets, which will help improve the availability of longer-term finance.

221. **Fostering improved access to finance and increased financial inclusion will require the development and improvement of financial infrastructure.** Financial infrastructure plays a key role in developing the enabling environment needed to support and grow the demand and supply of financial services and products. Financial providers' appetite for lending is reduced by limited and poor-quality financial information and weak collateral registry and enforcement, which drive up the cost of lending, leading to low access to finance. Lastly, outdated and inefficient payment systems that lack interoperability increase the cost of access and usage of digital financial services, including ATMs, point-of-sale terminals accepting credit and debit cards, and other electronic payments and transactions. In addition, the current payments system hampers the development of alternative finance products that involve harvesting valuable digital payment data.

222. **Digital financial services offer promising opportunities to increase access to finance, and international evidence suggests that competition within and outside the banking sector fosters innovation for financial services** (Beck et al. 2011). For instance, the rapid growth of mobile voice and data allows digital financial technologies to be scaled. However, the development and growth of these services requires improvements in the regulatory framework and investments in financial infrastructure. For instance, regulations on mobile money services were enacted in 2011 to introduce digital payment and other electronic payment services. Although follow-up guidelines were developed for licensing and operating mobile money services, similar guidelines for electronic money (e-money) issuers have yet to be developed, so these are still unable to operate in the country despite demand for their services. In addition, ensuring more conducive regulations are needed to foster the growth of these services, notably those that promote interoperability, development of agent networks and enabling payment service providers to tap into international remittances. To this end, it is important to implement the draft tiered Know-Your-Customer (KYC) regulations and to ensure a broader rollout of the national ID.

E. Connectivity

223. **Deficits to internal and external connectivity limit access to services and markets and constrain private sector development**. The Gambia has a relatively good network of 818 km of primary roads connecting provincial towns to gateways (seaports, airports, and border crossings) and the capital city of Banjul (see map 7.1). However, the network of rural feeder roads (2,556 km) is in poor condition due to lack of periodic maintenance since it was built in the 1980s and 1990s (AfDB 2016). This increases costs to rural farmers to expand to other markets and build links with the trade and tourism sectors. Moreover, it impacts household welfare through worse access to services and opportunities (Ali et al. 2015). Internal connectivity is further constrained through military and police checkpoints, which have become an obstacle for the exchange of goods and services in the private sector. In addition, risks to external connectivity arise from trade disputes with Senegal that trigger road shutdowns, affecting Gambian businesses that access markets in Senegal, and even more importantly, constrain reexport and reimport trade, which constitutes a significant proportion of The Gambia's trade volume. The Gambia has high rates of road deaths due to the poor state of the roads,

traffic congestion, and inadequacy of public transport systems. The estimated road traffic death rate (per 100,000 population) is 29.4, which is the 15th highest in the world according to 2013 data (the most recent) from the World Health Organization.

224. **Improving internal connectivity not only integrates regions across The Gambia, but it also facilitates regional connectivity with other countries in West Africa, especially Senegal**. Connectivity between the country's north and south banks relies on ferry services in eight strategic locations (Banjul–Barra; Farafenni–Mansakonko; Janjanbureh, formerly Georgetown; Bansang; Basse; and Fatoto) that form part of the north-south road network. However, these ferry crossings provide unreliable and slow service; passenger vehicles may wait three hours or more to board. Trucks sometimes wait days, which increases transportation costs not only for The Gambia but also for Senegal. The opening of the Senegambia Bridge in January 2019 improved connectivity and access to the ports of Banjul and Dakar, but the lack of feeder roads remains a constraint to better access.

225. **Trade logistics is one area of relatively weak performance for The Gambia, which undermine access to input and output markets in West Africa**. On the World Bank's 2018 Logistics Performance Index—one of the most widely used international rankings of transport service provision—The Gambia ranked 127th of 160 countries, with an overall score of 2.4. This mediocre ranking is attributed to poor performance in customs (141st), infrastructure (155th), and logistics quality and competence (142nd). The Gambia's score and rank on the quality of air transport is 135th of 140 countries according to the 2018 World Economic Forum's GCI, suggesting a potential weakness for the competitiveness of the tourism sector and export of short-lived agricultural products. Constraints to trade logistics also reduce The Gambia's potential to sell and purchase goods and services internationally and integrate into global value chains.

Figure 96: Gambia road network (main roads)

Source: WFP 2017a.

8. Governance and Public Service Delivery

The Gambia faces a multitude of governance challenges that undermine inclusive and sustainable economic growth and public service delivery. Achieving national development objectives critically depends on enhancing both general governance and specific functions of public institutions and public administration. Good governance, a revamped public financial management system and a well-functioning public administration are critical to laying the foundation for fiscal stability, reaching socially and environmentally sustainable growth, and closing existing development gaps. Improved governance and public financial management systems could also enable a stronger social contract, provide a conducive environment for private sector growth, and empower citizens.

A. Public Sector Administration

226. **State capacity is central to The Gambia's national development priorities and to the country's political transition, but significant challenges remain.** These challenges revolve around the organization and efficiency of the public sector, with growth in public sector numbers currently outpacing fiscal capacity in The Gambia. The number of public servants increased by 70 percent over the past 10 years. This has been due to a combination of uncontrolled hiring, weak establishment control, poor management, and political interference in HR and payroll systems. Today, the public sector is comprised of an estimated 40,569 personnel, including 18,572 (46 percent) personnel in the security sector, across 23 ministries. This number excludes employees in the more than 60 sub-vented agencies and state-owned enterprises that have proliferated across the public sector.

227. **The rapid growth in public sector entities and personnel numbers has constrained fiscal space.** The Gambia's wage-bill is relatively low (5 percent of GDP in 2018) compared to the average for Sub-Saharan African countries (10 percent of GDP). This is due in part to low base salary, supplemented with substantial allowances, as well as in-kind compensation such as food, fuel and uncontrolled use of public assets such as housing and vehicles. However, the wage-bill is unaffordable in the country's current macro and fiscal climate. The overextended structures of Government are expensive to maintain and come at the expense of efficiency, whilst also limiting space for operational and capital expenditures. This is more pronounced in the security sector where wages and salaries account for over 60 percent of sector expenditure and around 9 percent of total government expenditure. Meanwhile, budgetary subventions to the extra-ministerial agencies have doubled in the past five years, adding to the fiscal strains facing the Government.

228. **This is largely borne out of an establishment control process that constrains strategic prioritization and alignment of resources with policy objectives and an equitable allocation of human resources.** At present, annual staffing ceilings are determined in sector silos based on stakeholder preference and budget exigencies, resulting in an establishment that is often not well aligned with ground realities. For example, the largest growth in the public sector over the last five years has been in unskilled or semi-skilled positions. Employment growth has also not primarily been in the Ministries, Departments and Agencies (MDAs) responsible for service delivery (such as education and health) but in the wider public service, including the National Assembly and the Judiciary. Enforcement of annual staffing ceilings is another challenge, especially in the security sector where most agencies have recruited beyond their authorized staffing complement (including through the hiring of about 1,000 soldiers by the former regime in late 2016). Linked to this, fragmented and mostly manual payroll verification and management makes it extremely difficult to understand the actual number of active public servants and to validate their identity – obstructing strategic human resource planning and

efforts at an automated payroll system linked to the Integrated Financial Management Information System (IFMIS).

229. **Despite the increase in public sector size, development outcomes have not improved.** The creation of new ministries, state enterprises and agencies has resulted in significant overlap, duplication and unclarity across the public sector, to the detriment of development outcomes. The roles of policy making and regulation, which ideally belong to the core of the Government (ministries) have slipped to state enterprises and agencies, while ministries continue to undertake implementation functions that more appropriately should be either devolved to agencies and local governments or contracted out or privatized. Meanwhile, decentralization has not significantly impacted on the range and scope of functions, service delivery and staffing in ministries. Within this context, half of the population continues to live in poverty and access to basic services such as water, electricity, education and health services remains constrained for the bottom 40 percent of the population.

230. **The pool of qualified personnel has also remained limited, especially in senior, technical and professional positions.** This is partly because wage-bill growth has been driven by increased personnel numbers, leaving limited fiscal space for the Government to maintain a competitive and well-paid public administration responsive to service delivery needs. Salaries and pensions were already considered too low and have continued to erode in the absence of salary adjustment since 2010. While a multitude of allowances and other ad hoc arrangements (around 30) have been implemented to offset the decline in real base pay, these are not evenly applied, compromising the principle of "equal pay for equal work." The complexity of these arrangements has also led to abuse and weakened oversight, especially in the security sector. The situation is more acute at the technical and professional level due to a rigid Pay and Grading system that differentiates only by grade and not based on technical skill, restricting the career progression of technical and professional staff and, correspondingly, pay progression. The number of grade levels (currently at 13) is itself considered too high, resulting in a disconnect between span of command and responsibility level. Deterioration in standard personnel administration systems and practices has also contributed to constraining public sector capacity and performance. This has been manifested in: limited adherence to meritocratic principles in recruitment and promotions alongside prevalence of "maslaha" syndrome (nepotism and patronage); political interference in due process of transfer, demotion and dismissal of senior public servants; and disuse of regular staff appraisals as the basis for promotions.

231. **Recognizing these challenges, the government of The Gambia has recently taken steps toward enhancing the efficiency of the public administration and toward broader public administration reform.** In 2017, the Personnel Management Office (PMO) embarked on a comprehensive nationwide staff audit that revealed 3,146 ghost workers and other payroll malpractices. The PMO also launched a job evaluation and grading exercise for all civil service positions. This is expected to lead to a comprehensive civil service audit and address grading inconsistencies between jobs of equal weight and status. With a view to providing a vision for broader public administration reform, in January 2019 the cabinet approved a new Civil Service Reform Strategy 2018–27 targeting several strategic objectives, including (i) achieving optimal organization and staffing of the public sector; (ii) attracting, retaining, and motivating optimal numbers of civil service employees; (iii) enhancing discipline, performance, and accountability of civil servants; (iv) reinforcing meritocracy, due processes, and professionalism in personnel administration; (v) accelerating improvements in service delivery by harnessing ICT; and (vi) systematically closing gaps in the civil service. The Government has conducted another staff audit for 2019, the results of which are still being calibrated and are expected to feed into staff optimization and rationalization pillar of the strategy.

232. **An independent and competent regulatory and judicial system is also a prerequisite to effectively deliver justice and foster the rule of law.** Strong control of the judicial apparatus under the former regime and the lack of judicial independence eroded trust among citizens and the business community. More recently, the trend has been positive, with The Gambia showing improvements in independence of the judiciary between 2014 and 2017, as measured by the Mo Ibrahim Index. Building a conducive business climate and improving citizen confidence in the regulatory and judiciary system will need additional reforms. The legal and regulatory framework would benefit by updating its reforms to include enhanced independence, a better career management plan, and an automated case management system. These reforms would improve work flow efficiency, cut backlogs, and reduce opportunities for corruption.

B. Policy Coordination and Results Monitoring

233. **The Gambia is highly dependent on external development assistance, and policy coordination within the public administration and with Development Partners remains weak.** In addition to the World Bank, the IMF, and the AfDB, major development partners include the Islamic Development Bank, the European Union, UK Department for International Development, the Organization of the Petroleum Exporting Countries, the United Nations Development Programme, International Fund for Agricultural Development, the UN agencies, and Japan. The Gambia has signed the Paris Declaration on Aid Effectiveness (2005), the Accra Agenda for Action (2009), and the Busan Effective Development Partnership (2011). Meanwhile, sectoral aid coordination groups of the various donors and UN agencies could be further strengthened. On the government side, policy coordination could also be enhanced through more institutionalized and systematic interministerial and interagency coordination mechanisms and communication.

234. **The monitoring of the delivery of the NDP and sectoral strategy outcomes is not fully effective and limits the evidence basis and quality of the policy decision making and implementation**. The Gambia 2018–21 NDP and sectoral strategy to support its implementation identified key results indicators to measure the achievement of strategic development objectives and inform future policies. The effective monitoring of these results frameworks requires the design of a monitoring and evaluation system within the public administration and its continuous updating. More broadly, there is a need for developing more institutionalized mechanisms to ensure that adopted policies are effectively translated into action.

C. Public Financial Management, Accountability, and Transparency

235. **Despite visible progress, significant shortcomings still characterize The Gambia's public financial management (PFM) system.** The system has witnessed legal and institutional reforms, but an implementation gap exists. One notable improvement relates to the PFM regulatory framework, which has been strengthened through the adoption of the 2014 PFM Act, the 2015 National Audit Office Act, and the 2016 Financial Regulation Act. In addition, a new PFM strategy (2016–20) was adopted to provide clear strategic direction for PFM reform, and several new institutions and functions were established to reinforce the PFM strategy implementation, such as the GBoS, the GRA, the Gambia Public Procurement Authority (GPPA), and the Public Private Partnership Unit. However, there remain shortcomings in terms of the lack of credible budget formulation, the poor investment planning and management, and the areas of accounting, reporting, and auditing.

236. **At the subnational level, the above PFM weaknesses are exacerbated.** A dearth of qualified staff, an absence of strategic plans, an inadequate financing mechanism, and a lack of an integrated financial

information system are binding PFM constraints that hamper accountability and transparency at the local level and their ability to fulfill devolved functions.

237. **Effective external oversight of the PFM system, which is paramount for accountability and transparency, is still nascent**. The Gambia National Audit Office is mandated by the Constitution to provide independent professional audit services to the people of The Gambia on the efficient, and effective use of public resources. Nonetheless, the office is not fully empowered to fulfill its mandate due to insufficient financial independence, an inadequate organizational structure, a limited audit staff, and the absence of a robust quality assurance mechanism. As a result, a significant part of public expenditures - including foreign-funded capital spending, spending by subvented agencies and by LGAs - is not adequately audited.

238. **Further and sustained improvements in transparency and accountability could also underpin the future development trajectory.** Recovering from low levels between 2014 and 2017, The Gambia registered some of the largest improvements among all African countries in transparency and anticorruption, measured by the Mo Ibrahim Index indicators "Access to Public and Legislative Information," "Absence of Corruption in Government Branches," "Absence of Favoritism," and "Accountability of Government and Public Employees." Similarly, The Gambia gained on Transparency International's 2018 Corruption Index, ranking in the midrange of countries, 93rd among 180 countries and territories, up from 145th place in 2016. Meanwhile, in 2010 and 2011, The Gambia had already ranked at 91st and 77th place, respectively, underlining the importance of sustaining and improving results over the medium and long term.

D. Public Procurement

239. **Public procurement is inefficient and characterized by multiple layers and actors.** Procurement in The Gambia is regulated by the GPPA, which is responsible for ensuring that public entities (the central government, local government, and SOEs) follow the procurement standards set in the Gambia Public Procurement Authority Act of 2014. It exercises the control and assurance function through ex ante and ex post reviews of the procurement proceedings. Other relevant actors[64] include 203 procuring organizations embedded in the spending agencies, which are responsible for conducting public procurement, and the Complaints Review Board, a seven-member autonomous body responsible for promoting fairness in public procurement by managing complaints.

240. **Competition in public procurement is limited, which reduces the value for money in public spending.** Although the 2014 act (Article 38) recognizes open tender as the preferred method for procurement, most public procurement is done using alternative methods. During 2015–16, between 10 and 13 percent of tenders over GMD 1 million used open tender as the procurement method, suggesting a contradiction between the stated policy and its implementation. On the other hand, the number of restricted tenders and single sourcing is high (around 37 percent in 2016 for restrictive tenders and 28 percent in 2016 for single sourcing). Moreover, there is no evidence of the GPPA questioning the disproportionate use of single-source contracting in those years. Although the selection of the procurement method depends on factors such as the size of the market and the complexity of the goods and services being procured, the proliferation of single-source tenders indicate that the government might be missing the opportunity to maximize value for money by promoting competition.

241. **Limited transparency and the lack of compliance with procurement regulations are challenges to service delivery.** Public access to procurement information is limited. Although the invitation for biding is disseminated via newspapers, information on the different stages of tender is not available to the public,

including the award of tenders. The reports produced by the GPPA are aggregate in nature, and its webpage do not include relevant information for monitoring. The compliance of procuring organizations with legal requirements is poor, and breaches are not subject to any sanctions. Around 80–90 compliance audits are conducted by the GPPA each year, but the GPPA does not impose penalties for the lack of compliance. For example, for 2015/16, only 50–60 percent of procuring organizations submitted an annual procurement plan for review, and 30 percent submitted monthly reports.

Figure 97: Number of transactions with prior review (2016)

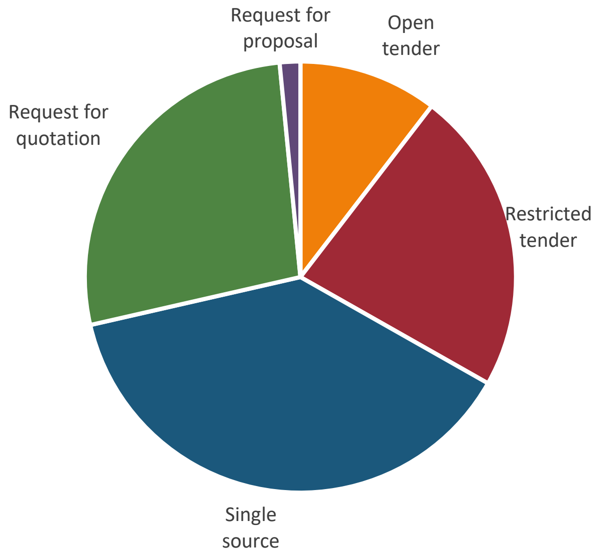
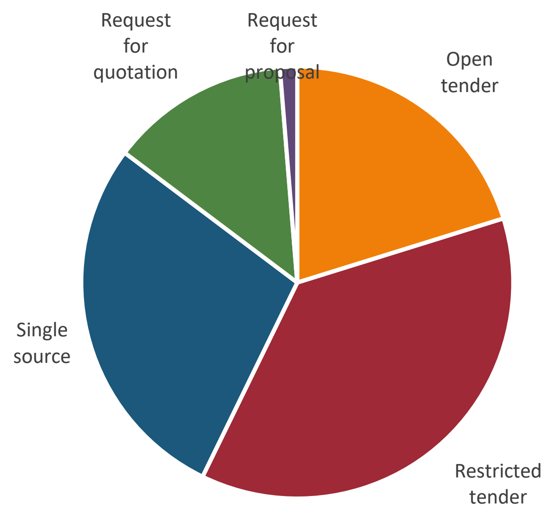


Figure 98: Monetary Value as per Procurement Method (2016)



E. Oversight and Corporate Governance of SOEs and Public Agencies

242. The Gambia has adopted measures to strengthen the oversight and corporate governance of SOEs, though much remains to be accomplished. To restore confidence, the government established a mechanism to strengthen SOE oversight and launched special audits of all SOEs to uncover irregularities and prevent leakages. Seven out of 13 SOEs have been audited. Although encouraging, reforms are still at a nascent stage and have yet to feed a holistic strategy that addresses limitations in the legal and regulatory framework and overall ownership strategy, the state oversight capacity, reporting relationships between SOEs and the government, the limited transparency of SOEs operations and finances, the role and composition of boards of directors, and the shortage in accounting and audit skills. As outlined above, limitations in SOE oversight have adversely impacted fiscal and service delivery outcomes. In the absence of a comprehensive approach to the government portfolio and public finances, the oversight of public agencies, referred to as "subvented institutions," also faces similar challenges.

243. **The case of the National Water and Electricity Company (NAWEC) illustrates some of the challenges facing SOEs.** While significant improvements have been made to improve the electricity side of the utility through a service contract supported by IDA funded GERMP, water has been relatively neglected. NAWEC does not have some essential tools such as a SCADA, hydraulic model, meter workshop or geographic information system (GIS) necessary for it to run its water business properly. NAWEC also faces high non-revenue water (NRW), i.e. technical and commercial losses, estimated at about 50 percent, because of water leakages in the distribution system, faulty meters and poor billing and collection practices. Essentially, this means that the company pays to abstract and treat about 50 percent of its water that is never delivered or billed to the client. While electricity is advancing on the use of pre-paid meters and digital cash payments, water is still billed through paper bills and in-store payments. There are opportunities to leverage the impactful measures taken to strengthen the electricity arm for the benefit of water and to apply the good practices adopted by electricity to the water side of the business. The experience could be useful for other SOEs on how to enhance their internal governance and operating practices.

9. Priority Agenda for Inclusive and Sustainable Growth

244. **The 2017 democratic transition raised expectations that The Gambia could escape its fragility trap and ultimately break with its history of low economic growth and high poverty.** The TRRC presents an opportunity to overcome years of human rights violations and abuses of power, and there is hope that this process rebuilds the social contract between the state and its citizens. The government also completed the NDP 2018–21, which aims to "deliver good governance and accountability, social cohesion, and national reconciliation and a revitalized and transformed economy for the wellbeing of all Gambians" (GoTG 2017). This SCD describes constraints to inclusive and sustainable economic growth, and highlights the strong link between institutional weaknesses, low economic growth, and high poverty in the country. Against this backdrop, this section outlines pathways and policy areas that lay the foundations for fiscal stability, economic growth, and social cohesion. Progress toward objectives under this agenda requires building institutions, reducing fragility, and strengthening regional inclusion and integration in a timely manner.

245. **The proposed reform agenda would include transforming the role of the state to build institutions that are the foundation for macrofiscal stability, economic growth, and social cohesion.** Historically, political and economic power has been concentrated within a narrow elite in the Greater Banjul Area, which neglected inclusion and sustainability of the growth model. Over multiple decades, the link between the government and its citizens deteriorated, which was reflected in lack of investments in public goods and widespread human rights abuses. Following the transition in 2017, expectations of the public administration and the business sector are high, but trust is limited. More inclusive institutions, rules, and norms are necessary to set the right incentives for the public administration to foster transparency and accountability and to open the policy arena to all Gambians. A better governance structure—through higher capacity, better coordination, and stronger cooperation among policy makers and with the business sector and general population—will recover the relationship between the state and its citizens. The new social contract should be based on a broader representation of interests extending beyond the urban elite and fostering the development of the core institutions that ensure the sustainability of the new broad-based development model.[65] This, in turn, would build social consensus and ensure that the reforms and investments recommended in this priority agenda are effective and sustainable.

246. **Without decisive action, policy makers are risking future prosperity and stability of the country.** Poor infrastructure quality and impartial access to public services, especially outside the Greater Banjul Area, reduce the economy's growth potential and constrain progress toward better living standards. Over the past few decades, limited access to opportunities combined with rapid population growth has become a major push factor for international migration, with the best talents leaving the country; more Gambians are likely to leave unless circumstances change. Moreover, droughts and bad weather events are expected to become more frequent. In the absence of mechanisms to protect and mitigate the resulting consequences, large swaths of the population are at risk of losing their livelihoods, and economic opportunities will diminish further. Unless the government responds rapidly to the urgent needs of the population, The Gambia will struggle to offer its citizens a better future.

A. Prioritization Framework

247. **The selection of pathways and policy areas builds on the evidence presented in the SCD, findings from an international benchmarking exercise, and consultations with stakeholders and the World Bank country team.** First, this SCD identifies the constraints towards higher economic growth and poverty reduction. These constraints are used to structure the pathways to sustainable and inclusive economic growth. Second, an international benchmarking of The Gambia was carried out to highlight development outcomes and policy domains where the country falls behind relative to structural and aspirational peers. Structural peers are countries that share several features with The Gambia, such as rapid population growth and high level of urbanization, fragility, weak public administration capacity, small economy and lack of regional integration, and an undiversified economy and small export base (tourism and agriculture). Aspirational peers are countries that have dealt successfully with a youth bulge, managed to strengthen the capacity of the public sector, and made progress toward higher levels of regional integration.[66] This exercise narrowed down potential policy areas within these pathways. Third, the selected pathways and policy areas were consulted during multiple rounds with stakeholders, including representatives from government, the private sector, and civil society. The World Bank country team also provided feedback on the final selection of policy areas through a survey.[67]

248. **The formulation and prioritization of policy actions builds on four filters: impact, sequencing, complementarities and feasibility.** This approach results in a list of pathways (overarching objectives), policy areas (outcomes within pathways), and policy actions. The first filter requires that policy areas need to have a (measurable) impact on growth and poverty reduction. The second filter proposes to prioritize policy areas which show immediate impact or set the foundations for other key policy areas. The quick wins are important to address urgent needs and signal change to the population. Others, such as restoring fiscal and debt sustainability, may not yield immediate gains, but create larger fiscal space for public investment that is required for other policy actions. The third filter accounts for the complementarity between policy areas, acknowledging that together they could produce faster results. Finally, the fourth filter focuses on implementation capacity and budget implication. Given the limited fiscal space, and the government will need to delay certain investments even though their impact on economic growth and poverty reduction would be sizable.

B. Reform Agenda for The Gambia

249. **A comprehensive reform agenda is essential to unleash the growth potential of The Gambia and reduce poverty.** In combination, policy actions under the first pathway ("Restore Macrofiscal Stability") and the second pathway ("Strengthen Public Service Delivery") create fiscal space and strengthen the public administration needed to finance and implement a reform agenda aimed at lifting the economy's growth potential. The third pathway ("Increase Agricultural Productivity") addresses the agricultural sector's productivity and resilience, and the fourth pathway ("Diversify the Economy") centers on policy actions that support economic diversification and integration. Lastly, the fifth pathway ("Build Human Capital") focuses on investments in human capital that strengthen Gambians' productivity and resilience. Policy actions identified under each policy areas are presented below (table 9.1).

Table 1: Summary of reform and investment priorities

Accelerate Poverty Reduction and Boost Shared Prosperity

Restore Macrofiscal Stability	Strengthen Public Service Delivery	Increase Agricultural Productivity	Diversify the Economy	Build Human Capital
Restructure External Debt	Strengthen Institutions and Public Financial Management	Invest in Irrigation Infrastructure	Increase Access to Finance and Insurance	Improve Reproductive Health and Reduce Child / Maternal Mortality
Enhance Revenue Mobilization	Foster Transparency and Accountability	Promote Innovation and Digital Technology Adoption	Improve Reliability and Affordability of Electricity	Enhance Quality of Primary and Secondary Education
Improve Public Spending Efficiency	Improve Cross-Institutional Coordination	Improve Access to and Quality of Inputs	Enhance National and International Connectivity	Improve Quality of Technical and Vocational Education and Training
Strengthen Public Procurement and Investment Management	Enhance Effectiveness of Public Administration	Reform Land Policy	Develop Regional and Global Value Chains	Expand Coverage of National Social Assistance Program
	Improve Disaster Risk Management and Climate Change Adaptation		Enable Growth of Digital Economy	Reduce Barriers to Female Labor Force Participation

Note: Priorities in this figure do not suggest any order of reforms.

Pathway A. Restore Macrofiscal Stability

250. The Gambia is in debt distress. This reflects a multitude of factors, including historically high public debt levels, low revenues, high and unproductive government spending, and inefficient public investment and procurement practices. Given high levels of public debt, macrostability and debt sustainability will be imperative to restore the government's ability to finance future investments in physical and human capital.

Policy area A.1: Restructure External Debt

251. Enhancing the prudence of debt policy together with external debt restructuring will instill fiscal stability and is expected to increase the supply of domestic credit to the private sector. Lower public debt levels would free up fiscal resources, which are currently allocated to interest payments and are urgently needed to invest in the country's physical and human capital. It will also create space for private sector lending that could unlock the potential for private sector–led growth. Key measures could include the following:

- **Seeking external debt restructuring to defer amortization and interest payments**. Debt restructuring allows the government to invest more and reduce public debt in a timely fashion by aligning revenue gains from growth more closely with the path of debt service (without large increases in tax rates).

- **Reprioritizing the large existing pipeline of external loans.** This pipeline, undoubtedly, can be tapped to finance the much bigger investment program the government wishes to adopt. But this would exacerbate fiscal sustainability and require a timely expansion of the tax base and implementation capacity enough to efficiently invest 70 percent of GDP over the next decade.

- **Engaging in new borrowing only on highly concessional terms and with a focus on high-priority projects for which grant financing is unavailable.**

Policy area A.2: Enhance Revenue Mobilization

252. Limited fiscal space reflects low revenue mobilization through taxes and levies. In an attempt to widen the fiscal space, the government could implement a multiprong tax administration and policy reform that makes tax collection more efficient, incentivizes compliance with the tax code, and broadens the tax base. As part of this push, a review of tax exemptions and any preferential treatments (particularly regarding investments) would focus on efforts to increase tax revenues and reduce tax arrears; in addition to enhancing the ambit of tax collection, this would eliminate distortions that arise from unequal tax treatment across sectors and markets. Moreover, this reform package could help formalize businesses in The Gambia with the GRA. Key measures could include the following:

- **Broadening the tax base.** Raise tax rates in line with SSA averages such as the statutory VAT rate to 16–18% from the existing 15%, the CIT and PIT top rate to 31% and 32% respectively. Deepen the tax policy coverage and design of SMEs, including linkages to the informal sector income taxation. Close some core policy gaps, including property tax and transfer pricing. Rationalize tax expenditures.

- **Modernizing tax administration.** Improve the accuracy and reliability of the taxpayer register; build a stronger filing and payment culture, especially among the large and top medium taxpayers;

and enhance the reliability of the GRA information technology platform and management software GAMTAXNET.

Policy area A.3: Improve Public Spending Efficiency

253. **A large share of the government budget is currently allocated to public spending with limited productivity.** The crucial challenge is not only to reduce public expenditure but rather to raise the efficiency and effectiveness of spending. Thus, the government would need to ensure that spending is more sustainable by emphasizing efficiency and value for money. Improved expenditure prioritization would free up fiscal space for priority spending on human capital and physical infrastructure. In this regard, the government would need to complete a security sector reform, which reduces the public sector's wage bill and is part of the reconciliation process in terms of breaking with a history of human rights abuses and violence. Moreover, chronically high transfers and preferential treatment of SOEs remain a burden for the government budget, and crowd out the private sector. Improvements to corporate governance, the regulatory framework, the practices of SOEs, and, if needed, divestment of nonstrategic SOEs would reduce the risks and financial arrears that arise from under-performing SOEs.

254. **Improving technical efficiency in big-spending sectors such as security, education, and health would facilitate the government to move toward fiscal consolidation, thereby reducing public debt levels and creating fiscal space to undertake priority spending.** The efficiency scores for the health and education sectors are estimated to be around 80 to 90 percent,[68] suggesting room for improvement in value for money for these social sectors. Security spending, on the other hand, could be curtailed through a gradual decline in personnel costs, as that is the largest component of security-related expenditure.

Policy area A.4: Strengthen Public Procurement and Investment Management

255. **Enhance project implementation capacity by undertaking the following:** (i) develop a robust set of selection criteria and project guidelines, (ii) conduct a rigorous review of all major infrastructure projects using a high-level project implementation committee, (iii) improve monitoring over an entire project cycle, and (iv) regularly identify and budget for the maintenance of infrastructure assets. The envisaged investment programs to support NDP implementation are not viable if the government cannot build the technical capacity to efficiently invest an additional 50–70 percent of GDP over the long term. If implementation capacity does not improve, big-push investment leads to big cost overruns, and the debt either blows up or stays dangerously high.

256. **The procurement system must support efficiency, integrity, and transparency.** Procuring organizations have poor compliance with legal requirements, and breaches are not subject to sanctions. Even if open competition is the favorite procurement method, only 10 percent of procurement activities above the prior review threshold (US$1 million) submitted to the GPPA for approval in 2016 were open. For 2016, 38 percent of procurement transactions were done using a single-source procurement method. Even if some progress has been made in reducing the volume of single sources, the ratios are still high and do not promote transparency; thus, fraud and corruption may occur. In addition, only 60 percent of annual procurement plans were submitted to the GPPA for review in 2016, and section 29 of the act states that all procuring organizations shall submit their procurement plans to the GPPA. Addressing these issues will ensure a transparent, efficient, and economic public procurement system.

Pathway B. Strengthen Public Service Delivery

257. **The Gambia's long ineffectiveness of public institutions and public service delivery, combined with instances of human rights abuses and open violence, led citizens to deeply mistrust the state.** Thus, strengthening the effectiveness and accountability of public institutions is important for rebuilding the social contract. The Gambia needs strong institutions and a reformed public administration if it is to enhance public service delivery and serve its citizens. In the medium and long term, these actions reduce fragility.

Policy area B.1: Strengthen Institutions and Public Financial Management

258. **The Gambia needs to align sector spending with its national development priorities and bring a medium-term perspective to fiscal planning.** This would entail preparing an MTEFF that not only covers the central government but also extrabudgetary operations, including those of SOEs. This would enhance the credibility, comprehensiveness, and transparency of budget planning and execution. The government could also institutionalize effective cash management practices and install a fully functioning treasury single account, which would reduce spending overruns, short-term domestic borrowing, and the associated interest bill. In addition, budget planning and regular audits will help the central and local administration to complete projects in alignment with initial plans and within budget. Additional measures, also enshrined in the PFM Reform Strategy, could include the following:

- **Strengthening SOE oversight and corporate governance** with a view toward improving their financial and service delivery performance and managing government's exposure to SOE-related fiscal risks.
- **Automating and strengthening internal auditing** for effective internal controls.
- **Rolling out program-based budgeting** in line with international practices.
- **Implementing IFMIS** across all public sector and project implementing units to ensure comprehensiveness of fiscal data.

Policy area B.2: Foster Transparency and Accountability

259. **A weak track record of implementing reforms and projects is linked to the lack of monitoring and information systems.** Improve data collection and analysis would enable the public administration to take evidence-based decisions during planning and implementation. The public administration's new emphasis on transparency and accountability could also include feedback loops between citizens and policy makers. Key measures could include the following:

- **Improving data collection** to better design public policies (macroeconomic indicators; civil registration; social registry; monitoring and information system for health and education; and SOE data, for example, the regular publication of annual SOE portfolio reports).
- **Developing fully functional and dynamic monitoring and evaluation frameworks** to ensure course correction in case of deviations from stated policies/strategic directions.
- **Supporting the implementation of the National Audit Office capacity-building strategy** to enhance the external oversight of the PFM.

Policy area B.3: Improve Cross-Institutional Coordination

260. **Limited coordination among government institutions led to fragmented decisions and incomplete implementation of development-oriented initiatives/policies.** A classic example to illustrate this practice

is the implementation of the NDP. The (draft) Annual Progress Report for 2018 notes that there is no functioning institutional framework to ensure the effective coordination of the NDP's implementation. This gap has resulted in inadequate cohesiveness among stakeholders, poor decision-making processes, duplication of functions, inadequate dissemination of information, and inconsistent monitoring of resources, programs/projects, and initiatives. There is a need to institute robust, functional, inclusive, and effective institutional arrangements to ensure smooth implementation. This could be complemented by strengthening the planning, monitoring, and reporting processes, making prudent use of available resources, improving data collection, and promoting grassroots engagement. This will speed the pace at which the NDP's goals and objectives can be realized.

Policy area B.4: Enhance Effectiveness of Public Administration

261. **State capacity is central to The Gambia's national development priorities and to its political transition, yet significant challenges must be overcome.** The Civil Service Reform Strategy recognizes that improving the performance of public administration under tight budget constraints requires structural reforms in human resources and payroll management and addressing policy issues related to the function, size, composition, and structure of the entire public sector as well as the modalities for ensuring adequate incentives and accountability. These efforts could generate cost savings by improving payroll control, helping to address discrepancies between budget allocations and actual expenditures for payroll and allowances, and highlighting the prevalence of "ghost" employees. Key measures, as per the strategy, could include the following:

- **Implementing a Human Resources Management Information System**.
- **Conducting a horizontal functional review** of the public sector's institutional and organizational set up.
- **Undertaking a comprehensive assessment of current institutional and administrative arrangements** for ensuring adherence to meritocratic principles and due process in personnel administration.
- **Approving a new policy regarding public service wages and benefits**.

Policy area B.5: Improve Disaster Risk Management and Climate Change Adaptation

262. **The Gambia's unusual geography and demographic composition creates a challenge for effective disaster management.** The country is located on West Africa's Atlantic coast and consists of two narrow strips of land that extend along the banks of the Gambia River. An increasingly young, agriculture-dependent, poor population complicate efforts to build the resilience of individuals and communities to hazards. Moreover, The Gambia has the largest percentage of urban population residing in elevation below 5 meters in SSA, which increases their risks from climate variability. The Gambia has experienced several disasters since inception, a problem accentuated by unregulated urban and rural planning, including improper land-use planning, and unmaintained drainage and sewage systems.

263. **In its submission of its Nationally Determined Contribution under the Paris Climate Summit in 2015, Gambia highlighted climate change adaptation and mitigation challenges:** "In the medium- and long-term, the Government must continue the mainstreaming of climate change into national development frameworks as achieved for the medium-term strategy—the Programme for Accelerated Growth and Employment (PAGE) and some sectorial policies and strategies (the Agriculture and Natural Resources Policy, the Forest Policy and the Fisheries Strategic Action Plan) by adjusting all national and sectorial policies to take climate change into consideration." Appropriate changes in the policies—including fiscal policy, the

fostering of public investments to green key sectors (agriculture, energy, water resources, waste management, and so on); employment of new market-based instruments; greening public procurement; improving environmental rules and regulations, as well as their enforcement; improving trade and aid flows; and fostering greater international cooperation—can be easily achieved.

264. **The NDP 2018–21 puts strong emphasis on climate resilience and environmental sustainability.** The Gambia is one of the signatories of the UN Hyogo Framework for Action 2005–2015: Building the Resilience of Nations and Communities to Disasters (HFA). At the core of the HFA lies the integration of risk reduction as an essential component of national development policies and programs. Against this backdrop, one of the seven cross-cutting enablers under the NDP pertains to promoting environmental sustainability, climate resilient communities, and appropriate land use. A National Disaster Risk Reduction Plan 2019–30 was prepared to fulfill its commitment to the NDP and the Sendai Framework for Disaster Risk Reduction with six distinct and mutually reinforcing thematic areas: (i) understanding disaster risk, (ii) prevention and mitigation, (iii) investing in disaster risk reduction for resilience, (iv) disaster preparedness, (v) disaster response, and (vi) rehabilitation and recovery. Key to the plan's implementation is to enhance public service delivery in times of disaster across the country.

Pathway C. Increase Agricultural Productivity

265. **Low and volatile growth of the agricultural sector reflects a lack of productivity and resilience.** Despite exposure to weather shocks and climate change, only a small share of agricultural land is served by irrigation infrastructure. Small and scattered plots reduce the use of modern technologies for farming, and an inefficient marketing mechanism, especially for groundnuts, lowers incentives for investments. The Gambia has yet to take advantage of technological progress made across the region and the world to close the agricultural productivity gap and modernize production systems to help farmers move from subsistence to market-oriented agriculture.

266. **In light of the country's existing fertile land, a more productive and resilient agricultural sector could become a driver of economic activity, especially for households in rural areas.** The use of new technologies and practices would increase productivity and could strengthen food security for The Gambia. When considering the potential gains in agricultural productivity, it is also essential to consider the effects of climate change. The Gambia will need to build, through a holistic approach, a climate-smart agri-food system to remain resilient and capable of sustaining increases in productivity.

Policy area C.1: Invest in Irrigation Infrastructure

267. **In The Gambia, as in neighboring countries in the West Africa region, agriculture is highly dependent on rainfall, which implies high vulnerability to weather shocks and climate change.** Because more variable and uncertain rainfall contribute to higher production risks, expanding the country's irrigated area could improve productivity and resilience, and reduce the local food deficit. In addition to expanding irrigation infrastructure, it would be equally important for it to be operated efficiently and maintained through strong, well-organized water user associations (WUAs). Key measures under this priority could include: increasing irrigated area through investments to develop and rehabilitate new irrigation infrastructure; and providing institutional support to WUAs to carry out their functions sustainably.

Policy area C.2: Promote Innovation and Digital Technology Adoption

268. **Agricultural innovation could reverse the agricultural system's declining productivity, resilience, and competitiveness.** Currently, the National Agricultural Research Institute (NARI) lacks infrastructure (including modern laboratories), research funds, and human resources to drive agricultural innovation in The Gambia. Similarly, extensions services and veterinary services are collapsing, and need to be strengthened. Experience from programs supporting agricultural innovation systems in West Africa (such as the West Africa Agricultural Productivity Program, WAAPP) show that it is possible to rebuild African national research systems by upgrading core research facilities and equipment, building the capacity of researchers, and funding priority research programs. Key measures under this priority could include connecting NARI with the Regional Centers of Excellence in West Africa to take advantage of regional research capacities.

269. **Improving the links between agricultural research, extension, and producers is critical for generating, disseminating, and adopting improved technologies and other innovations.** An e-extension platform would benefit from digital technology to provide agricultural advice to large numbers of farmers and promote large-scale adoption of improved technologies and best practices. Private extension services from producers' organizations and nongovernmental organizations could be supported to complement public extension services.

Policy area C.3: Improve Access to and Quality of Inputs

270. **To boost agricultural productivity and resilience, it is critical to support wider access to and adoption of quality inputs, including improved certified seeds, and mineral and organic fertilizers for integrated soil fertility management.** Unless producers have better access to innovations to improve productivity—certified seed of improved varieties, fertilizer and other complementary inputs, integrated pest-management practices, improved technologies, and best agricultural practices—they will not be able to increase their food security and reduce import dependency. Several improved varieties of rice, maize, millet, sorghum, groundnut, cassava, and so forth that are high yielding, early maturing, pest resistant, and drought tolerant are available in the region, along with other technologies and innovations, and they could be transferred to The Gambia. Strong and professional seed cooperatives and other private sector actors could be supported to multiply new varietals of seed and develop the domestic seed market. Investments in soil health, including addressing salinization, will help optimize fertilizer use. Several salt-tolerant varieties and technologies have been developed across the region (Senegal, Mali) and elsewhere (China, for instance) and could be transferred to The Gambia for wider dissemination.

Policy area C.4: Reform Land Policy

271. **Land policy reform is needed to remove the complexity and insecurity related to land ownership and acquisition and to support the transformation of the agri-food sector.** Such reform would have the objectives of (i) providing farmers secured land property rights; (ii) addressing gender inequality and improving women's land rights in terms of secured access, control, and property; and (iii) facilitating private investment in land in a legal and transparent way and in consensus with the individual or community landowners. Reform could include the development of a rural land cadaster using digital technologies to map, geo-reference, and register landowners in an electronic platform and the development of a land market with transparent transactions registered in a digital platform to avoid land speculation. A new national land policy document that clearly articulates these objectives and defines the strategies to achieve them needs to be developed in consultation with different actors.

Pathway D. Diversify the Economy

272. **Under the current growth model, low levels of private and public investment constrain productivity and economic growth.** Moreover, a weak business environment limits private sector–led growth, and deficits to connectivity and logistics limit regional integration. The economy is highly dependent on agriculture and tourism, which are both vulnerable to frequent shocks, including bad weather events, and climate change undermines the sustainability of growth.

273. **Future economic growth will need to be based on accelerated private sector growth and better integration into regional and global value chains.** To reach this objective, reforms should support the diversification of the economy, in ways that raise the growth potential of the economy and reduces volatility. Better access to finance would allow the private sector to invest and thereby increase productivity. At the same time, investments into public infrastructure could release binding constraints for private sector development. This includes access to more reliable and affordable electricity, including for productive use, and other services, which are critical to increase productivity in agriculture and allow for the expansion of other economic activities. Moreover, better connectivity and transport logistics facilitate access to markets—domestically and internationally—and support the inclusion of remote regions in The Gambia. Regional integration would offer new opportunities for economic growth, as the private sector integrates into value chains that allow for diversification across markets and products. Lastly, the expansion of an enabling environment for digital services would establish the preconditions for new businesses and better provision of public service.

Policy area D.1: Increase Access to Finance and Insurance

274. **The lack of access to credit constrains private sector–led growth, and the limited availability of insurance products reduces resilience.** Both new market entrants and existing businesses experience the lack of credit as a binding constraint for urgent investments. The domestic banking sector mainly lends to the government to finance public debt, and as a consequence of high interest rates, only a small number of projects remains profitable for the private sector. Moreover, the lack of insurance prevents the private sector, including small farmers, from coping with the consequences of high volatility. Key measures under this priority could include the following: facilitating business registration to formalize firms to improve access to formal financial services; initiating insurance mechanisms to protect against shocks (including crop insurance for farmers); fostering the development of a diverse and innovative financial sector with strengthened legal and regulatory frameworks to ensure stability; and creating an enabling environment for financial intermediation and inclusion.

Policy area D.2: Improve Reliability and Affordability of Electricity

275. **Limited electricity generation capacity and underinvested transmission and distribution infrastructure challenge the reliability of service provision, increase costs, and make the network vulnerable to shocks.** Unequal access to reliable energy impedes business and agricultural activity especially in rural areas, and undermines the ability of the government to provide quality health care services and education. The electricity road map outlines a vision to achieve reliable and universal access to electricity by 2025. Examples of measures identified in the analysis to support this activity include (i) supporting the turnaround of NAWEC into an efficient, financially viable and credit worthy utility, including by strengthening the water side of the business so that it does not undermine the progress made on electricity; (ii) last mile access investments leveraging the backbone infrastructure put in place through existing projects; (iii) reducing the cost of

electricity through a transition to renewables and regional imports from WAPP; and (iv) supporting an energy efficiency program in The Gambia.

Policy area D.3: Enhance National and International Connectivity

276. **Limited access to infrastructure and its fragility undermine regional inclusion and reduce the growth potential of the economy.** The country's geography, its frequent exposure to extreme weather events, and, until recently, its political tensions with Senegal have complicated the provision of a well-functioning road and transport infrastructure, which is necessary to connect firms and people to input and output markets. Although the country has made progress in constructing main roads, including the Senegambia Bridge, the lack of smaller feeder roads reduces access to services and opportunities, especially in remote regions. Moreover, inefficient logistics in the port and high fees for the airport in Banjul create obstacles for international trade. Key measures under this priority could include: improving national connectivity of remote regions by building feeder roads (resilient to weather shocks); reducing transaction costs; increasing the efficiency of logistics in Banjul's international port and airport (through better regulation and partnership with the private sector); and maintaining the existing infrastructure.

Policy area D.4: Develop Regional and Global Value Chains

277. **The lack of trade integration, exacerbated by insufficient transport infrastructure, reduces access to input and output markets.** As a small country with limited domestic market, The Gambia should invest in institutions to facilitate integration into regional and global value chains. Higher levels of trade with Senegal and other countries in West Africa would allow for better access to economic opportunities, and thereby make The Gambia more attractive for (international) investors. Key measures under this priority could include: introducing and enforcing certification of products based on international standards, removing tariff and nontariff barriers for trade of goods and services, and coordinating border and customs management with other countries in West Africa.

Policy area D5: Enable Growth of Digital Economy

278. **An enabling environment for the digital economy is underdeveloped, which reduces the possibility of leveraging disruptive technologies to leapfrog development hurdles.** The digital economy and disruptive technologies could play a catalytic role for the future of The Gambia. Although Gambia's telecom sector has seen impressive development following key infrastructure investments and sector reforms, there is still room to improve affordability and accessibility of mobile broadband services for more Gambians to benefit from the use of digital services. Other pillars for the digital economy development also require further strengthening, including digital financial platforms (for example, e-money), innovation and digital entrepreneurship with a focus on the youth of Gambia, digital government. and public service delivery systems. A shift in approach to development in the agriculture, education, and health sectors are necessary to ensure new technologies are leveraged to achieve sectoral objectives more efficiently and effectively. The digital economy would help diversify the economy, act as a job-creation engine, and facilitate economic and social exchanges with The Gambia's diaspora. The analysis identified a few measures to support this priority, including introducing and enforcing regulations that promote competition and entry among providers, aligning ICT regulation with international best practices, and building skills among firms and households to leverage digital opportunities.

Pathway E. Build Human Capital

279. **The lack of progress on poverty reduction is closely intertwined with low levels of productivity and limited resilience (especially among poor households) and economic and social exclusion.** This prevents a large part of the population from productively engaging within society. The poor are more likely to live in larger family units, which are also more likely to be polygamous, have more dependent children in the household, have high adult and youth illiteracy rates, and have more exposure to weather shocks. Barriers to inclusion exist in four principal areas: limited access to basic health services, limited access to good education, limited access to basic social protection services, and limited access to productive jobs, particularly among women. The role of the state is particularly important in promoting inclusion, as this involves more equitable delivery of essential public goods in the health and education sectors.

280. **Investments into human capital build the foundations for future economic growth and support inclusion and resilience among its citizens.** One lever is investing in water, sanitation and hygiene which has been proven to result in higher school enrolment and retention for girls, lower maternal mortality rates and lower incidents of disease. A decline in child and maternal mortality would allow families to have lower fertility rates and invest more in their children; in the long term, lower population growth would generate a demographic dividend. Higher educational attainment would be instrumental to establish the skills that serve to diversify the economy; at the same time, a vocational system, which has helped The Gambia to train its workforce (including nurses who then left for Europe), could close the skill gaps among the current youth and adults. Expanding the coverage of the social assistance program strengthens resilience among poor and vulnerable households and supports households to escape poverty traps. Lastly, The Gambia could accelerate economic growth by giving women better opportunities to contribute to the workforce.

Policy area E.1: Improve Reproductive Health and Reduce Child/Maternal Mortality

281. **Inadequate access to and quality of health services undermine inclusive growth at all stages of the life cycle.** High child mortality and malnutrition are systematically linked to limited health, WASH and nutrition for children and mothers and result in particularly bad and irreversible outcomes among poor and vulnerable households. Development gaps widen over the life cycle and prevent a large number of individuals from becoming productive members of society. Limited access to and use of reproductive health services for family planning remains a constraint for gender equality and in combination with human capital deficits for women under efforts to reduce rapid population growth. Examples of measures to support this priority could include enhanced nutritional programs for vulnerable children and mothers; and the promotion of reproductive health and improving WASH facilities in health centers.

Policy area E.2: Enhance Quality of Primary and Secondary Education

282. **Human capital is a primary factor propelling economic growth and competitiveness, but The Gambia is underinvesting in its best resource—its people.** Studies show that 10–30 percent of the differences in per capita income can be attributed to human capital, and investments in human capital can be among the most effective investments governments can make. Low educational attainment reduces productivity of the workforce and undermines economic growth and poverty reduction. Although The Gambia has relatively high enrollment rates for primary education among boys and girls, high dropout rates and weak learning outcomes reduce the return to education. Low educational attainment also reflects limited inclusion of literacy and numeracy into the curriculum in *majalis* and lack of teaching skills. Key measures under this priority could include: introducing literacy and numeracy to all schools, including majalis,; and improving the selection, training, and management of teachers in primary and secondary education; and investing in

WASH facilities in schools given the strong track record in improving school enrolment and retention for female students.

Policy area E.3: Improve Quality of Technical and Vocational Education and Training

283. High unemployment and NEET rates among a predominantly young population undermine the growth of the economy and risk social instability, particularly in urban areas. Although low labor productivity reflects deficits during primary and secondary education, it will take time to close these gaps, and reforms will not help those who have already graduated from school. Instead, reforming technical and vocational education and training (TVET) programs could help build market-relevant skills, which are urgently needed to diversify the economy and increase income from labor markets. TVET programs could also support social stability by integrating the young population—and an increasing number of return migrants—into the labor market. These interventions would build on existing training programs by private and public entities (including multiple development partners, such as the IOM and ITC) and support the expansion and upgrading of skills for all sectors of the economy. Key measures under this priority could include building a labor market information system to identify skill gaps, reforming the TVET system in strong collaboration with TVET service providers and private sector, and developing competency-based certified skills programs by qualified providers.

Policy area E.4: Expand Coverage of National Social Assistance Program

284. Almost half the population in The Gambia is poor and just over 20 percent is characterized as extremely poor—not able to afford even basic consumption items. These numbers did not change between 2010 and 2015. The lack of protection of the extreme poor limits these households' abilities to contribute economically and socially and to raise a future generation that is stronger, healthier, more educated, and better able to contribute. The poor need support to buy more and better food, to pay the nonfee costs of schools and medical facilities, and to buy basic assets to start a microenterprise. Meanwhile, lack of resilience to withstand shocks deepens chronic poverty and increases risks even for nonpoor households (Packard et al. 2019). The Gambia regularly experiences natural disasters, remains exposed to fluctuations in the agriculture and tourism sectors, and is vulnerable to risks of health epidemics.

285. Under these circumstances, an integrated social protection system is needed to protect individuals against chronic poverty, increase resilience to withstand idiosyncratic or aggregate shocks, and promote opportunity and pathways out of poverty. Without this, poverty remains stagnant across generations, prevents or depletes investment in human capital, and negatively impact investments and the accumulation of physical assets. Mechanisms to coordinate the multisectoral agenda for reducing poverty are sorely needed. Examples of measures identified in the analysis to support this priority include the following: expanding coverage of a national social assistance program for poor and vulnerable households, increasing access to affordable health and agriculture insurance mechanisms, and establishing coordination mechanisms for social protection in The Gambia.

Policy area E.5: Reduce Barriers to Female Labor Force Participation

286. Labor force participation among women is low and reduces the growth potential of the economy. The exclusion of ethnic and social groups from the labor force is linked to inefficient allocation of resources, as human talent remains idle and does not contribute to higher labor force productivity. Studies from other countries suggest that the structural composition of the economy, social norms, and institutional/legal arrangements prevent women from participating in the labor force. This is consistent with the high share of women in rural areas working as contributing family workers in the agricultural sector, whereas urban areas show much lower labor force participation rates. The diversification of the economy toward more jobs in the service sector lays the foundation for higher female labor force participation rates, and empowerment for girls and women will remain an important factor for future change. In the medium term, better access to labor market opportunities for women is likely to contribute to lower school dropout rates among girls. Key measures under this priority could include the following: promoting equal access to training programs for men and women, strengthening women's rights and opportunities for empowerment, expanding access to formal child care, and improving the workplace environment for gender-neutral jobs.

C. Impact, Sequencing, Complementarities, and Feasibility

1. **The proposed reform agenda is expected to lift the growth potential of the economy, and by raising household incomes, it will contribute to poverty reduction (see table 9.2).** By nature of these policy areas, there might be a considerable time gap until the impact becomes fully visible. Institutional and regulatory reforms will show full impact only in the medium and long term, and investments in physical infrastructure will take time. The proposed policy areas are complementary, and reinforce each other, but there might be trade-offs due to the cost of some interventions. With regard to feasibility, fiscal constraints limit the scope for successful implementation. Moreover, some policy areas focus on preparing and implementing legislation and practices which requires sufficient capacity and coordination of the public administration.

2. **This SCD proposes Tier 1 and Tier 2 policy areas to guide the implementation of the proposed reform agenda in The Gambia.** The two tiers account for the differential impact, sequencing, complementarities and feasibility, and acknowledge the need to prioritize foundational interventions which strengthen institutions and create fiscal space. Tier 1 focuses on policy areas under the first and second pathway to restore macrofiscal stability and strengthen public service delivery. Moreover, Tier 1 includes interventions which are instrumental to close human development gaps and facilitate economic growth in sectors which are likely to have a huge impact on poverty reduction (such as agriculture). Tier 2 summarizes further policy areas which support a broader reform agenda to invest in people, markets and institutions in the country.

Table 2: Impact, sequencing, complementarities, and feasibility of the reform agenda

Policy Area	Impact	Sequencing	Complementarity	Feasibility	Tier
A. Restore Macrofiscal Stability					
i. **Restructure External Debt**	High	Short	High	High	1
ii. **Enhance Revenue Mobilization**	High	Medium	High	Medium	1
iii. **Improve Public Spending Efficiency**	High	Short	High	Medium	1
iv. **Strengthen Public Procurement and Investment Management**	High	Short	High	Medium	1
B. Strengthen Public Service Delivery					
i. **Strengthen Institutions and Public Financial Management**	High	Medium	High	Medium	1
ii. **Foster Transparency and Accountability**	High	Medium	High	Medium	1
iii. **Improve Cross-Institutional Coordination**	Medium	Medium	High	Medium	2
iv. **Enhance Effectiveness of Public Administration**	Medium	Medium	High	Medium	1
v. **Improve Disaster Risk Management and Climate Change Adaptation**	High	Medium	High	Medium	1
C. Increase Agricultural Productivity					
i. **Invest in Irrigation Infrastructure**	High	Short	Medium	Medium	2
ii. **Promote Innovation and Digital Technology Adoption**	High	Short	High	Medium	1
iii. **Improve Access to and Quality of Inputs**	High	Short	High	High	1
iv. **Reform Land Policy**	High	Medium	High	Low	2
D. Diversify the Economy					
i. **Increase Access to Finance and Insurance**	High	Short	High	High	1
ii. **Improve Reliability and Affordability of Electricity**	High	Short	Medium	Medium	1
iii. **Enhance National and International Connectivity**	High	Medium	Medium	Low	2
iv. **Develop Regional and Global Value Chains**	High	Medium	High	Medium	2
v. **Enable Growth of Digital Economy**	High	Medium	Medium	Low	2
E. Build Human Capital					
i. **Improve Reproductive Health and Reduce Child/Maternal Mortality**	High	Medium	Medium	Medium	1
ii. **Enhance Quality of Primary and Secondary Education**	High	Long	Medium	Medium	2
iii. **Improve Quality of Technical and Vocational Education and Training**	High	Medium	Medium	Medium	2
iv. **Expand Coverage of National Social Assistance Program**	High	Short	Medium	Low	2
v. **Reduce Barriers to Female Labor Force Participation**	High	Long	High	Medium	2

Box 9.1: Knowledge Gaps

By design, the Systematic Country Diagnostic synthesizes existing knowledge to highlight key constraints to inclusive and sustainable economic growth. The document draws from a wide set of different sources and highlights knowledge gaps that require future attention to advance evidenced-based policy design in The Gambia. The analysis in this document points toward existing gaps in data collection or monitoring instruments that complicate the identification of policy areas and actions. The following list provides examples of how the Systematic Country Diagnostics and the Country Partnership Framework could inform future knowledge work in the country.

Growth and Fiscal Stability

How could the government leverage the diaspora to mobilize additional development financing?

Poverty and Inequality

What is the distributional impact of taxes and spending on inequality and poverty? Who bears the burden of taxes and receives the benefits of expenditures? What are the determinants and consequences of rural-to-urban migration? What impact do remittances have on labor market behavior?

Social Inclusion and Human Capital Formation

What are the determinants of low enrollment in primary and secondary schools? What affects the quality of teacher training?

Structural Transformation and Labor Productivity

What are the drivers of productivity in agriculture, especially for the main crops (groundnuts and rice)? What are the constraints facing the livestock sector? Why did the share of domestic credit to the agricultural sector decline? What role can the agricultural sector play in strengthening employment among women? What is the impact of climate change on agriculture and living standards?

Constraints and Opportunities in the Private Sector

What is the impact of weak financial infrastructure (high credit card and ATM fees) on the tourism sector? What is the role of the financial sector in empowering women and youth in the private sector? Which are the drivers of weak collateral registry and enforcement, and what is their impact on access to credit? How could diversifying financial services and products lead to better access to finance?

Governance and Public Service Delivery

What are the environmental and social risks and impacts, particularly of large infrastructure projects? How can the capacity of the administration be strengthened to conduct and implement environmental and social impact assessments?

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Appendix A: Benchmarking for The Gambia

To benchmark The Gambia's performance, this report uses comparable groups of peers: the SSA regional average, low-income economies, structural peers, and aspirational peers.

Structural peers are countries that share several features with The Gambia, such as (i) rapid population growth and a high level of urbanization, (ii) fragility, (iii) the weak capacity of the public administration, (iv) a small economy and a lack of regional integration, and (v) economic sectors that are highly vulnerable to shocks (tourism and agriculture). The use of these criteria resulted in the identification of the following countries: Guinea, Guinea-Bissau, Eritrea, Liberia, and Togo (see table A.1).

Table 3: The Gambia's structural peers, selected indicators

Country	Region	Population (millions), 2016	Youth population 15–34 (% of total population)	GDP per capita (US$), 2016	Agricultural value added (% of GDP), 2016	Government spending (% of GDP), 2016
Eritrea	SSA	4.8	34.2	582	14.5	21.0
Togo	SSA	7.5	34.1	588	26.4	18.2
Guinea Bissau	SSA	1.8	35.4	641	49.1	9.8
Guinea	SSA	11.7	34.3	733	2.3	16.9
Liberia	SSA	4.6	33.6	715	37.2	15.9
The Gambia	*SSA*	*2.0*	*34.9*	*473*	*17.9*	*11.6*

Source: World Development Indicators database.
Note: Population data for Eritrea are for 2015; GDP per capita data are for 2011; agriculture value-added data is for 2009.

Aspirational peers are countries that dealt successfully with a youth bulge, managed to strengthen the capacity of the public sector, and made progress toward higher levels of regional integration (see table A.2). The use of these criteria resulted in the identification of the following countries: Senegal, Rwanda, Comoros, Mauritania, and Uganda.

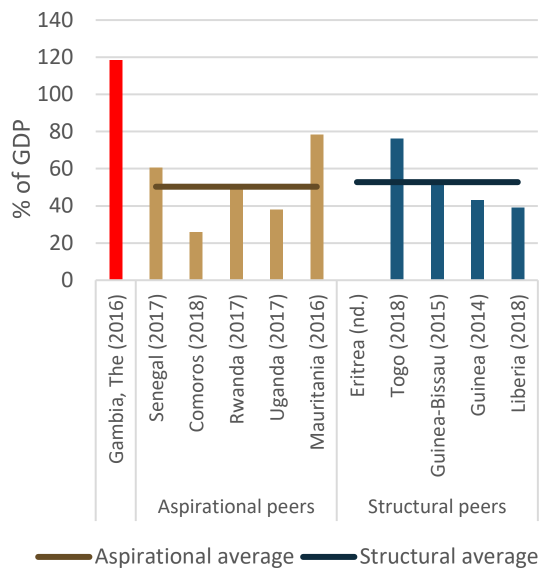
Table 4: The Gambia's aspirational peers, selected indicators

Country	Region	Population (millions), 2016	Youth population 15–34 (% of total population	GDP per capita (US$), 2016	Agricultural value added (% of GDP), 2016	Government spending (% of GDP), 2016
Senegal	SSA	15.4	34.2	952	17.4	15.8
Rwanda	SSA	11.9	36.1	702	31.5	15.1
Uganda	SSA	41.4	33.9	580	25.7	7.5
Mauritania	SSA	4.3	34.8	1,101	27.4	20.7
Comoros	SSA	0.8	35.3	1287	29.6	10.2
The Gambia	*SSA*	*2.0*	*34.9*	*473*	*17.9*	*11.6*

Source: World Development Indicators database.

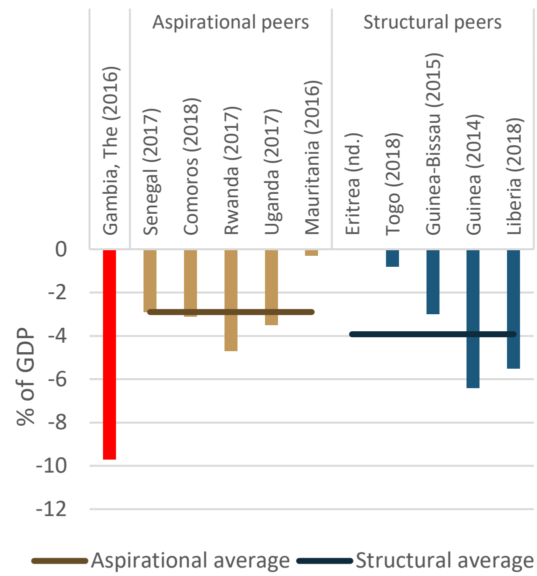
A. Restore Macrofiscal Stability

Figure A.1: Gross public debt



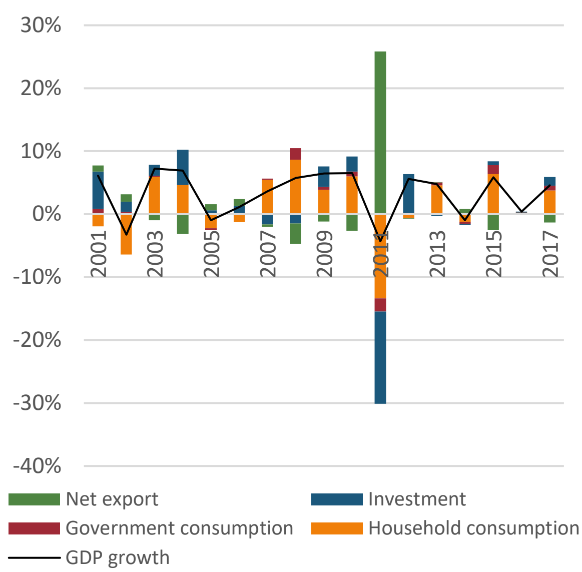
Source: World Bank staff calculations based on IMF Article IV (newest available).

Figure A.2: General government net lending/borrowing



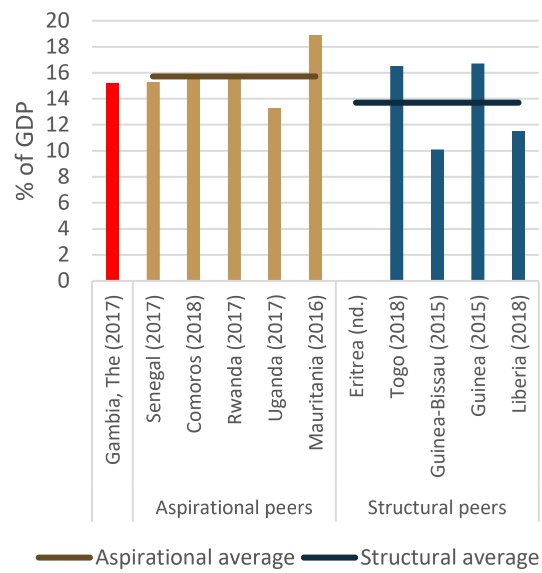
Source: World Bank staff calculations based on IMF Article IV (newest available).

Figure A.3: Gambia GDP growth decomposition, 2001–17



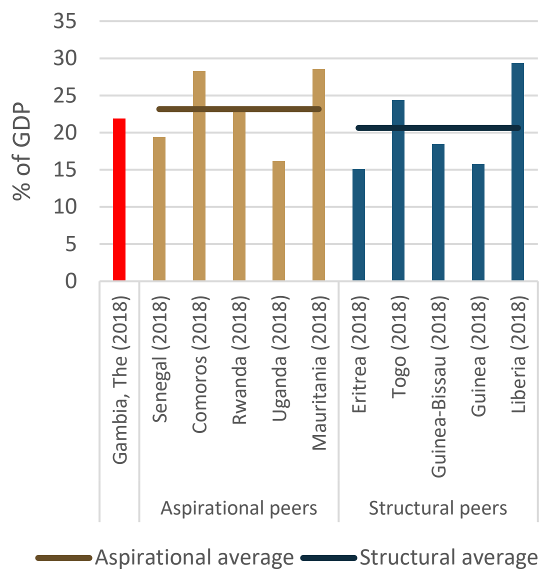
Source: World Development Indicators database.

Figure A.4: Tax revenues



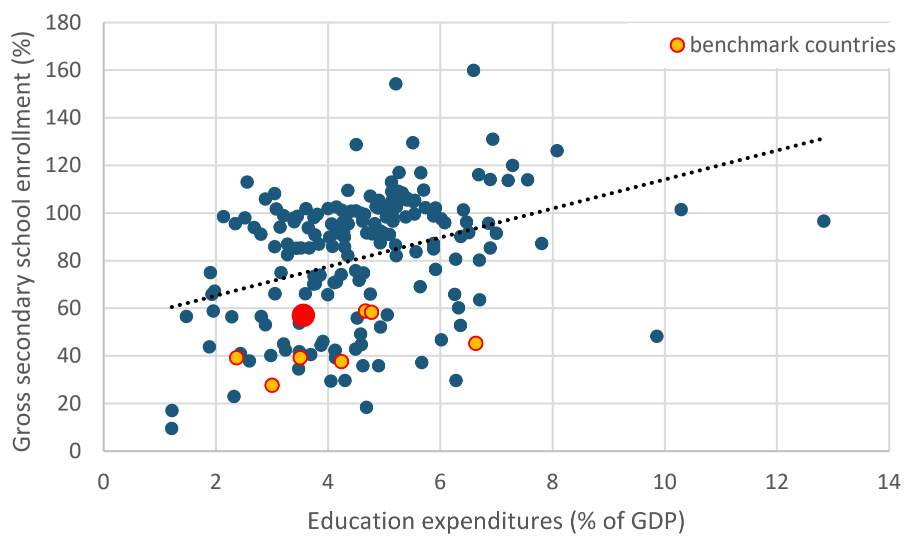
Source: World Bank staff calculations based on IMF Article IV (newest available).

Figure A.5: Government revenues



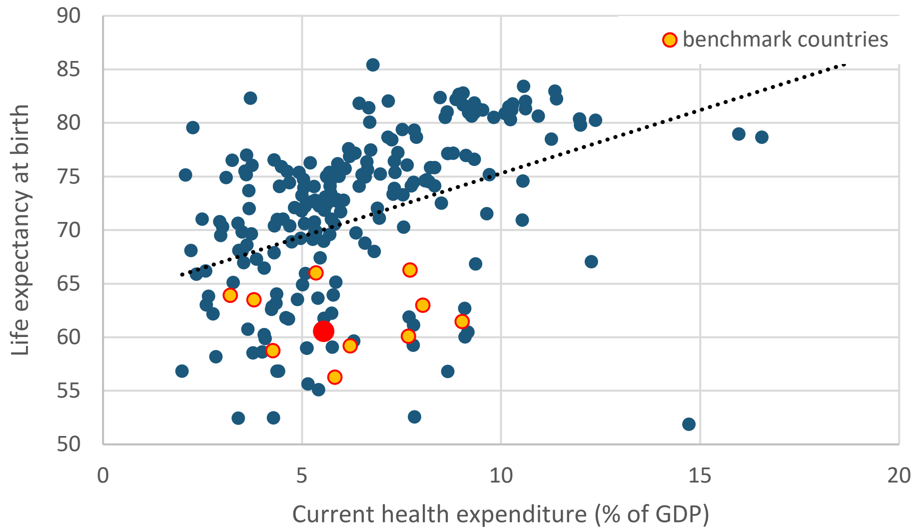
Source: World Development Indicators database.

Figure A.6: Education expenditures and gross secondary school enrollment, 2010–17



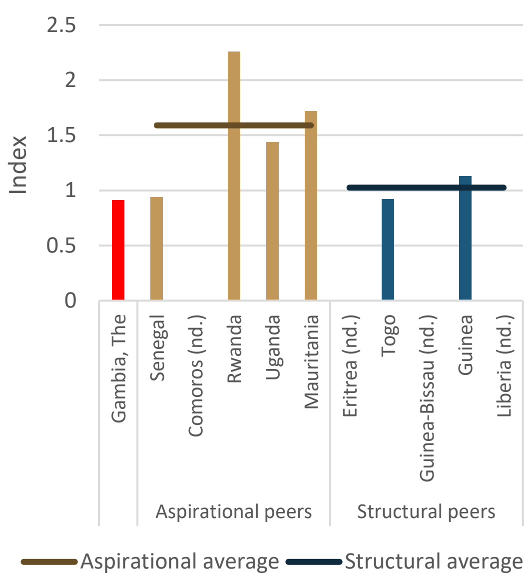
Source: World Development Indicators database.

Figure A.7: Current health expenditures and life expectancy at birth, 2010–17



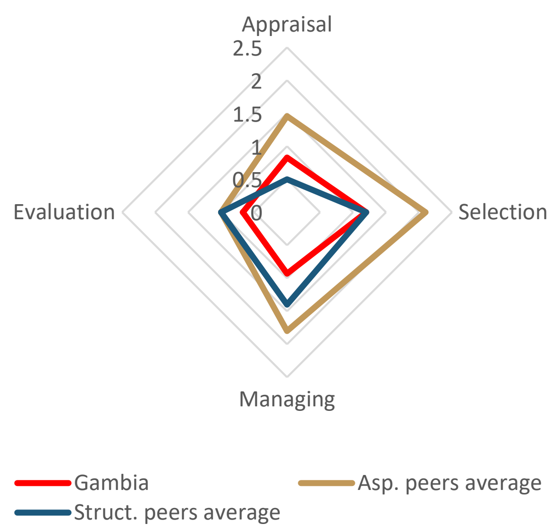
Source: World Development Indicators database.

Figure A.8: PIMI Index of public investment efficiency—overall index



Source: Dabla-Norris et al. 2010.
Note: higher = better.

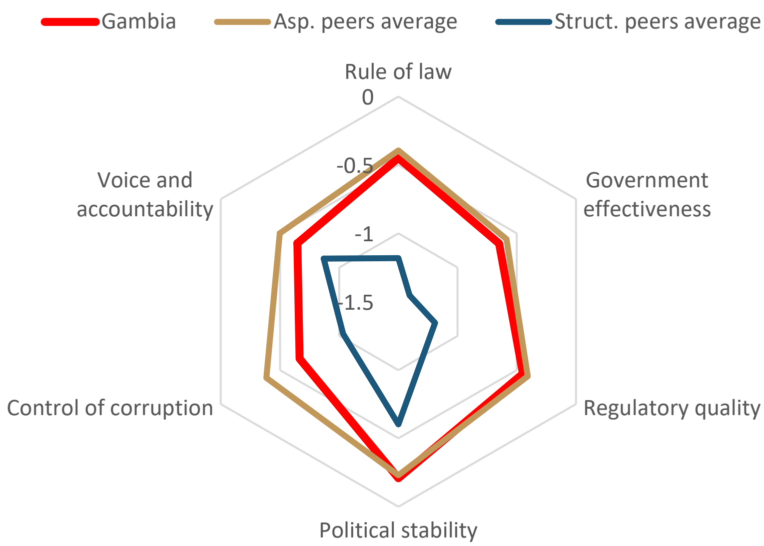
Figure A.9: PIMI Index of public investment efficiency—components



Source: Dabla-Norris et al. 2010.
Note: higher = better.

B. Strengthen Public Service Delivery

Figure A.10: Different components of the WGI indicator

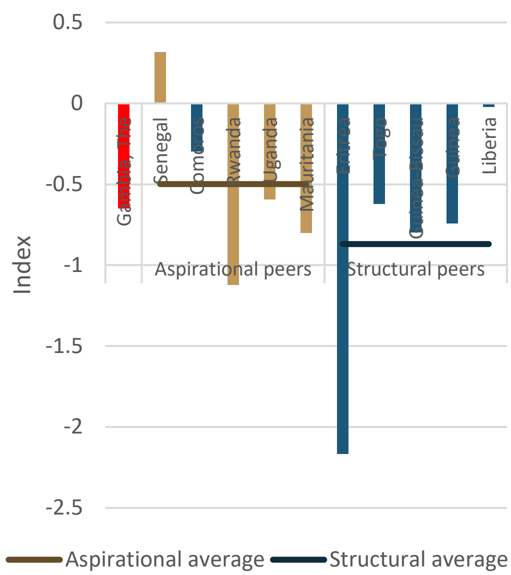


Source: World Governance Indicators (WGI) database, 2017.
Note: higher = better.

Figure A.11: WGI control of corruption indicator

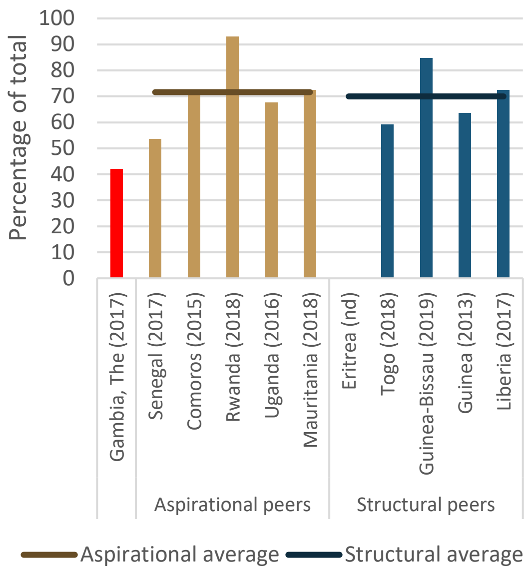
Source: World Governance Indicators (WGI) database, 2017.
Note: higher = better.

Figure A.12: WGI voice and accountability indicator



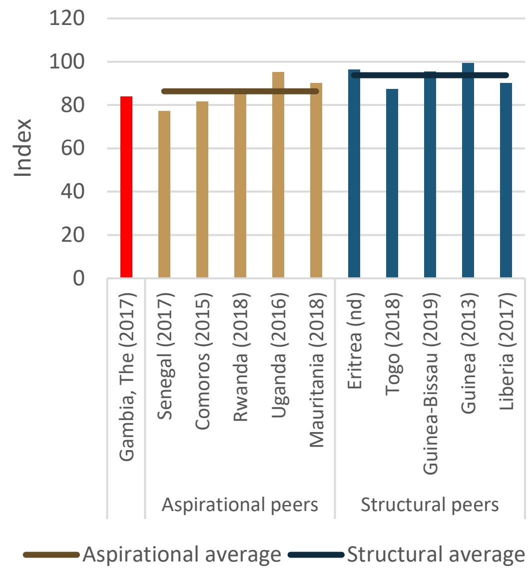
Source: World Governance Indicators (WGI) database, 2017.
Note: higher = better.

Figure A.13: Voter turnout, last parliamentary elections



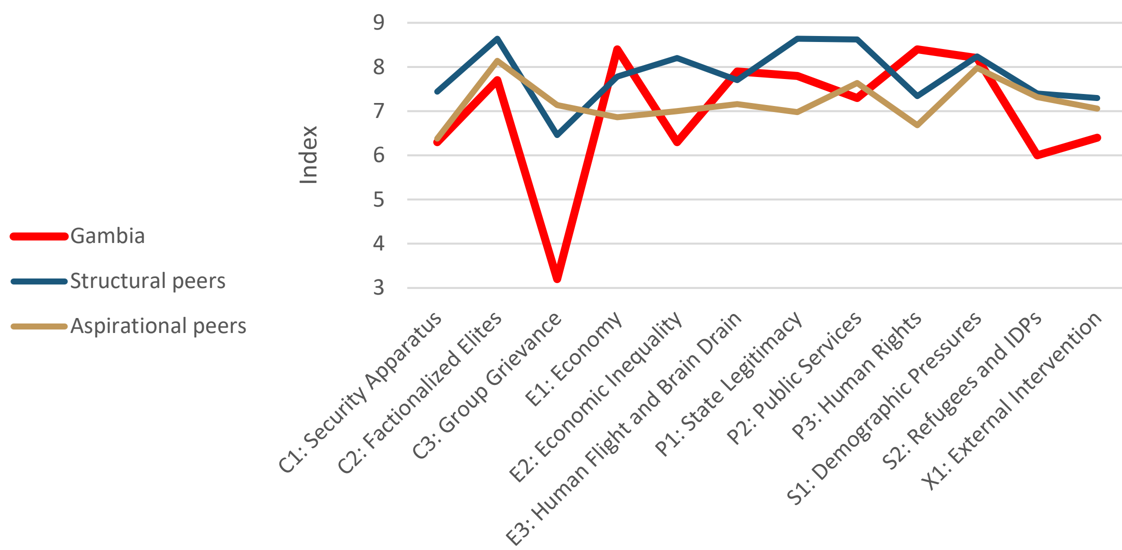
Source: International Institute for Democracy and Electoral Assistance Voter Turnout Database.

Figure A.14: Fragile States Index



Source: Fund for Peace, 2019.
Note: higher = worse.

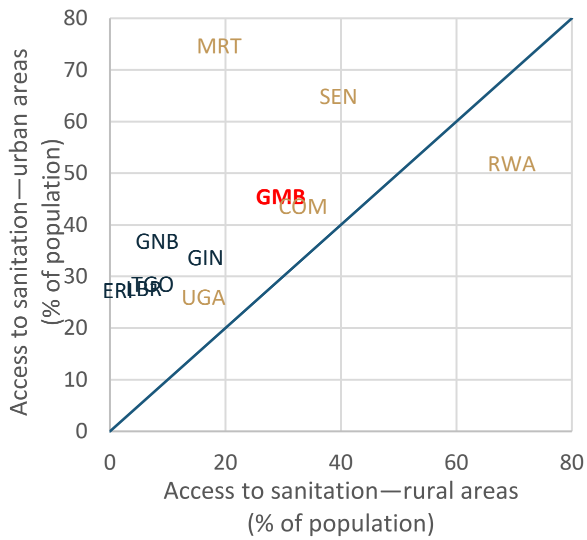
Figure A.15: Different components of Fragile States Index for Gambia and peers



Source: Fund for Peace, 2019.
Note: higher = worse.

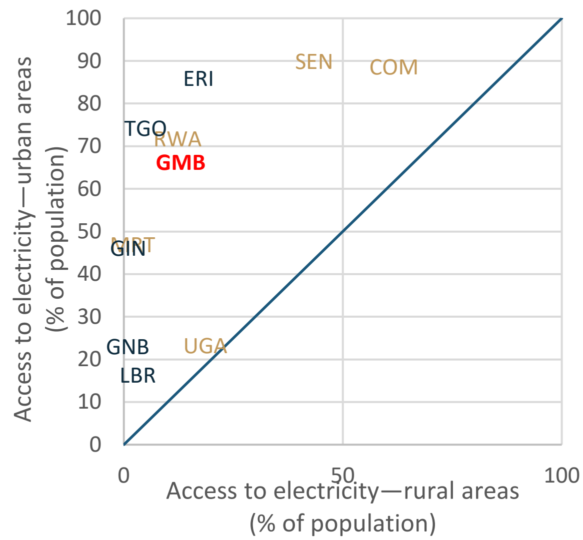
C. Scale Up Climate-Smart Agriculture

Figure A.16: Access to at least basic sanitation services in urban and rural areas



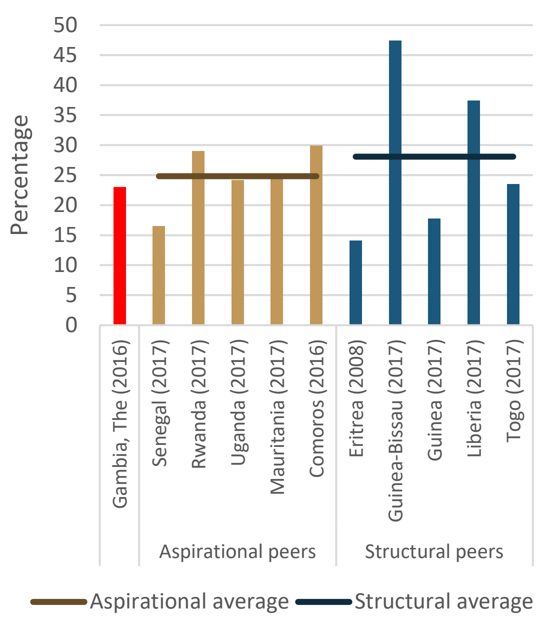
Source: WASH sanitation database, 2017.

Figure A.17: Access to electricity in urban and rural areas



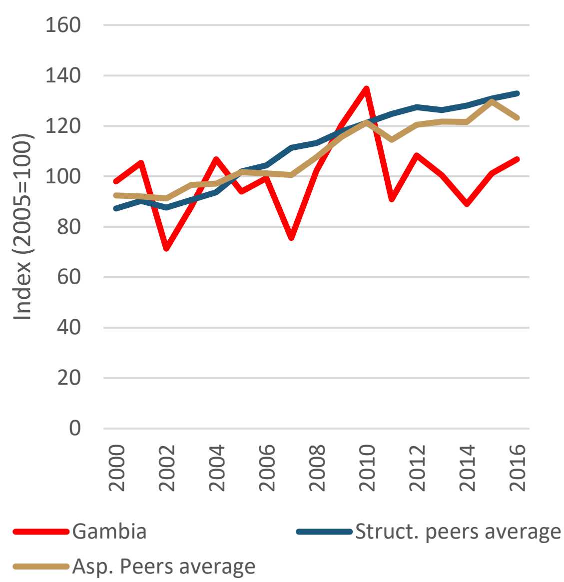
Source: International Energy Agency World Energy Outlook database, 2017.

Figure A.18: Share of agriculture in GDP



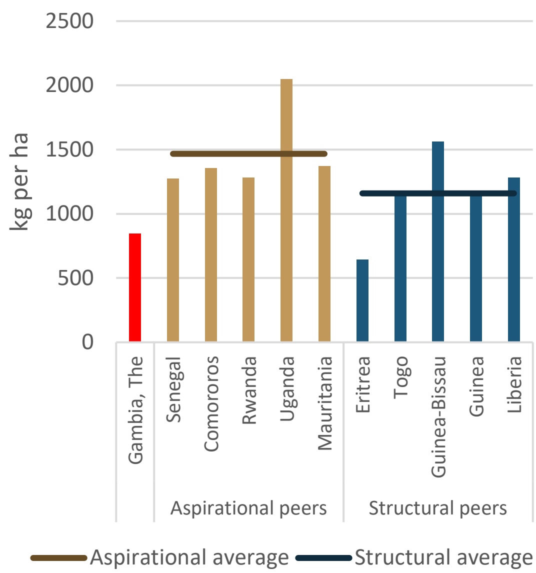
Source: World Development Indicators database.

Figure A.19: Change in food production index, 2000–16



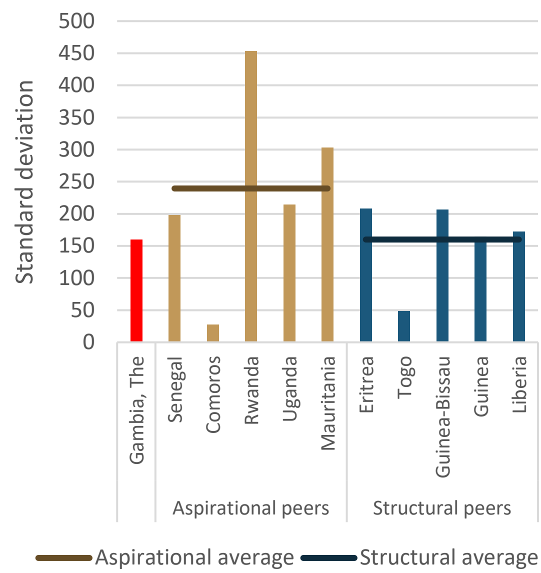
Source: World Development Indicators database.

Figure A.20: Cereal yield



Source: World Development Indicators database, 2017.

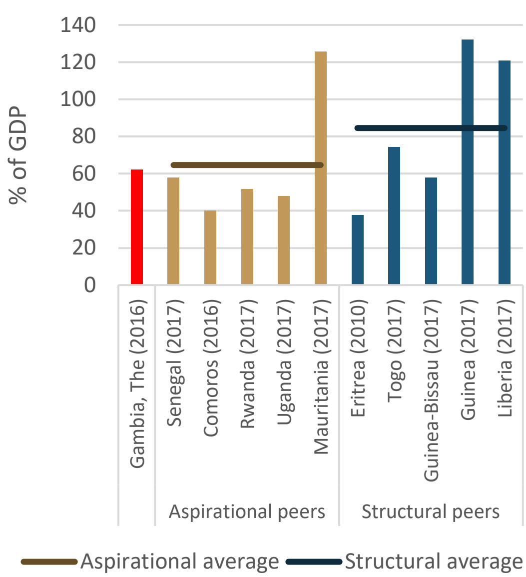
Figure A.21: Cereal yield volatility, 2000–17



Source: World Development Indicators database.

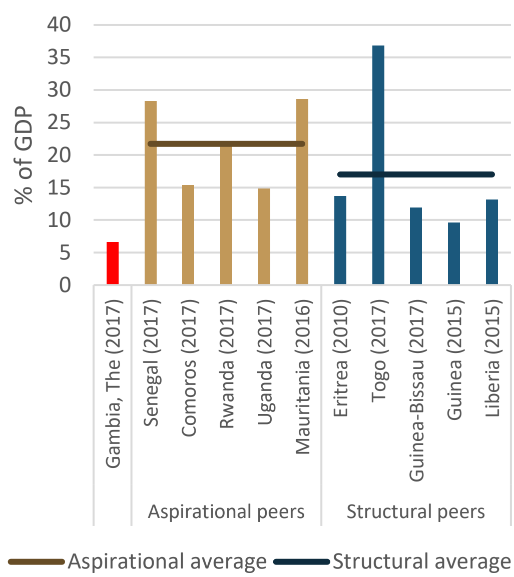
D. Diversify the Economy

Figure A.22: Trade openness—import and export as a % of GDP



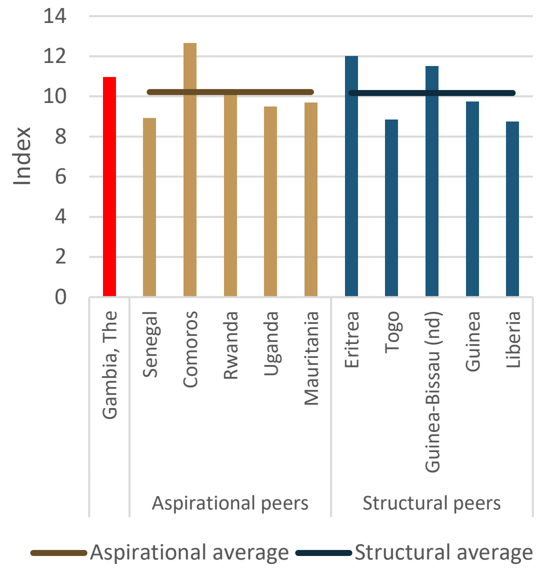
Source: World Development Indicators database.

Figure A.23: Domestic credit to private sector by banks



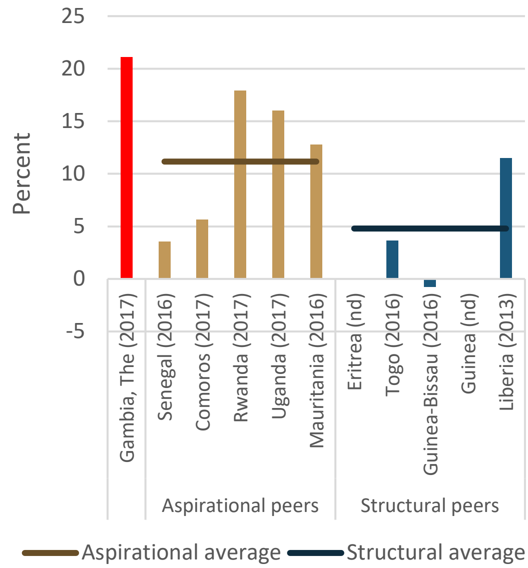
Source: World Development Indicators database.

Figure A.24: Trade integration index



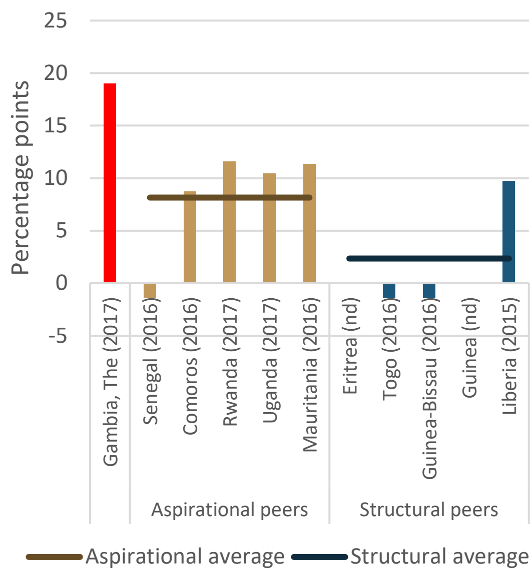
Source: Duernecker et al. (2018)

Figure A.25: Real interest rate



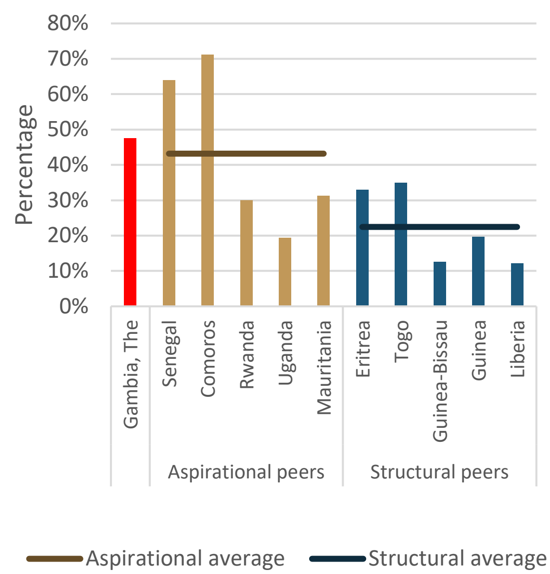
Source: World Development Indicators database.

Figure A.26: Interest rate spread (lending rate minus deposit rate, %)



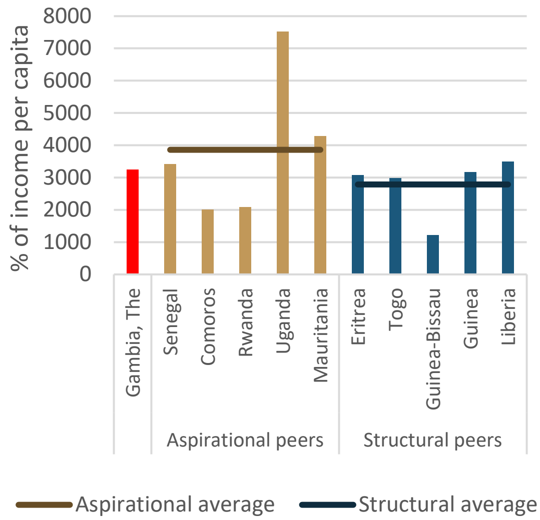
Source: World Development Indicators database.

Figure A.27: Percentage of people with access to electricity (% of total population)



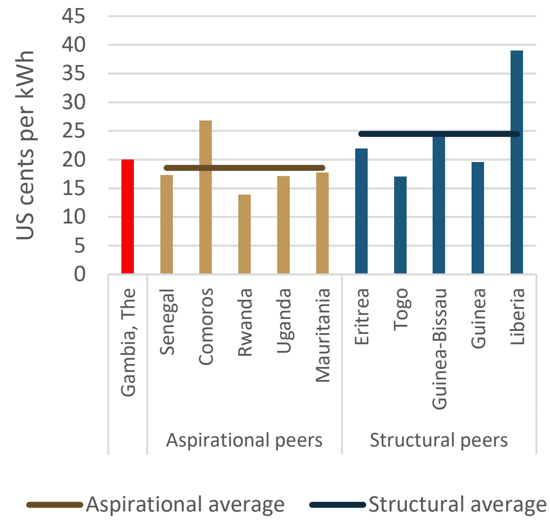
Source: International Energy Agency World Energy Outlook database.

Figure A.28: Cost for business to get electricity



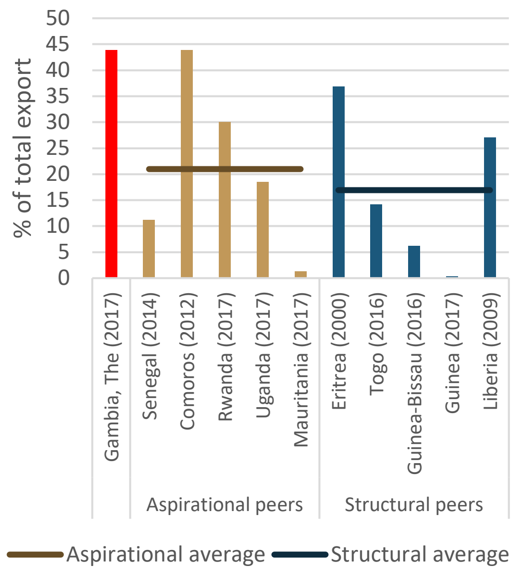
Source: World Bank Doing Business database, 2019.

Figure A.29: Costs of electricity



Source: World Bank Doing Business database, 2019.

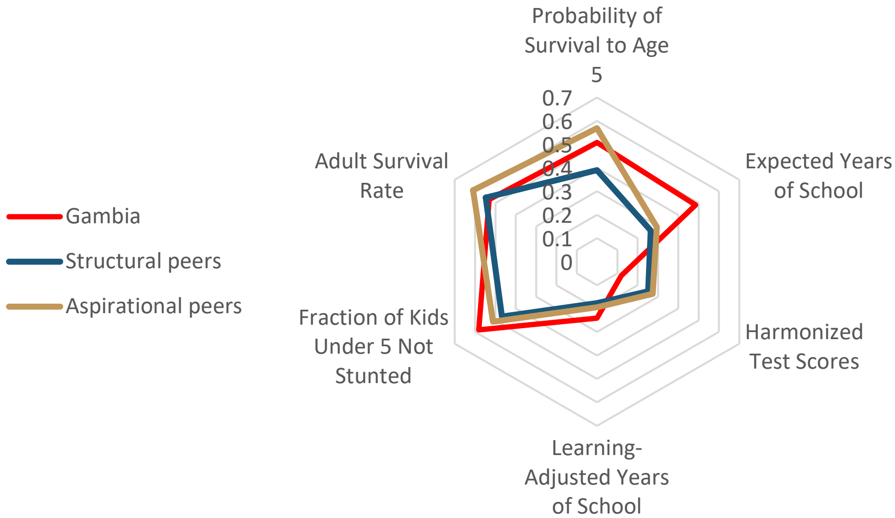
Figure A.30: Receipt from international tourism



Source: World Development Indicators database.

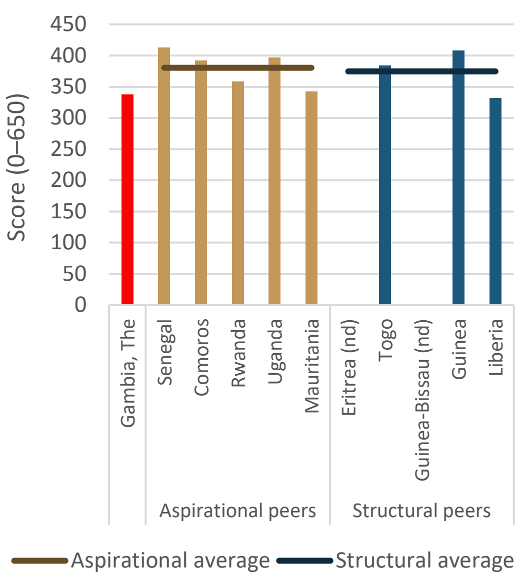
E. Increase Human Capital

Figure A.31: Different components of the Human Capital Index, normalized



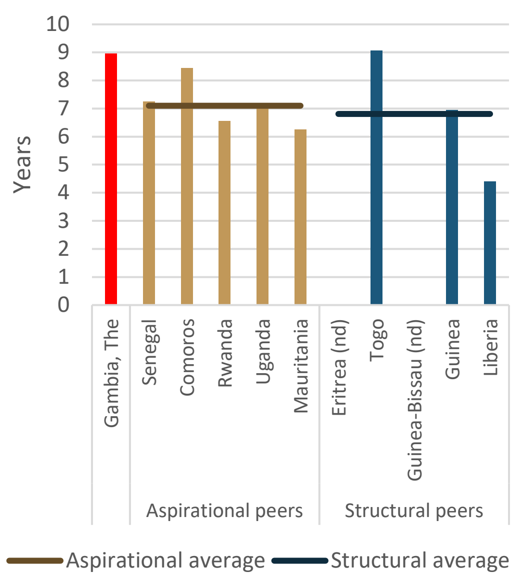
Source: Human Capital Index database, 2018.

Figure A.32: Average harmonized test scores



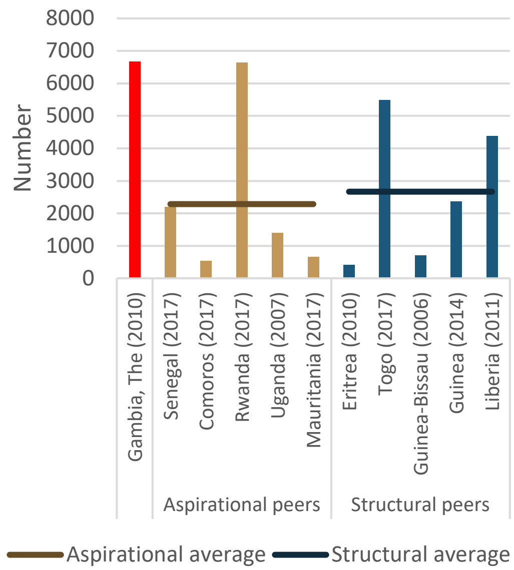
Source: Human Capital Index database, 2018.

Figure A.33: Expected years of school



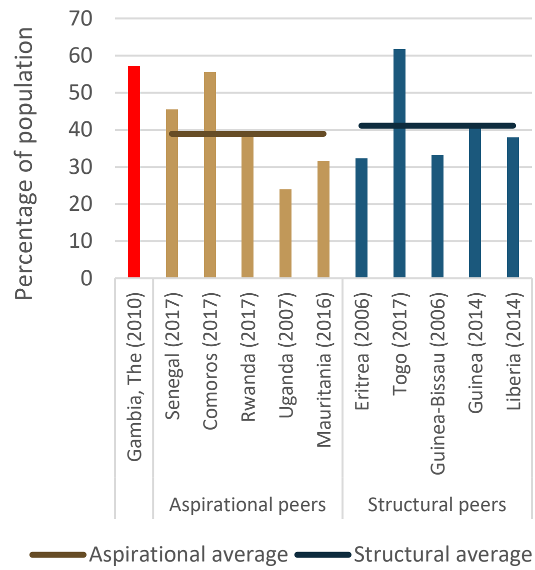
Source: Human Capital Index database, 2018.

Figure A.34: Vocational students per 1 meter of population



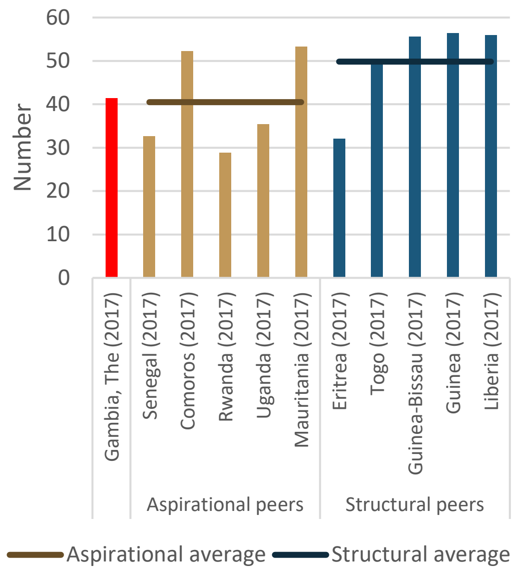
Source: World Development Indicators database.

Figure A.35: School enrollment, secondary (%, gross)



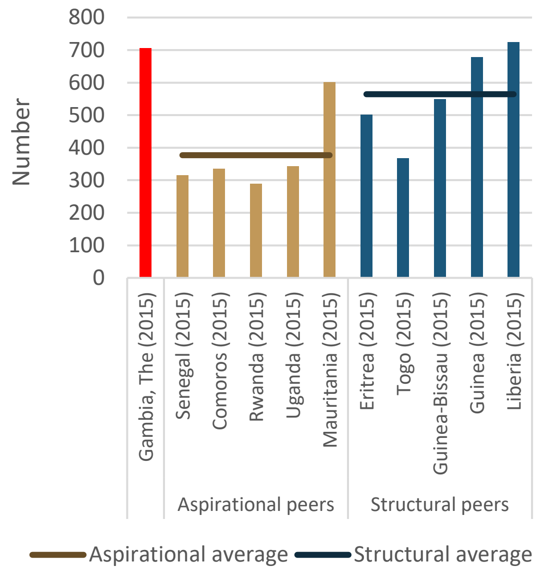
Source: World Development Indicators database.

Figure A.36: Mortality rate, infant (per 1,000 live births)



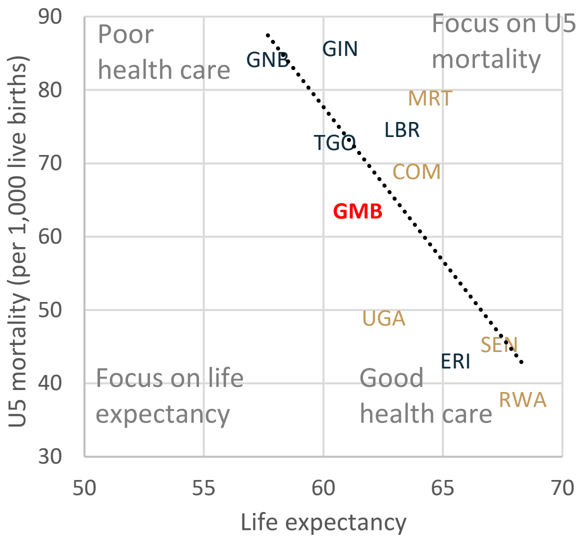
Source: World Development Indicators database.

Figure A.37: Maternal mortality ratio (modeled estimate, per 100,000 live births)



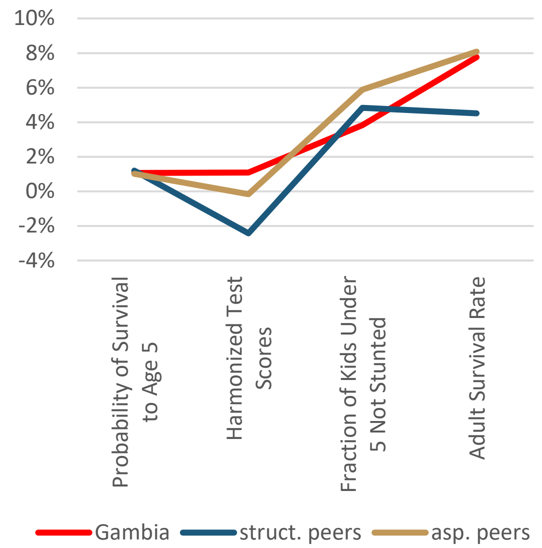
Source: World Development Indicators database.

Figure A.38: Under-five mortality and life expectancy at birth



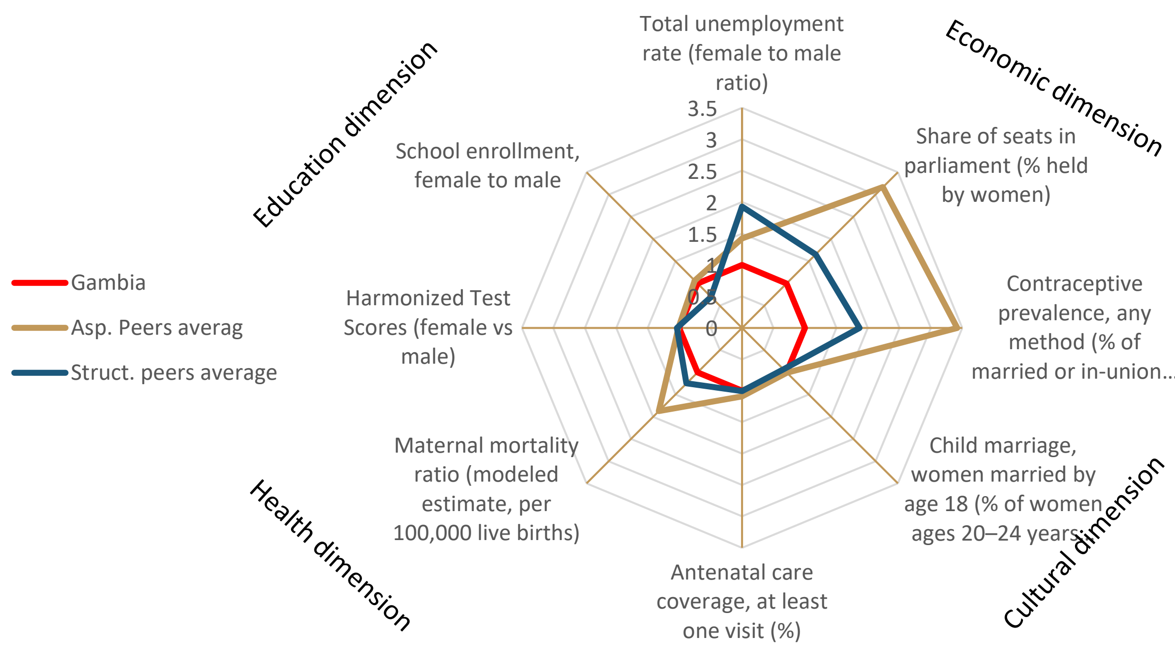
Source: World Development Indicators database, 2017.

Figure A.39: Difference between females and males for different HCI indicators



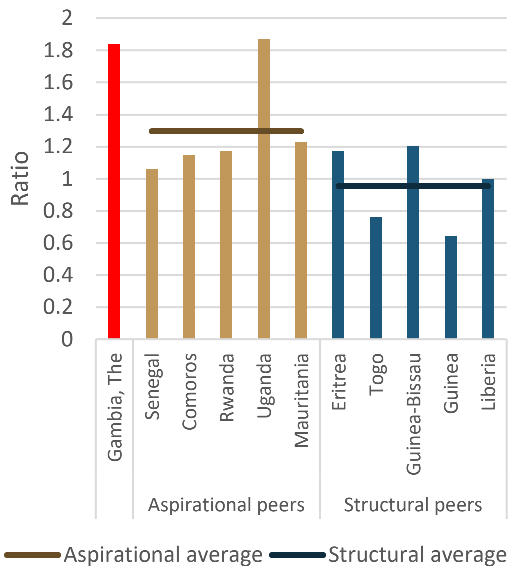
Source: Human Capital Index (HCI) database.

Figure A.40: Equality along different dimensions



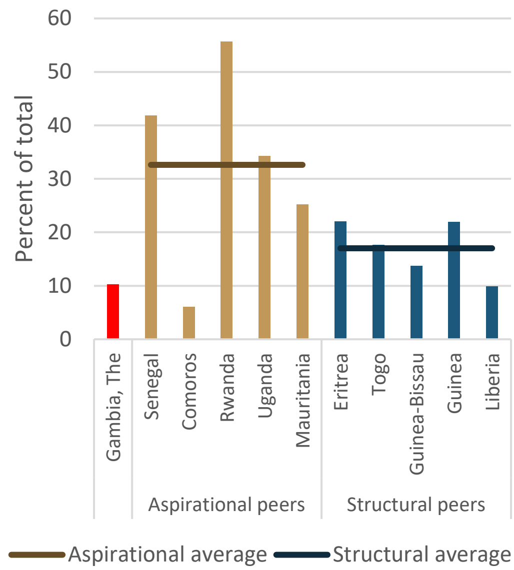
Source: UNDP Human Development Index database and World Development Indicators database.
Note: Gambia = 1; higher = greater equality.

Figure A.41: Total unemployment rate (female-to-male ratio



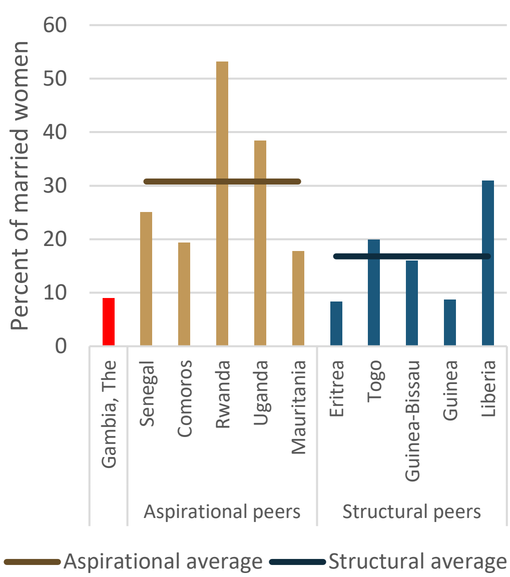
Source: UNDP Human Development Index database, 2017.

Figure A.42: Share of seats in parliament (% held by women)



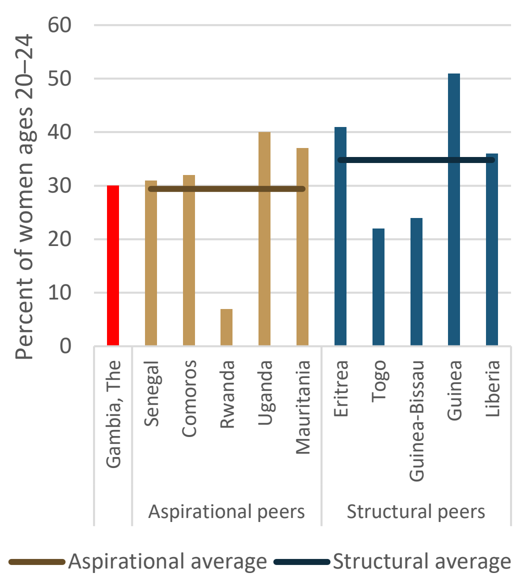
Source: UNDP Human Development Index database, 2017.

Figure A.43: Contraceptive prevalence, any method (% of married or in-union women ages 15–49 years)



Source: UNDP Human Development Index database.

Figure A.44: Child marriage, women married or in union by age 18 (% of women ages 20–24 years)



Source: UNDP Human Development Index database.

Appendix B: World Bank Country Team Survey

In August and September 2019, the World Bank Country Team for The Gambia ranked a pre-identified set of policy areas in terms of their impact on twin goals and feasibility (see table B.1). The survey was organized around two questions:

1. Please rate policy areas by **impact on twin goals**: the potential for reducing poverty and boosting shared prosperity (or the income growth of the bottom 40) by 2030 (response options: high/medium/low).
2. Please rate policy areas by **feasibility**: implementation capacity (of the civil service, cost to the national budget, or private sector capability) (response options: high/medium/low).

Table 5: Prioritization with the World Bank Country Team

Policy Area	Impact on Twin Goals	Impact on Twin Goals (by cluster)					Feasibility
		Macrofiscal	Growth	Governance	Inclusion	Sustainability	
Improve economy and efficiency of public procurement							
Enhance domestic revenue mobilization							
Enhance financial viability of state-owned enterprises (SOEs)							
Revamp the budgeting process to increase predictability and transparency							
Strengthen institutions for macrofiscal stability (including debt management)							
Improve effectiveness of public spending and investment							
Ensure level playing field for competition							
Improve business environment for private sector							
Improve access to input/output markets in West Africa							
Foster productivity and competitiveness in agriculture							
Increase access to credit/finance							
Increase investments into road and transport infrastructure							

Establish mechanisms and capacity for monitoring and evaluation of programs and policies							
Reform civil and security service							
Restore the rule of law							
Strengthen citizen participation and private sector dialogue in policy formulation and service delivery (Public-Private Partnerships, PPPs)							
Improve corporate governance and internal controls in SOEs							
Foster transparency and accountability of public institutions							
Increase access to vocational technical training							
Increase access to reliable electricity							
Increase access to sanitation services							
Reduce child mortality							
Reduce maternal mortality							
Increase quality of basic education							
Protect poor and disabled people through social safety nets							
Improve urban planning							
Enhance protection of fishing grounds and forests							
Provide social services for integration of return migrants							
Improve resilience to income shocks due to weather and climate							
Build capacity of public administration							

Note: The table shows the frequency of ranking impact or feasibility for each of the policy areas as “high” (compared to “medium” or “low”).

Appendix C: Data Diagnostics

Country: The Gambia **April 23, 2019**

Section 1: General Information about the Statistical System	
Legal status of National Statistics Office	Semiautonomous statistics agency under MoFEA
Statistical legislation (latest)	Statistics Act, 2005
National Strategy for the Development of Statistics/Statistical master plan	National Strategy for the Development of Statistics, 2018–22

Section 2: Micro Data						
Type of Census/Survey	**Latest (Year)**	**Second Latest (Year)**	**Representa -tiveness**	**Data Acces-sibility**	**Optional Disaggregation (Y/N)**	
					Sex	**Region al**
Census						
Population census	2013	2003	National	No access	-	-
Agriculture census	2012	2002	-	-	-	-
Business/establishment census	-	-	-	-	-	-
Survey						
Household survey on income/consumption	2015/16	2010 2004	National	Open access	Yes	District
Survey on education	MICS6 (2018)	-	National	No access	Yes	Region
Survey on health	MICS6 (2018) DHS (2013)	-	National	No access	Yes	Region
Labor Force Survey	2018	-	National	Open access	Yes	Region
Business/establishment survey	Enterprise Survey 2006	-	National	External repository	-	-

Section 3: Macro Data				
Does the country subscribe to the IMF Special Data Dissemination Standard (SDDS) or participate in the enhanced General Data Dissemination System (eGDDS)?	**eGDDS**			
If eGDDS/SDDS	**Periodicity**		**Timelines**	
	eGDDS	**Country**	**eGDDS**	**Country**
National accounts: GDP by production and expenditure at current and constant prices	Q	A	1Q	12M
Consumer price index	M	M	2M	2M
Central government operations	Q	M	1Q	1M
Balance of payments	Q	Q	1Q	1Q
External debt	Q	A	2Q	1Q
Merchandise trade	M	A	12W	12M
Production index	M	M	12W	12W
Employment	A	A	3Q	3Q

Unemployment	-	-	-	-
Producer price index	M	Q	2M	15D

Section 4: Compliance with World Bank Group Core Data Standards			
	WBG Standard	**Compliant (Y/N)**	**Actual Yearly Interval or %**
Household survey of income or consumption	One every 3 years	N	5 years
Purchasing power parity price survey	One every 3 years	N	8 years
Civil registration and vital statistics	80% of births registered	N	53%
	60% of deaths registered with cause of death	N	-

Section 5: Statistical Capacity Indicators, 2018	
Method	60
Source data	60
Periodicity	86.7
Overall	**68.9**

Section 6: Data Openness Indicators	
Open Data Barometer Score	-
Open Data Index Score	-

[1] See Connolly (2017). Moreover, as reported by Williams (2017), the ECOWAS Mission in The Gambia (ECOMIG) appears to be a successful case against unconstitutional changes of government. ECOMIG was supported by ECOWAS, the African Union, and the UN Security Council. ECOMIG's mandate was extended until May 2018 to enable the reform of the military and security apparatus (de Cherisey 2017).

[2] These priorities are (i) building good governance, (ii) stabilizing the economy, (iii) modernizing the agricultural sector, (iv) investing in education and health services, (v) building infrastructure and restoring energy services, (vi) promoting inclusive tourism, (vii) empowering youth, and (viii) strengthening private sector development for growth and job creation.

[3] Between 1994 and 2016, the border between The Gambia and Senegal was closed at least 10 times, sometimes for extended periods, hampering regional trade in Senegal and inflicting significant economic hardship on The Gambia (AfDB and WBG 2017).

[4] Jammeh's regime had revoked a previous bilateral fisheries agreement in December 2014. (See Njie and Jawara 2017).

[5] It canceled the planned withdrawal from the Rome Statute of the International Criminal Court (February 2017). Bills on the Constitutional Review Commission and Human Rights Commission were passed by the National Assembly (December 2017). See also Amnesty International, https://www.amnesty.org/en/countries/africa/gambia/report-gambia/.

[6] SCD reports are a product of the World Bank Group and reflect consultations with the national authorities, civil society, the private sector, and other stakeholders.

[7] Whenever possible, The Gambia will be benchmarked to "structural peers," "aspirational peers," and "regional peers." See Appendix A for details about the process for selecting comparator countries for this SCD.

[8] This section draws heavily on the most recent Fragility Risk and Resilience Assessment. See AfDB and WBG (2017).

[9] See Pritchett and de Weijer (2010) and Linborg (2017).

[10] See Michel (2018).

[11] The Fragile States Index measures fragility on 12 indicators: demographic pressures, refugees and displacement issues, uneven economic development, group grievances, human flight and brain drain, poverty and economic decline, state legitimacy, public services, human rights and rule of law, security apparatus, factionalized elites, and external intervention. It collects data from primary sources and then triangulates them and subjects them to critical review to obtain one final score.

[12] According to Afrobarometer, 65 percent of the population trusts the Gambian armed forces, and 60 percent trusts the police either "somewhat" or "a lot."

[13] See "The Irresponsible Salve of Tribalism in The Gambia, April 8, 2015 – Kairo News," as reported by AfBD and WBG (2018).

[14] See Dwyer 2017.

[15] The coalition of seven parties included the United Democratic Party, the People's Democratic Organisation for Independence and Socialism, the National Reconciliation Party, the Gambia Moral Congress, the National Convention Party, the People's Progressive Party, and the Gambia Party for Democracy and Progress.

[16] The Independent Electoral Commission of The Gambia reported that the UDP won 31 of 53 parliamentary seats and 62 of the country's 120 local constituencies.

[17] See Sanneh (2009), as reported by AfDB and WBG (2017) and World Bank (2009).

[18] These are the most frequently used dimensions to classify small states, as reported by Lederman and Lesniak (2017).

[19] Between 1994 and 2016, the border between The Gambia and Senegal was closed at least 10 times, sometimes for several weeks, hindering the movement of people and goods not only between the two countries but also in the region since The Gambia and Senegal share an integrated road network (AfDB and WBG 2017). In 2016, for example, a three-month border blockade by Senegalese transporters, after The Gambia doubled fees for trucks in transit, negatively impacted economic activity in The Gambia.

[20] Data based on the Multiple Indicator Cluster Survey (MICS) for 2010 and 2018.

[21] See Kebbeh (2013) and Docquier and Marfouk (2006), as cited in AfDB and World Bank (2017).

[22] See Hakan, Dincer, and Mustafaoglu (2012) and Easterly, Islam, and Stiglitz (2000).

[23] See Moller and Wacker (2017) for details about the underlying econometric model.

[24] Structural factors include variables measuring infrastructure development (mobile phone, fixed telephone, road density, and electricity production), financial intermediation (domestic credit to the private sector), education (secondary school enrollment), trade openness (trade-to-GDP ratio), and governance. Stabilization policies comprise inflation, real exchange rate misalignment and banking crisis. External conditions are represented by terms-of-trade and export commodity prices.

[25] The exchange rate directives were issued by the Office of the President during October 2012 until January 2016.

[26] The recovery was from 1.9 to 4.8 percent over this period in the revised and rebased GDP series.

[27] Preliminary findings of the Special Purpose Audits of seven SOEs reveal that many SOEs were loss-making, including those operating in commercially viable sectors like telecom and groundnuts.

[28] Developed by the World Economic Forum, 2019: http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf. The GCI is a compilation of various indicators used to assess a country's relative global competitiveness. The data is derived from a mix of technical institutions (in this case the International Air Transport Association, the Institute for Health Metrics and Evaluation's *Global Burden of Disease 2017*, the International Energy Agency, the International Telecommunication Union and an Executive Opinion Survey of 16,936 business executives in 139 economies.

[29] After accounting for external debt service relief over the next five years.

[30] Think Hazard, Gambia Water Page: http://thinkhazard.org/en/report/90-gambia/DG

[31] At the aggregate level, public expenditure exhibits low correlation with GDP. This lack of correlation may arise from components of public spending that operate in opposite directions and compensate each other in the aggregate or from divergent short-term and long-term effects of each category of public expenditure on GDP growth.

[32] Yet investment in The Gambia appears to have been less effective in generating growth than in peer countries. Casual observation and indirect empirical evidence suggest that all too often high returns on infrastructure capital do not translate into equally high returns on public investment either because of inadequate expenditure on maintenance or because a large fraction of public investment spending does not increase the stock of productive infrastructure (World Bank 2020b).

[33] Interestingly, the primary deficit (excluding budget support grants) increased from 1.4 percent of GDP in 2016 to 3.9 percent of GDP in 2017.

[34] Multilateral creditors included the IMF, International Development Association, AfDB group, the European Union, the Islamic Development Bank, ECOWAS, the International Fund for Agricultural Development, and the Fund for Internal Development of the Organization of the Petroleum Exporting Countries. Bilateral creditors included Paris Club creditors and non–Paris Club creditors (Saudi Fund for Development, Kuwait Fund for Development, Taiwan Export Import Bank, Libya, and China).

[35] Without grant financing and without borrowing domestically or externally.

[36] Collected by the Directorate of Public Private Partnership of MoFEA and verified by the Directorate of Internal Audit.

[37] This per capita measure includes consumption of food and nonfood items. The poverty lines reflect the cost of a food bundle that provides the minimum required caloric intake of 2,400 calories (extreme poverty) and the cost of purchasing food and other nonfood items (overall poverty). For the Integrated Household Survey (IHS) 2015/16 data, the poverty lines were GMD 18,040 (overall poverty) and GMD 11,795 (extreme poverty).

[38] A person is considered unemployed if he/she did not work during the week prior to the survey but was actively seeking work and was available for work. It includes individuals who are not actively looking for a job but are awaiting recall by the employer, waiting for the busy season, and those who believe that do not have any chance to get a job (discouraged workers).

[39] The underemployed are defined as persons working less than 40 hours a week. However, as no information was provided about availability to work longer hours in the survey, *underemployed* is defined here only based on the number of hours worked in a week, thus including also people who may have chosen to work part-time. The underemployment rate is the underemployed expressed as a percentage of the total employed population.

[40] Contraceptive prevalence rate: 16.3 percent use modern methods (percentage of currently married/in union women ages 15–49 years).

[41] Global estimates, released September 2019.

[42] Global estimates, released September 2019.

[43] Data from this section are from the World Development Indicators (database), World Bank, Washington, DC (accessed June 30, 2019), https://datacatalog.worldbank.org/dataset/world-development-indicators.

[44] Sustainable Development Goal target 3.8: achieve universal health coverage, including financial risk protection; access to quality essential health care services; and access to safe, effective, quality, and affordable essential medicines and vaccines for all.

[45] In April 2001, the African Union countries met and pledged to set a target of allocating at least 15 percent of their annual budget to improve the health sector and urged donor countries to scale up support.

[46] Data are from the MICS 2018.
[47] Data are from the MICS 2018.
[48] DALY, the widely used measure of overall disease burden, is the sum of the years of life lost (YLL) due to premature mortality in the population and the years lost due to disability (YLD) for people living with the health condition or its consequences.
[49] Prevalence of stunting: height for age (percentage of children under age five) (-2 SD).
[50] Prevalence of wasting: weight for height (percentage of children under age five) (-2 SD).
[51] MoFEA commissioned a working paper that takes a broader definition and estimates that 2.7 percent of GDP was spent on social protection.
[52] This section was informed by Niane et al. (2019) and data from the 2012 agricultural census.
[53] Chavas, Petrie, and Roth (2005) use a 1993 survey of 120 households in three peri-urban villages surrounding the capital city of Banjul (Sinchu, Sanyang, and Pirang).
[54] IMF PRSP Paper.
[55] Fertilizer subsidies have stimulated increased use of fertilizers in some countries, such as Malawi, Nigeria, and others. As noted in Sheahan and Barret, fertilizer use is higher than is currently estimated. However, different approaches to issuing the subsidy have been used. In Malawi, the subsidy was targeted at specific values and categories of farmers, and fertilizer was packed in smaller quantities to respond to resource constraints faced by poor farmers. In Nigeria, the fertilizer subsidy has moved from a targeted subsidy through the e-wallet to subsidization of fertilizer at the point of production. What is common with most subsidy programs is the active participation of the private sector. Governments have often used the fertilizer subsidy to develop the private sector input supply.
[56] This section relies on the sector mapping exercise conducted by the International Finance Corporation in 2017.
[57] Also, as electricity supply is a major constraint for hotel operators, short to medium improvements in transmission efficiency and effective use of alternative sources such as solar power can improve occupancy rates. According to the Gambia Tourism Board, the Senegambia hotel in Banjul reduced electricity costs by 75 percent by switching partially to solar energy.
[58] About 64 percent of firms in manufacturing and services own or share an electricity generator (World Bank 2009).
[59] A large percentage of people own multiple mobile phones; hence, this figure is inflated.
[60] Telegeography.
[61] Data in this section are from the International Telecommunication Union, https://itu.int.
[62] The recent Enterprise Survey found that a collateral value of 224 percent of the loan amount is required in The Gambia compared to 214 percent in Sub-Saharan Africa.
[63] The SSHFC has substantial shareholding in two large banks, including the largest bank in the system, and has significant deposits in almost all of the country's banks.
[64] The 2014 act also included the Major Tender Board, which was responsible of reviewing high-value procurement processes (less than or greater than GMD 10 million), but in a subsequent amendment of the act (May 11, 2018), its functions have been transferred to the GPPA.
[65] The *World Development Report 2017: Governance and the Law* (WBG 2017) illustrates that events like democratic transitions or peace accords provide an opportunity to reshape the policy arena by changing incentives, reshaping preferences, and increasing contestability of the decision-making process.
[66] Further details on the selection of peers and findings from the benchmarking are summarized in appendix A.
[67] Consultations with stakeholders in The Gambia were conducted in December 2017 and September 2018. Findings from the World Bank Survey in September 2019 are summarized in Appendix B.
[68] The Gambia Public Expenditure Review (forthcoming).