Gambia

2012

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Gambia

- Economic growth has been robust over the last four years despite the global downturn. Growth has been driven mainly by a strong expansion in agriculture aided by weather and good policy.
- There have been some improvements in economic governance, but political governance remains a challenge in the Gambia.
- Progress made so far is insufficient to reach MDGs by 2015. To improve these results, the government has begun to prepare a new poverty-reduction strategy, the Programme for Accelerated Growth and Employment 2012-15.

Overview

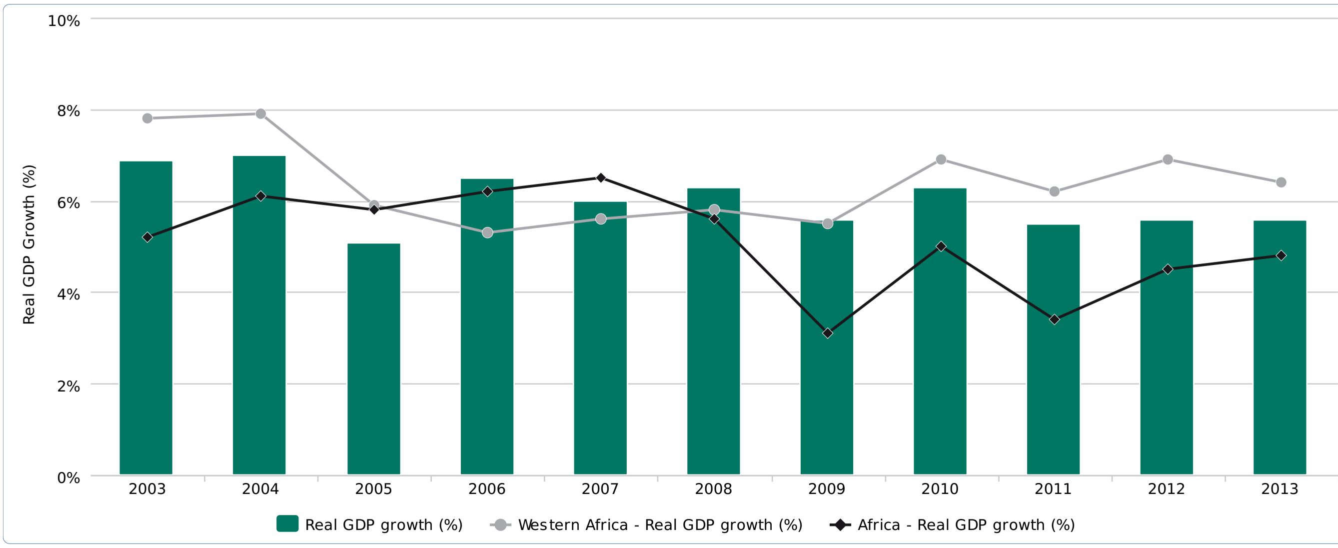
Economic growth decelerated from 6.3% in 2010 to an estimated 5.5% in 2011 and is expected to stabilise around 5.6% in 2012 and 2013. Since late 2008, economic growth in The Gambia has been mainly driven by good performance in the agricultural sector. Nonetheless, poor weather conditions, which harmed crop production in 2011, and the global crisis in recent years have affected projected GDP growth negatively in the country. Reforms implemented by the government in agriculture, however, will continue to boost the economy and sustain its growth.

Inflation accelerated from 3.9% in 2010 to an estimated 4.7% in 2011. This was due to the rise in food and energy prices as The Gambia imports 50% of its food requirements and the Gambian currency, the dalasi, slightly depreciated against all major currencies over this period. Inflation is projected to rise slightly to 4.8% and 5.0% in 2012 and 2013, respectively, in line with the monetary-policy target of 5.0%. The budget deficit fell from 5.4% of GDP in 2010 to an estimated 4.2% in 2011 as a result of the restrictive fiscal policy, and it is expected to fall again to 3.8% and 2.8% in 2012 and 2013, respectively. The current-account deficit widened slightly from 17.0% of GDP in 2010 to an estimated 17.5% in 2011 owing to a rise in the trade deficit, but it is projected to decrease slightly to 16.9% and to 16.4% in 2012 and 2013, respectively, as imports are expected to decrease.

The Gambia is facing the challenge of a heavy debt burden estimated at 55.6% of GDP for 2011 and has taken actions to control public spending and to curb new domestic borrowing at close to zero in 2014 and beyond. External borrowing has also been restricted in line with the government's efforts to set up reforms of tax policy, revenue administration and public financial management. This in turn has contributed to lower inflation and a drop in Treasury-bill yields in 2011.

Youth unemployment is a major challenge in The Gambia and is estimated at over 40%. Several programmes such as the Gambia Priority Employment Programme (GAMJOBS) 2007-11 and the National Employment Policy 2010-14 have been implemented to promote the creation of employment opportunities for the young. The new Programme for Accelerated Growth and Employment (PAGE) that will be implemented in 2012-15 also aims to reduce poverty and unemployment.

Figure 1: Real GDP growth (Western)



Figures for 2010 are estimates; for 2011 and later are projections.

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Table 1: Macroeconomic Indicators

	2010	2011	2012	2013
Real GDP growth	6.3	5.5	5.6	5.6
Real GDP per capita growth	3.6	2.7	2.9	2.9
CPI inflation	3.9	4.7	4.8	5
Budget balance % GDP	-5.4	-4.2	-3.8	-2.8
Current account % GDP	-17	-17.5	-16.9	-16.4

Figures for 2010 are estimates; for 2011 and later are projections.

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Recent Developments & Prospects

Table 2: GDP by Sector (percentage of GDP)

	2006	2009
Agriculture, forestry, fishing & hunting	23.1	28.8
Agriculture, livestock, forestry and fisheries	-	-
of which agriculture	-	-
Mining and quarrying	2.4	1.8
of which oil	-	-
Manufacturing	7.5	5.7
Electricity, gas and water	1.2	1.6
Electricity, water and sewerage	-	-
Construction	4.9	3.7
Wholesale and retail trade, hotels and restaurants	33.6	30
of which hotels and restaurants	-	-
Transport, storage and communication	13.2	11.1
Transport and storage, information and communication	-	-
Finance, real estate and business services	7.6	8.9
Financial intermediation, real estate services, business and other service activities	-	-
General government services	-	-
Public administration & defence; social security, education, health & social work	-	-
Public administration, education, health	2.8	4
Public administration, education, health & other social & personal services	-	-
Other community, social & personal service activities	-	-
Other services	3.8	4.3
Gross domestic product at basic prices / factor cost	100	100
Wholesale and retail trade, hotels and restaurants	-	-

Figures for 2010 are estimates; for 2011 and later are projections.

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In 2011, GDP growth decelerated to an estimated 5.5% after registering 6.3% in 2010. This slowdown is the result of poor weather conditions, which damaged crop production in some parts of the country, and a decrease in the added value of services, particularly tourism, and wholesale and retail trade. According to African Economic Outlook (AEO) projections, growth is expected to remain robust at 5.6% in 2012 and 2013 and will be mainly driven by agriculture and recovery in tourism. Nonetheless, economic growth faces many challenges and external constraints. With agriculture depending on rain, adverse weather conditions can affect crop production and economic performance. Also, given the Gambia's reliance on external trade and service industries, an increase in oil prices as well as the global economic downturn could affect the Gambian tourism sector negatively and lower GDP growth.

Services represent the largest contributor to economic activity with more than 50% of GDP in 2009. Tourism, re-export and transit trade are the key growth drivers and they are supported by bilateral preferential trade policies and a relatively efficient port infrastructure. Tourism remains the largest source of foreign-exchange earnings despite having been hit by the global economic slowdown in 2011. The sector is not expected to recover in 2012 and 2013 because of weak economic conditions in the European Union countries, the main origin of The Gambia's tourists. The comparative advantage of The Gambia's re-export and transit trade has been gradually eroded by neighbouring countries' progress in building relatively better infrastructure and harmonising trade policies. Tele communication services have nevertheless increased markedly and are anticipated to exhibit good performance in 2012 and 2013 owing to new Internet accessibility infrastructure – the country is planning to connect to the Africa Coast to Europe (ACE) submarine-cable system, which links South Africa to Europe through a landing station in Banjul. The new connection is expected to be operational in the first half of 2012.

Agriculture is the second largest sector in the Gambian economy contributing almost 29% of GDP in 2009 and employing over 70% of the labour force. The sector is dominated by groundnuts, which account for 60% of domestically produced exports. Agricultural production depends on rain and is thus subject to weather conditions. Less than one-half of the total arable land is under cultivation, and productivity levels are low by international standards. Rice, the country's staple food, is grown on less than 5% of the cultivated land while cereals are grown on 53%. Agriculture produces only about 50% of the national food supplies.

Looking ahead, agricultural production is expected to continue its growth trajectory in 2012 and 2013 as a result of the government's efforts to modernise the sector, including the introduction of new crop varieties such as the New Rice for Africa (NERICA) rice variety. Agricultural production will also be supported by the Gambia National Agricultural Investment Plan (GNAIP) that was started in late 2010 by the Ministry of Agriculture in collaboration with the Food and Agriculture Organization of the United Nations (FAO). GNAIP's objectives are to increase food security, income-generation capacity and the nutritional status of the beneficiary farmers, particularly women and youth, through the use of appropriate sustainable water-management techniques. The plan also seeks to contribute to agricultural transformation of small-holder farmers from their traditional subsistence base to more market-oriented and commercially viable activity by providing support to value-chain development.

The manufacturing sector remains small and uncompetitive, focusing mainly on the domestic market, and utilising a limited range of skills and technology that limit its added value. It accounted for less than 6% of GDP in 2009. Its production is not expected to improve in 2012 and 2013 as it continues to suffer from lack of investment in physical infrastructure such as roads and in "soft" infrastructure such as trade facilitation, in addition to the high domestic debt and the lack of co-ordination by the government and proper support from it.

Mining and quarrying is a minor component of The Gambia's economy, representing less than 2% of GDP in 2009. There has been no mining activity of any scale in The Gambia since mining of the known deposits of titaniferous beach sand was halted in the 1950s. Since then, mining activities have been confined to carrying out geological surveys, investigations and explorations in order to establish the potential of mineral resources as well as to plan their exploitation. A new Mineral and Mining Act is currently under consideration and is expected to enter into force shortly. The act will establish, inter alia, the rules that will govern exploration, prospecting and mining operations, and their regulatory framework for payment of fees (rents and royalties), prospecting licenses and rights, as well as mining and water rights.

Macroeconomic Policy

Fiscal Policy

The budget deficit narrowed from 5.4% of GDP in 2010 to an estimated 4.2% in 2011 and is expected to reach 3.8% of GDP in 2012 and 2.8% in 2013 as a result of improved fiscal discipline, which has contributed to a drop in Treasury-bill yields. The deficit is financed by grants, and external and domestic borrowing, most of which consists of short-term treasury bills.

The government's current expenditure was estimated to have decreased to 23.9% of GDP in 2011 from 24.1% in 2010 and is projected to decrease again slightly in 2012 to 22.0% and to 21.1% in 2013. This result is explained by the significant progress made by the government to restore fiscal discipline and limit spending in 2011. Fiscal restrictions will not, however, apply to spending on poverty-reduction priorities (education, health, infrastructure and agriculture), in line with the goals of PAGE 2012-15. Capital expenditure decreased from 9.0% of GDP in 2010 to an estimated 8.1% in 2011 but still accounts for a small share of the total expenditure compared to wages and salaries.

Tax revenue increased slightly from 13.2% of GDP in 2010 to an estimated 13.6% in 2011 following the partial implementation of the new fuel-pricing formula. In 2011, the government reduced the rates of the minimum turnover tax and of corporate-income taxes, both of which were considered to be amongst the highest in the countries of the sub-region. The Customs Act, which was revised and adopted at the end of 2009, has been reformulated, and work on the regulatory framework will be completed by the end of 2011. It is expected that tax collection will improve in 2012 and 2013 following the full implementation of the fuel-pricing formula, which is designed to reflect rising crude-oil prices in international markets and includes a specific excise tax. The government is planning to implement a comprehensive tax reform including the introduction of a Value Added Tax (VAT) by 2013.

The government has also formulated the Public Financial Management (PFM) Reforms Comprehensive Strategy 2010-14 with the aim of enhancing transparency of the budget process, strengthening budget execution and building capacity in internal and external audit functions in 2012.

The results so far have been positive: since 2010, semi-annual fiscal-budget reports and monthly budget outturns have been published, and these have been recently integrated into Integrated Financial Management and Information Systems (IFMIS). Poverty Reduction Strategy Paper II (PRSP II) allocations as a proportion of the budget increased from 33.4% to 35.4% and 39.4%, in the three years between 2009 and 2011, respectively. The medium-term expenditure framework, however, is yet to be finalised; it is now planned for introduction in 2013.

Table 3: Public Finances (percentage of GDP)

	2003	2006	2007	2008	2009	2010	2011	2012	2013
Total revenue and grants	12.6	22.5	17.8	16.3	20.3	18.7	19.7	18.2	18.2
Tax revenue	9.5	18.8	14.8	13.7	14.5	13.2	13.6	13.3	13.1
Oil revenue	-	-	-	-	-	-	-	-	-
Grants	1.7	1.3	0.9	1.1	4.2	4	4.5	3.3	3.5
Total expenditure and net lending (a)	15.8	29.6	17.7	18	23.4	24.1	23.9	22	21.1
Current expenditure	11.8	18.1	12.6	13.9	14.9	15.1	15.8	15.2	15.3
Excluding interest	7.6	11.7	8.6	10.8	11.9	12.3	12.7	12.3	12.1
Wages and salaries	3.1	4.6	3.3	4.3	4.9	5.7	5.7	5.6	5.5
Interest	4.2	6.5	4	3.1	3.1	2.9	3.2	2.9	3.2
Primary balance	0.9	-0.6	4.1	1.4	-0.1	-2.5	-1.1	-0.9	0.4
Overall balance	-3.3	-7.1	0.1	-1.7	-3.2	-5.4	-4.2	-3.8	-2.8

Figures for 2010 are estimates; for 2011 and later are projections.

Monetary Policy

The government followed a responsible monetary policy throughout 2011; it also restrained its borrowing from the Central Bank of Gambia (CBG) and halted its overdrafts. In October 2011, the CBG lowered its policy interest rate from 15% to 14% to encourage private lending. Thus, credit to the private sector is projected to grow by about 25% in 2011 and the CBG is continuing its efforts in 2012 by targeting reserve- and broad-money growth rates of 11.3% and 13.2%, respectively, which would further help the expansion of credit to the private sector and help to control inflation pressures. Inflation was estimated to have reached 4.7% in 2011 and is expected to be less or equal to 5.0% over 2012 and 2013 as the fiscal-adjustment and the monetary-targeting framework would help the CBG to meet its objective of maintaining annual inflation at around 5.0%.

The Gambian currency, the dalasi, continues to weaken against all the major currencies. Year-on-year to end-September 2011, the dalasi depreciated by 4.70% against the US dollar (USD), by 6.60% against the euro and by 0.95% against the British pound. The nominal effective exchange rate of the dalasi depreciated by about 5%. This resulted from a marked increase in imports and a high liquidity injection due to the monetisation of the budget deficit. The Monetary Policy Committee (MPC) decided in July 2011 to intensify its open market operations in order to stem any further depreciation. The volume of transactions in the foreign-exchange market declined to USD 1.56 billion in the year to end-September 2011, compared to USD 1.68 billion a year earlier. Nevertheless, gross official international reserves remain at a comfortable level of 5 months of imports.

The Gambia is a member of the West African Monetary Zone (WAMZ). As a part of a regional payments-system initiative that also covers Sierra Leone, Guinea and now Liberia under the WAMZ monetary-integration programme, the CBG, in collaboration with the West African Monetary Institute has embarked on the modernisation of the country’s infrastructure for the payments, clearing and settlement system with support from the African Development Bank.

Economic Cooperation, Regional Integration & Trade

The Gambia’s main trading partners are the European Union and the ECOWAS. Other trading partners include the United States, China and Russia. Of the development budget, 80% is financed by bilateral and multilateral development partners. Exports are dominated by groundnuts, which account for 60% of total locally produced exports. Re-exports are an important source of foreign-exchange earnings and make up 87% of the total export value. The Gambia is involved in the Gambia River Basin Development Organisation (OMVG) Energy Project which includes three other countries: Guinea, Guinea-Bissau and Senegal. This sub-regional organisation is focused on the rational management of common resources and provides an opportunity for power production.

According to AEO estimations and projections, the merchandise trade deficit is estimated to have increased from 22.5% of GDP in 2010 to 24.3% in 2011 but should fall again to 23.3% in 2012 and 22.6% in 2013. Although exports, including re-exports (which account for 80% of goods exports), are estimated to have increased by 1% in 2011 (10.4% of GDP), imports are estimated to have risen at an even faster rate of 6.1% (34.7% of GDP), with food and fuel imports accounting for the bulk of the increase. The services trade surplus is projected to increase slightly to 5.0% of GDP in 2011 from 3.9% in the previous year. Tourism income is projected to improve given the expected upturn in the country’s main source of tourists, the United Kingdom. Similarly, current transfers will continue to benefit from recovering remittances from Gambians living abroad, which accounted for 5.7% of GDP in 2011, as well as inflows from donors, especially Taiwan and Venezuela, which maintain strong ties with The Gambia. However, improved results on the services trade and the factor income will not be enough to offset the merchandise trade deficit and consequently, the overall current-account deficit is projected to widen in 2011 (17.5% of GDP) compared to 2010 (17.0% of GDP). The Gambian MPC has noted that the current-account deficit would be financed mainly through official transfers.

Of the government’s tax revenues 60% originate from foreign trade. Despite the depreciation of the dalasi during 2009-11, however, the contribution of international trade to GDP remains at a low 15%. Continued tariff reforms and reform of the regulatory framework along with World Trade Organization (WTO) rules represent clear opportunities for The Gambia to further its integration in regional as well as in international markets. The country ranks well in trading across borders with some of the world’s lowest per-container export and import costs (averaging USD 800 below comparators’ costs).On the regional level, the country’s membership in ECOWAS is affecting Gambian re-exports positively and is also improving competitiveness as a result of the application of the ECOWAS common external tariff.

Table 4: Current Account (percentage of GDP)

	2003	2006	2007	2008	2009	2010	2011	2012	2013
Trade balance	-11.3	-27.2	-20.8	-21.4	-22.3	-22.5	-24.3	-23.3	-22.6
Exports of goods (f.o.b.)	19.1	16.5	11.1	8.4	10.4	10.3	10.4	9.2	8.8
Imports of goods (f.o.b.)	30.4	43.8	31.8	29.8	32.7	32.7	34.7	32.5	31.3
Services	5.2	10	8	6.1	6.3	3.9	5	4.6	4.6
Factor income	-3.6	-9.5	-5.7	-4.4	-4.7	-4.2	-3.9	-3.5	-3.3
Current transfers	6.4	15.2	8.7	7.1	10	5.7	5.7	5.4	4.8
Current account balance	-3.4	-11.5	-9.7	-12.6	-10.7	-17	-17.5	-16.9	-16.4

Figures for 2010 are estimates; for 2011 and later are projections.

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Debt Policy

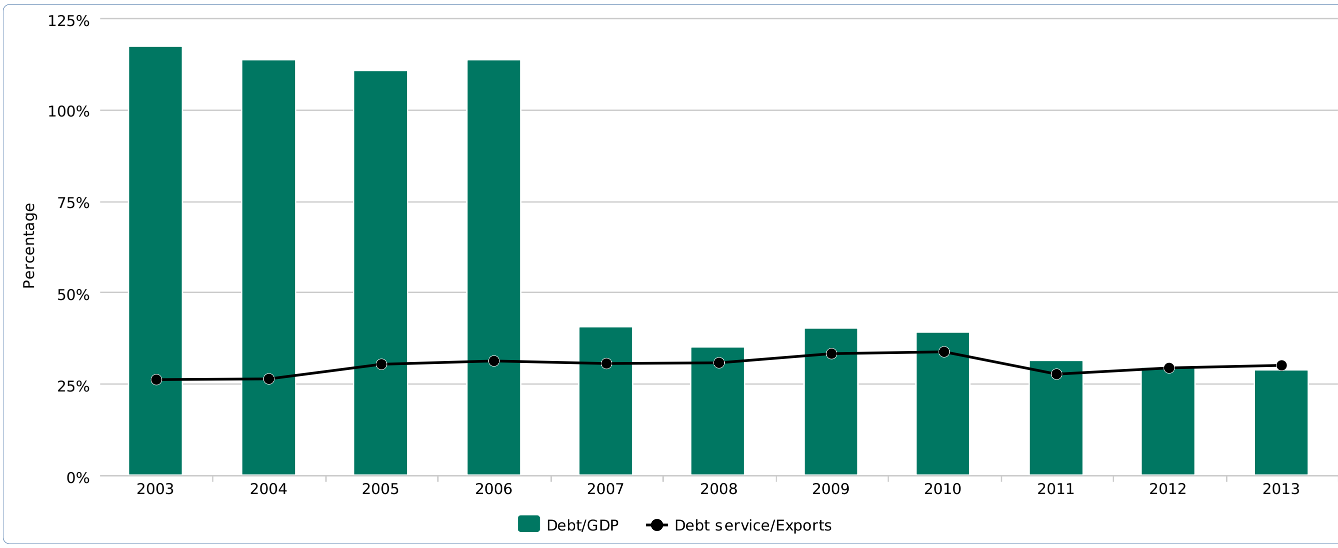
Gambia continues to be a heavily indebted country with a large fiscal deficit leading to a surge in domestic debt, estimated at 22.7% of GDP for 2011. The stock of external public debt is also high although it was estimated to have decreased from 33.6% of GDP in 2010 to 32.9% in 2011 and then projected to decrease further to 32.4% in 2012 and 31.8% in 2013 thanks to the fiscal policy and the government's efforts to reduce external debt. Interest on foreign and domestic debt in 2011 is estimated to have accounted for 22.5% of public revenues with 18.5% of revenues used up by domestic debt service alone. As a result, the servicing of domestic public debt is having a crowding-out effect on domestic investment and expenditures related to poverty alleviation. Outstanding Treasury bills, accounting for 74.0% of the debt stock, rose to USD 6.8 billion in September 2011 compared to USD 5.5 billion in September 2010.

Despite having reached the completion point in 2007 of the Heavily Indebted Poor Countries (HIPC) initiative, The Gambia remains at high risk of debt distress. As measured by the Country Policy and Institutional Assessments (CPIA) index, this situation shows several vulnerabilities such as a low export base, concentration on a small number of commodities, susceptibility and sensitivity to shocks (e.g., droughts and price volatility).

To address the high cost and risks of this debt, the government has taken bold actions to curb new domestic borrowing with a strong initial step in 2012. The government aims to exercise strong fiscal discipline and minimise its domestic financing needs. The principal goal of the monetary-policy framework is to ease the domestic-debt burden by gradually reducing new domestic borrowing to about 0.5% of GDP by 2014. By severely controlling spending, new domestic borrowing is on target to be just over 2.5% of GDP in 2011, less than about 4.5% of GDP in 2010.

The government's efforts in improving its debt-management capabilities are paying off and are expected to eventually lead to the improvement in the country's debt rating. The government will continue in its efforts to finance its infrastructure-investment plans through grants and concessional loans. It is also planning to examine opportunities for establishing public-private partnerships.

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



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Economic & Political Governance

Private Sector

The private sector, employing over 50% of the labour force, is vibrant in The Gambia. The government continues to seek a larger role for it in the economy by maintaining few restrictions on investment. Telecommunications and port-transport infrastructure are the main areas in which the private companies are involved. Their participation in telecommunications has enabled the country to have a well-developed telecommunications infrastructure. The role of the private sector in telecommunications will be further enhanced following the planned re-privatisation of the government-owned mobile-phone company, Gamcel. The government is examining various options for private-sector participation in the financing and operation of the ACE submarine-cable project. Access to finance is the major constraint to private-sector development. Limited credit (around 17% of GDP), the high cost of credit and the high-interest spread are detrimental to growth of the private sector, and this in turn reduces investment in some fields such as manufacturing. The Gambia Investment and Export Promotion Agency received 13 investment proposals with a combined value of USD 60 million in October 2011. In 2011, to enhance investment in micro, small and medium-sized enterprises (MSMEs), the government launched a project called "The Matching Grant Facility", which is a sub-component of the World Bank-funded Growth and Competitiveness Project. This project also aims to help the private sector to create jobs and to grow and become more efficient.

The country's ranking in the *Doing Business* report deteriorated from 145 in 2011 to 149 in 2012. However, the 2012 indicators also show that the ranking for Getting Electricity, improved by 10 places and the country moved from the 137th place in 2011 to 127th place in 2012. Indeed, to enhance its electricity-generating capacity and reduce its cost which is considered a constraint on private-sector development, the Gambian parastatal National Water and Electricity Company (NAWEC) has received funding from international donors, the Islamic Development Bank (IsDB) in particular. To a lesser extent, ranking for Trading Across Borders improved by two places following the implementation in 2011 of the Automated System for Customs Data.

With regard to foreign investment, The Gambia is making efforts to attract foreign direct investment (FDI). FDI is not, however, allocated to high-risk and/or labour-intensive sectors such as agriculture. According to IMF estimates, FDI is projected to grow in 2011 to reach 6-7% of GDP as a result of the scheduled increase in the minimum capital requirement for commercial banks and is projected to decelerate to about 5% of GDP every year starting in 2012. Regulations are flexible in this area; foreign and domestic investors are treated equally and there are no limits to foreign ownership except in some critical operations.

Financial Sector

Financing is mostly short-term through commercial banks for trade and short-term economic activities. There is neither a stock exchange nor a capital market in The Gambia. However, banking is the best performing sector in The Gambia. In general, banks are adequately capitalised and liquid, with the average risk-weighted capital adequacy ratio reaching 27.1% in September 2011, well above the 8% minimum threshold stipulated by the 2003 Financial Institutions Act. The ratio of non-performing loans to gross loans remains high, despite declining to 12.7% in June 2011 from 14.0% in March 2011. All the banks met the minimum reserve requirement of 10% in 2011. These achievements follow the CBG's efforts to build its capacity to monitor commercial banks and to improve the performance of the Credit Reference Bureau which started operations in 2010. The banking sector has expanded at a rapid pace in recent years. Between 2007 and early 2010, the number of banks doubled to 14, helping to fuel a deepening of financial intermediation. The three largest banks control about half the market. The new banks are mostly foreign-owned, which also generated substantial FDI. In 2011, only one bank was majority-owned by Gambian nationals.

Some commercial banks continue to incur losses, presumably because of poor risk-management practices, lack of credible credit information on clients and difficulties in debt collection**.** With IMF technical assistance, the CBG has recently taken steps to strengthen supervision by introducing an IT platform to automate the processing of regulatory returns and off-site supervisory analyses, enhancing its macro-prudential analysis capacity and establishing a more efficient system infrastructure for payments. The Real Time Settlement System and the automated cheque-processing and -clearing systems were launched in December 2011, and the security-settlement system was planned for the first quarter of 2012. The CBG also plans to migrate from a hybrid (compliance and risk-based) to a fully risk-based supervisory framework that would help prioritise stretched supervisory resources to identified areas of concern.

Public Sector Management, Institutions & Reform

The main priority for reforms is to stem losses originating from the weak performance of public enterprises, in particular the Gambia Groundnut Corporation and the NAWEC, whose production costs are the highest in the continent. In addition, the NAWEC lacks financial stability and faces regulatory challenges such as cost recovery and automatic cost-of-fuel adjustment in electricity tariffs. The government will work closely with the World Bank to resolve these problems and establish an effective energy strategy. In addition, a new Institutional Development Fund grant will provide continued assistance for public management reform in The Gambia.

A Civil Service Reform Strategy (2008-12) had envisaged key reforms related to civil-service salaries and performance-evaluation systems. The full success of the measure, however, has been constrained by the reduced fiscal space available to apply the originally designed pay reform (the planned increase was 68%). Integration of the human-resources information system with the payroll system in IFMIS and the application of an effective performance-appraisal system in key sectors are on-going.

Governance remains a major issue in The Gambia. Nonetheless, according to Transparency International, there has been notable improvement in the fight against corruption and lack of transparency for the last four consecutive years. Indeed, The Gambia recorded significant progress between 2008 and 2011 as the Corruption Perception Index (CPI) almost doubled from 1.9 to 3.5 during the period. The country's global ranking witnessed a remarkable improvement from 158 in 2008 to 77 in 2011. This new ranking is consistent with a similar, albeit less dramatic improvement noted by the Mo Ibrahim Index, according to which the ranking of The Gambia amongst African countries has been improving. In 2011, The Gambia scored 52 (out of 100) for governance quality and is ranked 24th out of 53 countries. It scored higher than the regional average for West Africa (51) and higher than the continental average (50).

Lastly, the 2012 Index of Economic Freedom score is 58.8, which makes the Gambian economy the 94th freest country worldwide. Its overall score is 1.4 points higher than in 2011, reflecting significant improvement in the investment climate and freedom from corruption.

Natural Resource Management & Environment

Deforestation is a major challenge facing The Gambia, where over 90% of households have to meet their primary energy needs by biomass. Periodic floods also add to the land-degradation problems. The government plans to declare a 100-meter protection zone in the vicinity of all waterways. An inter-ministerial dialogue on climate change has been set up to co-ordinate actions and policy alignments by four key ministries (Ministries of Agriculture, Forestry, Water and Energy).

The national development strategy has been based on Vision 2020 and the PRSP II. An agriculture and natural-resource policy has been implemented with an accompanying investment plan. The National Medium Term Investment Programme was prepared within the framework of the New Partnership for Africa's Development's Comprehensive Africa Agriculture Development Programme and the FAO.

The National Environmental Agency has adopted the Gambia Environmental Action Plan (GEAP) and a number of thematic technical working groups comprising major stakeholders have been set up to facilitate its implementation. The agency faces a number of challenges, however, including weak implementation capacity, lack of integration of the environment in the macroeconomic framework and lack of decentralised government policy. The latest Environmental Sustainability Index for the Gambia dates back to 2005. But according to the GEAP and the Environmental Protection Agency, the quality of the environment has been sustained since this date.

Political Context

Lieutenant Yahya Jammeh, who came into power through a coup in 1994, won multi-party presidential elections in 1996, 2001, 2006 and in the latest elections held on 24 November 2011 with a clear majority of 71.54%. Legislative elections followed on March 29, 2012, which gave the president's party, the Alliance for Patriotic Reorientation and Construction (APRC), 43 of the 48 seats in Parliament. Gambia's November 2011 presidential election was judged by the Commonwealth Election Observer team, as free, fair and transparent. Nevertheless, the opposition reports that it suffered from intimidation and media manipulation in favour of the ruling party, the APRC, during the elections. The electoral process also drew criticism from ECOWAS. The latter refused to send an observer mission to the country, as it did not view the political environment as being conducive to free, fair and transparent polls. The president's re-election is not surprising, given the ability of his party, the APRC, to successfully attract popular support by using the stick-and-carrot strategy quite effectively. The two other parties, the United Democratic Party and the National Reconciliation Party were not well-organised and failed to co-ordinate their efforts and establish an electoral alliance. For similar reasons, the parliamentary elections were won largely by the APRC and it is expected that the local government elections scheduled for early 2013 will deliver the same result with the majority of votes going to the APRC.

Social Context & Human Development

Building Human Resources

According to the latest Millennium Development Goal (MDG) Report Card (September 2010), The Gambia is amongst the top four African countries having accomplished progress relative to the MDGs. The 2011 UN *Human Development Report* has ranked The Gambia 168th out of 187 countries based on the Human Development Index (HDI). Although the ranking represents some deterioration since 2005, it is still higher than the rankings for many countries in the region including Côte d'Ivoire, Mali, Guinea, Guinea-Bissau, Sierra Leone and Liberia.

In fact, the country's social indicators remain low. The maternal mortality ratio (MMR) is as high as 400 deaths per one hundred thousand live births because of the distance of health facilities and poor road infrastructure, and The Gambia is not likely to meet MDG 5, "improve maternal health", by 2015. Although the gross primary-secondary enrolment ratio has improved since 1991 according to 2010 UN data, it stood at 71% during 2005-10 (excluding the traditional religious school, Madrassa) and the country is on track to meet MDG 2, "achieve universal primary education", by 2015. The infant mortality rate was estimated in 2011 at 71.67 deaths per one thousand live births, which leaves the country still far from reaching the targets of MDG 4, "reduce child mortality", by 2015. The death rate from malaria is 97 per one hundred thousand and the risk of infectious disease is very high in The Gambia despite its 90% immunisation coverage. While The Gambia is committed to achieving the targets of MDG 6, "combat HIV/AIDS, malaria and other diseases", on malaria, it is not likely to meet this target by 2015. Similarly, insufficient progress has been made to meet the MDG 6 component related to HIV/AIDS.

Capacity is a real systemic constraint in The Gambia. The skills shortage is being compounded by a steady flow of qualified emigrants to other African countries, Europe and the USA. The impact is being felt more in state institutions, where salary erosion has lessened the attractiveness of middle-to-senior-level government posts. Rectifying this requires capacity building, but it also needs to be accompanied by wider institutional reforms aimed at retaining key staff and making government more efficient. It is, however, reassuring to note that PRSP II allocations as a proportion of the Gambia Local Fund increased between 2009 and 2011 from 33.4% to 35.4% and 39.4%, respectively, over the three years. This includes expenditure on health and education, which are important in building and maintaining human resources.

Poverty Reduction, Social Protection & Labour

Under the broad strategy of Vision 2020, the Gambian government is committed to reduce poverty and lift the country up to the ranks of middle-income countries, and it has endeavoured to implement its PRSPs I (2003-05) and II (2007-11). Poverty remains prevalent across regions in the country, however. Between 2003 and 2008, the poverty rate only dropped by 3% during the whole period, far below the annual target of 2% as set out in the PRSP II.

To improve these results, the government has prepared the PAGE, which would succeed the current PRSP II. The PAGE has been submitted to the Bretton Woods institutions and will be presented to development partners for endorsement in May 2012. The new programme envisages scaling up infrastructure investment. The Ministry of Trade, Employment and Regional Integration has been tasked with the responsibility of reviewing and assessing the quality of the investment plans of line ministries and state-owned enterprises to ensure that all investment efforts will profit the Gambian people. Although the new programme is still in its early stages, it is clear that substantial financial resources will be required to meet the medium-term investment plans. The government's strategy in raising new resources includes harnessing private-sector participation in viable sectors, realising savings from reduced interest costs on domestic debt, and lowering interest on external financing with improved debt management and PFM reforms.

Labour legislation in The Gambia (the Labour Act) imposes restrictions on the right to organise and strike, and civil-service employees are denied the right to strike. Restrictions also exist on the number of maximum working days per week (5 days) and maximum working hours per day (8 hours) with the exception of the seasonal increase in production for which a 50-hour workweek is allowed for 2 months a year.

Child labour exists in the country and there have been reports of trafficking in women and children. The government is generally supportive of development initiatives by NGOs and local communities. The emergence of the Pro-Poor Advocacy Group (Pro-PAG), an NGO involved in advocacy, has been an important development in this regard.

Gender Equality

Women still face inequality in The Gambia. They are predominantly employed in the informal sector and make up only 21% of the civil service. The majority (70%) of women are engaged in low-productivity rural subsistence agriculture. In addition, women's participation in decision making remains low: between 1990 and 2010, The Gambia recorded a decline in the proportion of women in parliament to 13%. In addition, microfinance institutions charge high interest rates that reduce women's opportunities. To ensure that women are accorded equal opportunity and equal rights in the field of employment, the government has undertaken a commitment to gender-responsive policy and has formulated a gender policy: the Gambia National Gender Policy (2010-20). The Women's Act 2010 combines The Gambia's international and national commitments within a comprehensive legal framework.

With regard to social indicators, the country has almost achieved gender parity in primary education but gaps still exist in secondary education (the ratio of female to male secondary enrolment was 94.64 in 2010). However, positive measures are on-going in this area: for example, the government, with support from the UNICEF, has set up the Girls' Education Trust Fund to provide financial grants to girls from poor homes. This will help The Gambia to meet MDG 3, "promote gender equality and empower women", by 2015.

Thematic analysis: Promoting Youth Employment

High unemployment and underemployment, particularly amongst women and youth is one of the major causes of poverty in The Gambia. Youth unemployment is estimated at over 40%, three times higher than amongst other adults. Young workers are employed in low-quality jobs and in high levels of informality. The most important sources of youth employment are agriculture in rural areas (82%, versus 16% in urban areas) and the services sector in urban areas (accounting for almost 65% of employed). Female youth are less likely to be employed, and more likely to be inactive (31%, against 27% for male youth). They are also much more likely to be self-employed (46%, versus 32% for male youth).

This high rate of youth unemployment is explained by many factors such as skills mismatch and the weak links between the educational system and the requirements of the labour market. Youth face a very difficult transition from school to work and very low levels of education and training, and many of those who do receive high-quality education and training choose to emigrate. In addition, the significant rate of early drop-out (especially in rural areas), failure to change the approach of young job-seekers towards self-employment mainly because of restrictions in access to finance and the limited extent of the market as The Gambia's formal employment sector, which is very small, employing just over 10% of the labour force, are factors that have contributed to increase youth unemployment in The Gambia.

Therefore, acute unemployment and poverty amongst youth have led to illegal immigration to Europe by dangerous sea-borne attempts and have provoked social tensions. Many efforts to reduce poverty have been made in The Gambia over the last several years. These attempts include farm and non-farm initiatives to provide opportunities to women and youth in order to enhance their productive capacity and increase their income-earning potential. Another UN special project, Fight Against Social and Economic Exclusion (FASE), was also launched within the framework of the National Poverty Alleviation Programme, and was implemented from 2000 to 2007. The main objective of the FASE project is to empower women, youth and the individual micro and small entrepreneurs to analyse their situation, identify priority actions, and seek technical and financial support on the one hand, and to enhance national capacity to implement policies to reduce income poverty and strengthen synergy amongst poverty programmes in order to meet the needs of target groups adequately, on the other hand.

With the objective of placing employment at the centre of all development frameworks including the formulation and implementation of the national PRSP, the government has formulated GAMJOBS 2007-11 with the technical assistance of the International Labour Organization (ILO). The programme seeks to make the National Employment Action Plan more operational and to promote the creation of employment opportunities for the young.

The aim of GAMJOBS is to develop a "skilled, versatile, dynamic and efficient workplace", support the creation of opportunities for the young and encourage their self-employment in both the formal and informal economy. This is within the context of Vision 2020 and the PRSP II, which focus on the creation of an enabling macroeconomic environment for economic growth and the improvement of the poor and the vulnerable's productive capacity to achieve increased access to basic services on the one hand, and the development of social protection and national empowerment through decent and productive employment on the other hand.

GAMJOBS has four main priorities including: *i)* mainstreaming employment in macroeconomic, sector and social policies; *ii)* strengthening labour-market policies and institutional reforms; *iii)* establishing a Gambia Enterprise and Skill Development and Training Fund (GETFUND) for employment and job creation; and *iv)* promoting labour-intensive technologies in the Public Works Project to create employment and sustainable livelihoods.

In 2010, the Gambian government implemented an employment policy (2010-14) to help create respectable employment for youth and women, promote youth and women's entrepreneurship, facilitate and create more employment and opportunities, and help youth and women to access finance. In order to address access and equity considerations, access to technical- and vocational-education training programmes will be facilitated for women and vulnerable persons. The new PAGE 2012-15 will succeed PRSP II 2007-11. PAGE is an ambitious programme to accelerate growth and reduce poverty and unemployment. It will nonetheless face financing challenges, and its implementation will depend on public financial management.