



Analysis of the business environment in Least Developed Countries

The Gambia

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International Organisation of Employers | Organisation Internationale des Employeurs | Organización Internacional de Empleadores

The Gambia

Region
West Africa

Population
2 705 992

Demographic growth
2.5%

Average income (2020)
696 USD

Human Development Index:

174 out of 191 countries. Human development index of Gambia increased from 0.42 index in 2002 to 0.5 index in 2021, growing at an average annual rate of 0.99%.

Economic membership

Economic Community of West African States

Economic overview

The Gambia has a young population (In 2020, the median age was 17.8 years, and about 43.95 per cent of the total population was aged 0 to 14 years¹) with a rapidly growing working-age (15 and 64) population but low labour force participation rates of 60.54 per cent², and high unemployment undermine this demographic dividend.



The Gambia's workforce is underutilised. The unemployment rate among those aged 15–35 is 41.5 per cent, and unemployment is especially high in rural areas, indicating a lack of job opportunities beyond the agricultural sector. Young workers who are neither employed nor in education or training (NEET) are around 57 per cent of this age group and are at risk of economic and social exclusion³. Forty-three per cent of the working-age population lives in rural areas, but only 35 per cent of employment is located there.

The services sector is the largest provider of regular employment in The Gambia at 54.44 per cent, with public administration, transportation and tourism, and trade. The industrial sector employs 16.04 per cent, and the agricultural sector employs 27.03 per cent. The impact of the pandemic has hindered or reversed poverty reduction in 2020,

with most households reporting declining income from agriculture and fishing, non-farm businesses, and salaried employment. The tourism sector is the fastest-growing sector and a leading foreign exchange earner⁴. The Gambia already has a strong base in the tourism sector, which could play an important role in future job creation.

The manufacturing industry in the country is underdeveloped, limited to small and medium enterprises (SMEs), whose manufacturing base focuses mainly on the domestic market and utilising a limited range of skills and technology. The sector still has huge potential as the country imports ceramic tiles and sanitary fitting, among other products. The foundry industry, which utilised scrap metal in producing metal plates and finished iron used in construction and small repair workshops, offers considerable opportunities. The country's

¹ O'Neill, A. Age structure in the Gambia 2020. Statista. 2021

² <https://www-statista-com/statistics/993827/labor-force-participation-rate-in-gambia/>

³ THE GAMBIA ECONOMIC UPDATE Preserving The Gains. Worldbank. 2020.

⁴ Federico Inchausti-Sintes. 'Modelling The Economics Of Sustainable Tourism' [2021] Journal of Sustainable Tourism.

strategic location means that it has the potential to export to regional markets⁵.

Challenges faced by the private sector

- **Businesses have a limited pool of skilled population and cannot retain skilled labour.**

The Gambia is experiencing a high migration of its people to foreign nations, and the emigration of its skilled population, which reached 10 per cent of the population in 2019, represents a significant challenge⁶. Businesses face the human capital challenge of very limited capacity, technical and trade skills, and industry knowledge. The low literacy rate, which stands at less than 60 per cent, limits the amount of skilled labour accessible in the economy, despite the proliferation of skills training centres and academies in the market.

- **Poverty and its human capital implication:**

Nearly 48 per cent of the Gambia's population lives in poverty. This is closely connected to deficits in human capital accumulation, low levels of education which reduce chances of employment and keep wages low, and limited access to basic transport and electricity infrastructure, and credit facility⁷.

- **The large informal and low-productivity economy:** The prevalence of self-employment reflects the economy's large informal sector and the high proportion of low-productivity subsistence jobs. About 50 per cent of the employed population operates in the informal economy.

- Challenges to developing agriculture and agribusiness in The Gambia include a lack of an enabling environment for agribusiness development, low productivity, weak access to markets, and lack of quality, sanitary, and phytosanitary control systems.

- **High-interest rates and poor access to credit:** Commercial bank lending rates are very

high, making access to credit impossible for entrepreneurs and potential investors. Hurdles to accessing credit, in addition to high-interest rates and excessive proof of liquidity deposit demands, have made it particularly difficult for small and medium enterprises (SMEs) to access capital within The Gambia.

- **Poor Infrastructure:** Opportunities for private sector growth are limited by the government's lack of investments in infrastructure.

- **Energy:** Frequent power outages pose risks for companies operating without backup power hindering businesses' operational efficiency. The Gambia lacks the energy infrastructure necessary to support advanced commercial activities, with nearly 50 per cent of the population lacking access to electricity. Electricity supply is characterised by frequent blackouts despite the high cost of energy. Energy costs in The Gambia are among the highest in the sub-region at approximately 25 cents per kilowatt hour (kWh). The blackouts are largely due to transmission losses because of dilapidated equipment. While the National Water and Electricity Company (NAWEC) has significantly improved its operational and financial performance, customers still face an erratic supply of water and electricity.

- **Telecommunication:** Operating costs are high, and the service provided is slow, poor, and subject to blackouts due to constant maintenance. High data tariffs and interruptions in internet services hinder businesses' operational efficiency.

- **Transports (Roads):** The road system is heavily trafficked, poorly maintained and can become impassable during the rainy season due to lack of drainage. Twenty new urban roads are set to be constructed across the Greater Banjul Area, and the main highway running north and south is set to be expanded into a modern

⁵ <https://www.worldatlas.com/articles/what-are-the-biggest-industries-in-the-gambia.html>

⁶ <https://www.worldatlas.com/articles/what-are-the-biggest-industries-in-the-gambia.html>

⁷ The Gambia Economic Update : Preserving the Gains, 2020

four-lane road with sidewalks for pedestrians. Timelines for when these projects will be finished are not yet confirmed. The recently constructed Senegambia Bridge, connecting northern and southern Gambia across the river, has provided a vital step in developing the Trans-Gambia corridor within the Economic Community of West African States (ECOWAS).

• **Disputes over land ownership and use are a significant problem:**

The Lands Office, responsible for recording and maintaining deeds, relies on an outdated manual record-keeping system, with no digitisation of land records, hindering efficiency and effectiveness and exacerbating land ownership conflicts. Land registration records are unreliable and difficult to enforce—disputes over real property ownership are difficult and time-consuming to resolve.

• The closure of schools and other learning institutions during Covid19 lockdown has resulted in learning losses, which could affect human development outcomes in the long term. The limited digital infrastructure available and the lack of ubiquitous and easy access to technology hampered the possibilities of online learning during this period.

• There are too many unregulated municipal and local taxes impacting small-business owners, especially those in the informal sector⁸.

• Taxes levied on SMEs are exceptionally high and have thus stifled growth prospects, with companies paying about 51 per cent of their profit and duty taxes approaching 100 per cent-200 per cent on certain materials and products.

• The private sector experiences challenges navigating a complex and unpredictable banking system, with currency shortages and highly restrictive access and uses of foreign currencies.

Private sector policy recommendations

• Government should develop a comprehensive plan that promotes increased private participation in key sectors of the economy through privatisation, concession agreements etc., in key sectors, including energy, transportation, water, and telecommunications.

• Government should engage the private sector in investment, management and upgrade the port of Banjul, which could create a new trans-shipment hub for the region and one step in the development of the Trans-Gambia corridor within the Economic Community of West African States (ECOWAS)⁹.

• The government should engage the private sector in developing and financing a manufacturing sector strategy that exploits the substantial regional market with established distribution channels formed through the existing re-export business.

• Government should encourage private sector investment in the agricultural sector by improving infrastructure, weather tracking, satellite imaging, and other sophisticated technological solutions (including artificial intelligence) that will modernise agriculture. This will help to create an agricultural sector that is more environmentally attuned and resilient to climatic shocks. Agriculture will then be better able to meet national goals of food self-sufficiency, creation of new export markets and employment.

• The national environmental agency should educate farmers on the means of mitigation of climate change, such as resilient ecosystems, water harvesting, usage and management of soil fertility¹⁰, advanced irrigation techniques to produce high-value and high-yielding

⁸ Republic of The Gambia Zero Hunger Strategic Review 2018: A National Guide to Achieving Sustainable Development Goal 2 by 2030.

⁹ Raphael Kolade Ayeni, 'Determinants Of Private Sector Investment In A Less Developed Country: A Case Of The Gambia' (2020) 8 Cogent Economics & Finance.

¹⁰ Fatou Bojang and others, 'Farmers Perceptions About Climate Change, Management Practice And Their On-Farm Adoption Strategies At Rice Fields In Sapu And Kuntaur Of The Gambia, West Africa' (2020) 09 American Journal of Climate Change.

crops, boost exports, and provide high-value employment for many skilled workers, especially women.

- Local, municipal, and government taxes should be harmonised to enhance the growth of small businesses in both formal and informal sectors.
- Government should develop policies to improve the labour market, including facilitating formalisation. Policies to support businesses, such as temporary grants or subsidised loans, can encourage formalisation and private-sector investments.
- The provisions in the ECOWAS Common External Tariffs should be fully exploited to give smallholder farmers an advantage in the market during certain periods of the year with specific produce/sectors such as poultry, onions, Irish potatoes, milk, etc.
- Government should increase investment in the electricity transmission which links the Eastern and Northern parts of the country; it will also open doors to West Africa's power networks by enabling cross-border energy trading, including under the Gambia River Development Organization (OMVG) project, uniting The Gambia, Guinea Conakry, Senegal, and Guinea Bissau to harness the water resources of The Gambia River

Basin to produce low-cost renewable energy for the member countries¹¹.

- Public-private partnerships should be explored to construct new hotels, roads, and other amenities that will attract more tourists and help rebrand the country's tourism offerings. Diversification into eco-tourism, water sports and non-conventional activities in inland regions will help reduce employment seasonality and expand opportunities to lagging regions.
- There should be continued investments to promote access to education, especially for the most vulnerable and in digital infrastructure. Publicly supported programmes, such as EMPRETEC and the Youth Empowerment Programme (YEP), must be strengthened and expanded to enable young people to acquire entrepreneurial skills for self-employment.
- Government should partner with and encourage private sector participation in developing the country's digital infrastructure, E-commerce, and technology capabilities. This can be achieved through PPP, low-interest financing, and tax incentives. This will improve The Gambia's resilience, and young entrepreneurs could find job opportunities in the digital space that can be conducted remotely.

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¹¹ The Gambia's Pathway to Prosperity Keynote Address by IMF Deputy Managing Director Tao Zhang, 2019.



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