

Economic Reform and Poverty in The Gambia

A Survey of Pre- and
Post-ERP Experience

Cathy L. Jabara

CORNELL FOOD AND NUTRITION POLICY PROGRAM

MONOGRAPH 8 • DECEMBER 1990



The Cornell Food and Nutrition Policy Program (CFNPP) was created in 1988 within the Division of Nutritional Sciences, Cornell University, to undertake research, training, and technical assistance in food and nutrition policy with emphasis on developing countries. The Nutritional Surveillance Program (NSP), which was formed in 1980 with support from the US Agency for International Development, is part of CFNPP.

CFNPP is funded by several donors including the Africa Bureau and the Nutrition Office of the Agency for International Development, UNICEF, the Pew Memorial Trust, the Rockefeller Foundation, the Government of Indonesia, and the World Bank

CFNPP is served by an advisory committee of Cornell faculty from the Division of Nutritional Sciences, the departments of Agricultural Economics, Rural Sociology, and Government, and the Program of International Agriculture. Several faculty members and graduate students collaborate with CFNPP on specific projects. The CFNPP professional staff includes nutritionists, economists, and anthropologists.

Economic Reform and Poverty in The Gambia

**A Survey of Pre- and
Post-ERP Experience**

Cathy L. Jabara

CORNELL FOOD AND NUTRITION POLICY PROGRAM

MONOGRAPH 8 • DECEMBER 1990

At the time of going to press some government ministries in The Gambia were reorganized and some names may have changed.

Table of Contents

List of Tables	v
List of Figures	vii
Currency Equivalents	ix
Abbreviations	ix
Preface	xi
Executive Summary	xiii
1. Introduction	1
BACKGROUND	1
ORGANIZATION OF THE REPORT	2
2. Economic Background	3
THE OVERALL SETTING	3
ECONOMIC STRUCTURE	4
INTERNATIONAL TRADE AND EXCHANGE RATE POLICIES	7
EMPLOYMENT AND INCOMES—AGRICULTURE	10
EMPLOYMENT AND INCOMES—NONAGRICULTURAL SECTOR	20
3. Poverty in The Gambia: Nutritional, Educational, and Health Profile of Gambian Households	27
NUTRITION PROFILE	27
EDUCATIONAL PROFILE	38
HEALTH PROFILE	39
4. The Policy Environment and Background to the ERP, 1979/80 - 1984/85	43
PRE-ADJUSTMENT: 1974/75 - 1979/80	43
LIMITED ADJUSTMENT: 1979/80 - 1981/82—FINANCIAL INFLOWS AVERT COLLAPSE	46

MODERATE ADJUSTMENT: 1982/83 - 1984/85-ECONOMY APPROACHES COLLAPSE	47
5. Economic Recovery: 1985/86 to Present	51
BACKGROUND	51
THE ECONOMIC RECOVERY PROGRAM: 1985/86	55
EXTERNAL FACTORS, ECONOMIC REFORMS YIELD HIGHER INCOMES: 1986/87	58
GOTG CONTINUES SUCCESSFUL REFORMS: 1987/88-1989/90	61
SUMMARY: STRUCTURAL ADJUSTMENT AND THE ERP	62
6. Economic Growth, Real Incomes, and Prices Under The ERP	73
BACKGROUND	73
THE ERP AND ECONOMIC GROWTH	74
URBAN FORMAL-SECTOR INCOMES UNDER THE ERP	76
AGRICULTURAL POLICY REFORMS, RURAL INCOMES, AND THE ERP	80
CONSUMER PRICES AND THE ERP	96
PUBLIC EXPENDITURE AND REVENUES	100
FINANCIAL REFORM, CREDIT POLICY, AND INCOME DISTRIBUTION	111
7. Conclusions and Suggestions	115
References	119

List of Tables

Table 1	– Population Growth, 1973-83	4
Table 2	– Gross Domestic Product, by Sector, 1974/75 and 1988/89	5
Table 3	– Composition of Exports and Imports, 1978/79 and 1988/89 (Millions of Dollars)	8
Table 4	– Estimated Production of Principal Crops, 1974/75 and 1987/88	12
Table 5	– Average Per Capita Annual Production of Crops, by Area 1985/86-1987/88	14
Table 6	– Formal-Sector Employment, by Industry, 1983, 1986, and 1987	21
Table 7	– Basic Social Indicators – The Gambia, Middle Income Developing Economies, and Sub-Saharan Africa Compared	28
Table 8	– Availability of Foods, 1972-1987	29
Table 9	– National Nutrition Surveillance Program Results, 1987-1989 (Children under Five)	34
Table 10	– Expenditure Shares for Urban and Semiurban Households: From Low-Income CPI and Figures Compiled by UNICEF (1989)	36
Table 11	– Expenditure Shares for Rural Households, 1985/86 and 1989 (IFPRI/PPMU and UNICEF Surveys Compared)	37
Table 12	– Primary School Enrollment Rates, by Division and the Country as a Whole, 1976/77, 1983/84 and 1987/88	39
Table 13	– Exogenous Influences and Economic Adjustments, 1979/80 - 1984/85	44
Table 14	– Exogenous Influences and Economic Adjustments, 1985/86 - 1988/89	52
Table 15	– Total Labor Force and Employment, 1976-1988	77
Table 16	– Real Earnings of Formal-Sector Workers, 1979-1987 (1980=100)	78

Table 17	- Fertilizer Costs and Sale Prices in Dalasis per ton and Subsidies as a Percentage of Cost, 1974-1989	81
Table 18	- GCU Credit Program, Sources of Funds, 1982/83-1988/89	86
Table 19	- Interest Rates Charged Under GCU Credit Program, 1982/83 - 1988/89	87
Table 20	- Official Producer and Market Prices for Agricultural Commodities, 1982/83 - 1988/89	89
Table 21	- Cost Price Structure for Decorticated Groundnuts, 1978/79 - 1987/88	91
Table 22	- Rural Income and Price Indicators, 1978/79 - 1988/89	95
Table 23	- Real Public Expenditure Shares, 1975/76 - 1988/89	101
Table 24	- The Gambia: Distribution of Domestic Bank Credit, in Nominal Terms, 1984-1989	112

List of Figures

Figure 1	– Trends in Crop Production, 1974 - 1989	13
Figure 2	– Compound Income by Size of Holdings, 1982	16
Figure 3	– <i>Dabada</i> Ownership of Draft Animals by Type of Animal, 1986-1987 (Averaged)	17
Figure 4	– Persons Employed in the Formal Sector by Occupational Category, December 1987	22
Figure 5	– Sources of Urban and Semiurban Household Income by Locality, March 1989	24
Figure 6	– Calorie Consumption per Capita, 1972 - 1974 and 1980 - 1982	32
Figure 7	– Rates of Inflation, 1979 - 1989	63
Figure 8	– Variations in CPI and Nominal Exchange Rate, 1980 - 1989	64
Figure 9	– Trade Balances as a Percent of GDP 1979 - 1989	66
Figure 10	– Trends in Real and Nominal Exchange Rate Indices, 1979 - 1989 (1980=100)	67
Figure 11	– Fiscal Account as a Percent of GDP, 1974-75 and 1979 - 1989	69
Figure 12	– Debt Indicators, 1979 - 1988	70
Figure 13	– Debt Service Ratio Including Payments Owed to the IMF, 1979 - 1989	71
Figure 14	– Growth of Real Gross Domestic Product by Production Sector, 1983 - 1989	75
Figure 15	– Fertilizer Use, 1973 - 1988	84
Figure 16	– Consumer Price Indices by Quarter for Selected Products, 1985 - 1988 (March 1985=100)	97
Figure 17	– Rice Consumer Price and Cost to Retailer Varied by Duty, 1975 - 1989	99

Figure 18	- Recurrent Expenditure, 1979 - 1988 (1980=100)	105
Figure 19	- Recurrent Expenditure on Social Welfare, Ministry of Health, the Environment, and Labor, by Category, 1979/80, 1983/84, and 1987/88 (1980=100)	106
Figure 20	- Ministry of Education, Youth, Sports, and Culture Recurrent Expenditure by Category, 1979/80, 1983/84, and 1987/88 (1980=100)	107
Figure 21	- Government Revenues by Source 1979/80, 1987/88, and 1989/90	110
Figure 22	- Trends in Real Interest Rates, 1979-1989	113

Currency Equivalents

Currency Name: Dalasi (D)

US\$1.00 = D8.33 (As of March 1990)

Glossary of Abbreviations

CBG	Central Bank of The Gambia
CFNPP	Cornell Food and Nutrition Policy Program
CPI	Consumer Price Index (for low-income groups located in Banjul/Kombo St. Mary)
CRS	Catholic Relief Services
CSD	Central Statistics Department
DOP	Department of Planning, Ministry of Agriculture
ERP	Economic Recovery Program
ESAF	Enhanced Structural Adjustment Facility (IMF)
FAO	Food and Agriculture Organization
GCDB	Gambia Commercial and Development Bank
GCU	Gambia Cooperative Union
GDP	Gross Domestic Product
GOTG	Government of The Gambia
GPA	Gambia Port Authority
GPMB	Gambia Produce Marketing Board
GUC	Gambia Utilities Corporation
IBAS	Indigenous Business Advisory Service

IDA	International Development Association
IFPRI	International Food Policy Research Institute
IMF	International Monetary Fund
MEPID	Ministry of Economic Planning and Industrial Development
MOFT	Ministry of Finance and Trade
PPMU	Program Planning and Monitoring Unit, Ministry of Agriculture (since mid-1988, renamed Department of Planning)
SAC	Structural Adjustment Credit (World Bank)
SAF	Structural Adjustment Facility (IMF)
STABEX	Commodity Aid Grants from the European Community
UNICEF	United Nations Children's Fund
USAID	U.S. Agency for International Development

Gambian Fiscal Year

July 1 to June 30

Preface

Like many countries in sub-Saharan Africa, The Gambia's efforts at economic reform began in response to an economic crisis that manifested itself in a dramatic increase in the current account and budget deficits that were contributing to stagnating economic growth. While attributable to a variety of factors, including an ambitious public investment program, drought, and deteriorating terms of trade, the antecedents to Gambian structural adjustment efforts were similar to those found elsewhere in sub-Saharan Africa. Likewise, the major aspects of the economic recovery program, including exchange rate reforms, financial sector restructuring, market liberalization, and parastatal restructuring follow the standard package of activities that is being undertaken in other countries.

In detailing the genesis and characteristics of The Gambia's economic recovery program, this monograph is of particular interest because of The Gambia's distinguishing characteristics. The Gambia's small size and its overwhelming dependence on the reexport trade make for some particularly interesting opportunities and for some special constraints on economic adjustment policies. In addition, The Gambia is unusual in that its early efforts at reform were initiated by the government. Furthermore, concurrent with international financial support for The Gambia's reform program came advice and conditions laid out by donors. Arguably the policy advice that was adopted by the government contributed to some problems and helped solve others. In combination, these circumstances provide some interesting insights into the scope for and limitations of structural adjustment efforts. In particular the role of international financial institutions in formulating the price of groundnuts, the predominant cash and export crop, and of fertilizer, raises some interesting issues that are explained in detail in this study.

This monograph represents a detailed review and analysis of The Gambia's experience under adjustment. It marks the completion of the first phase of the country-case study that is part of the a larger effort by The Cornell Food and Nutrition Policy Program to understand the linkages between economic reforms being instituted by the government and the outcomes at the household level.

The work in The Gambia will culminate in another monograph that will report on the development of a model that will illustrate the impact of policy changes in key areas such as groundnut prices and government fiscal policy on urban and rural households. The entire research program on the effect of macro and sectoral policy reforms on economic performance and household welfare

is being financed by the Africa Bureau of the US Agency for International Development under a cooperative agreement with the Cornell Food and Nutrition Policy Program.

Ithaca, New York
December 1990

David E. Sahn
Deputy Director, CFNPP

Executive Summary

Following a period of relatively good performance in the early 1970s, The Gambia's economic and financial situation started to deteriorate steadily from the mid-1970s as a result of expansionary financial policies, inappropriate exchange rate policy, lax credit policy, and adverse exogenous factors. By mid-1985, the decline in the domestic economy and the gravity of the economic and financial situation persuaded the Government of The Gambia (GOTG) that fundamental changes in economic policy were required. To halt further deterioration, The Gambia adopted in mid-1985 a comprehensive economic recovery program (ERP) to stabilize the economy and to return it to a sustainable growth path. The first phase of the ERP, from 1985/86 to 1987/88, launched a number of significant reforms. These included the floating of the exchange rate, introduction of a flexible interest rate policy, reduction in numbers of public servants, tightened fiscal and monetary policies, increased agricultural producer prices, liberalization of the rice and fertilizer markets, and reorganization of the public sector. The second phase of the ERP, 1988/89 to 1990/91, is in progress and includes further administrative reforms of government ministries and parastatals, financial sector restructuring, diversification of agriculture, and liberalization of the groundnut marketing system.

The economic policy reforms implemented under the ERP have been successful in improving The Gambia's financial situation and the performance of the economy, but they also resulted in sharp changes in real incomes and prices in both the rural and urban areas. Real GDP was stagnant in the first year of the ERP, 1985/86, but it increased at a rate of over 5 percent in each of the following two years. The fiscal deficit has been reduced from 22 percent of GDP to 7 percent. Exchange rate liberalization resulted in a real depreciation of the dalasi, and a virtual doubling in consumer prices during the recovery period. But the decline in the real value of the dalasi has not been enough to eliminate The Gambia's current account deficit, which remains at roughly 20 percent of GDP. The Gambia's external debt rose from under US\$100 million in 1979 to over US\$300 million in 1988. However, official medium- and long-term loans currently account for 80 percent of this debt in contrast to the pre-ERP period when they accounted for 58 percent of external debt. Increased adjustment-induced foreign financial inflows helped to cushion the social costs of adjustment to the ERP by allowing the government to stabilize the dalasi exchange rate at lower interest rates and at a higher level of real income than would have been possible if the current account deficit had had to be eliminated.

In the first two years of the ERP, increases in agricultural (groundnut) prices relative to the prices of consumer goods helped to stimulate production of and export earnings from groundnuts. This temporarily shifted the rural-urban terms of trade in favor of the agricultural sector. This shift helped to reduce the disparity between urban and rural incomes as most of the poor in The Gambia are considered to live in rural areas. By 1986/87, real incomes earned in the agricultural sector were 50 percent above the pre-ERP level while real formal-sector earnings in the urban areas had fallen on average by 39 percent.

In the urban areas, the regular (daily-wage) formal-sector workers, whose earnings are about half those of other formal-sector workers and possibly of those employed in the informal sector, appear to have been worst hit by declining real incomes and consumer price inflation in the early years of the ERP. Consumer prices rose particularly sharply during the period between 1985 and 1988 and were particularly regressive. This was especially true of food, energy, and basic healthcare costs. The price of imported rice, the urban staple grain, more than doubled.

The reduction and elimination of groundnut subsidies since 1987/88 and the increase in civil service salaries and the minimum wage in 1989 appear to have reversed much of the previous decline in real urban salaries both overall and relative to agricultural incomes. The rural-urban terms of trade, as measured by the ratio of the groundnut producer price to the wage rate for urban daily-wage formal-sector workers was, in 1988/89, at the same level as before the ERP.

The effects of the ERP in encouraging investment and efficiency in the agricultural sector and in alleviating poverty are not clearly established. Groundnut producer price increases were temporary and did not encourage long-term investment planning. In addition, fertilizer use dropped sharply under the ERP. Moreover, farm survey data suggest that the poorest farmers, who depend the least on groundnuts for cash income, also benefitted the least from the income transfer through increased groundnut prices. This was especially true among households using purchased inputs as the poorer households had benefitted the most from past institutional input and credit subsidies. The impact of reduced cereal production on nutrition in the rural areas should also be further explored.

Real public expenditure was maintained at pre-ERP levels starting in 1986/87, but there was a shift in expenditure patterns from investment to consumption. Provision of basic services was also adversely affected by the ERP. Real public expenditure on health and education services in the recurrent (nondevelopment) budget declined by over 50 percent from 1984/85 to 1987/88. This decline occurred as the recurrent budget was reoriented toward higher

debt service payments and transfers to parastatals, which have been used for agricultural price subsidies and to repay debts owed to the banking system under agreements with the World Bank and the IMF. GOTG development expenditure for education and health has increased since 1987/88 under projects designed to improve and expand services and cost recovery in the health and education sectors.

Although the ERP has definitely contributed to economic recovery in The Gambia, material in this background study suggests that more information is needed to assess its impact on poverty. In the second phase of the current study, The Cornell Food and Nutrition Policy Program (CFNPP) plans to use available household survey data to (1) define some of the characteristics of the poorest households and (2) develop a framework through which ERP reforms can be analyzed in terms of their effects on the poor.

1.

Introduction

BACKGROUND

The Gambia's financial crisis emerged from the acceleration of investment effort in the mid-1970s under the First Development Plan (1975/76-1980/81). This plan was designed to increase investment in basic economic and social infrastructure through the use of funds largely borrowed from donors. Until that time, The Gambia had followed fairly prudent financial policies that, aided by favorable external circumstances, maintained broad equilibrium in public-sector operations and in the balance of payments.

From 1970 to 1979, the Gambian economy experienced an average real growth in gross domestic product (GDP) of 5.5 percent per year, a rate well above the apparent acceleration of population growth over the decade. However, from 1979 to 1986, due to drought, deterioration in the external terms of trade, and to economic difficulties related to overextension of the public sector during the First Plan, average real GDP growth fell to 2.6 percent per year. This latter period was characterized by a worsening economic situation and chronic imbalances in external payments and in the government accounts that forced the government to adopt limited measures to restrain the economy.

Acute shortages of foreign exchange, chronic fiscal imbalances, and a worsening economic situation forced the GOTG to adopt a far-reaching economic recovery program (ERP) in July 1985, in consultation with the International Monetary Fund, The World Bank, USAID, and other donors. The first phase of the ERP was later extended by the GOTG for two years, 1986/87 to 1987/88, with financial support from the donor community. It was followed by a second, three-year (1988/89-1990/91) phase of the ERP, now under way (World Bank, 1989).

The economic policy reforms implemented under the ERP have been successful in improving The Gambia's financial situation and the performance of the economy, but they also resulted in sharp changes in both rural and urban real incomes and prices¹. The ERP, combined with improved weather and

¹ Real incomes and prices throughout the paper are determined by deflating the nominal value by a consumer price index (CPI) based on a household and income survey in 1969 that was revised in 1974. (See description on page 35.)

increased foreign financial inflows, resulted in real GDP increasing by over 5 percent per year during 1986/87 and 1987/88. The ERP also brought about changes in production and in savings incentives, the rural-urban terms of trade, consumer prices, and labor market conditions. All these have had a fundamental effect on real incomes. For instance, high rates of consumer price inflation, a government retrenchment program, and reduced government expenditure sharply lowered real urban incomes in the early years of the ERP. At the same time, however, producer price subsidies for groundnuts boosted real farm earnings from cash crops and largely insulated the agricultural sector from the sharp decline in real income experienced in the urban areas. This trend has been reversed in the later years of the ERP, as the elimination of agricultural producer price subsidies has reduced real farm incomes from their ERP levels, while wage increases and a higher level of public and private sector activity have boosted real incomes in the urban formal sector.

It is generally agreed that the ERP has been necessary, but there is also concern over its possible impact on the poor. Because of the far-reaching and significant policy reforms under the ERP, and because of widespread poverty, the question of how policy reform has affected low-income groups is particularly pertinent in The Gambia.

ORGANIZATION OF THE REPORT

The paper begins with an overview of the economic structure of the Gambian economy, including information on rural and urban incomes. This is followed by a profile of the nutritional, educational, and health status of the population. The next two sections provide information on the economic situation in The Gambia that led to the setting up of the ERP, and on the policies and reforms implemented under the ERP. This is followed by an analysis of the trends in income, prices, and expenditure that have accompanied the ERP. The latter attempts to analyze how the various income groups have fared under the ERP using currently available information. The final section provides conclusions and suggestions for further research.

2.

Economic Background

THE OVERALL SETTING

The Gambia is one of Africa's smallest and poorest countries. It forms a small enclave in Senegal on the west coast of Africa and the per capita annual income is about US\$270. Total population was estimated at 809,000 in 1988, giving a density of 71 persons per square kilometer, the fourth highest in Africa. About two-thirds of the population is engaged in agriculture (subsistence farming, livestock raising, and cultivation of groundnuts for export). Groundnuts, the main cash crop, are cultivated primarily by men, while both men and women participate in subsistence farming. Horticultural gardens are an increasingly important source of income for women in the dry season. With the exception of approximately 2,400 hectares of irrigated rice production (less than 2 percent of cultivated land), agriculture in The Gambia is entirely rainfed. Agricultural technology is still rudimentary and extremely labor intensive.

Important limitations on The Gambia's potential for economic development include its small size and undiversified productive base. As an open economy, it is highly sensitive to shortfalls in agricultural production and to changes in the external terms of trade. The country is dependent on trade for up to one-half of its food requirements, and it imports most manufactured goods and all fertilizers, fuel, and equipment. Exports of groundnuts and groundnut products accounted for about 12 percent of foreign exchange revenues from exports of goods and nonfactor services in 1988/89. The remainder was made up from the tourist trade and The Gambia's activity in the reexport trade as an entrepôt.

A further constraint on The Gambia's development is its high rate of population growth and underdevelopment of human resources. The April 1983 census revealed that the population was growing at a rate of about 3.4 percent per annum, compared with the 2.2 percent rate derived from the 1973 census. The 1983 census revealed that considerable rural-urban migration was taking place and that the urban population was growing at about 7.0 percent per year (Table 1). There has been significant immigration to the urban Kombo/St. Mary area that borders the capital, Banjul, and to the neighboring Western Division. The rapid rate of urban population growth has placed considerable pressure on the GOTG to provide employment opportunities for urban migrants and to maintain social services, while at the same time providing adequate income incentives

Table 1 – The Gambia: Population Growth, 1973-83

Division ^a	Population		Annual Population Growth Rate 1973-83 Percent
	1975	1983	
Banjul/Kombo St. Mary	78,583	145,692	7.2
Western	91,013	137,245	4.2
Lower River	42,447	55,236	2.7
North Bank	93,988	112,225	1.8
McCarthy Island (North)	47,669	57,594	1.9
McCarthy Island (South)	54,232	68,410	2.4
Upper River	86,167	111,388	2.6
Total population	494,099	687,790	3.4

Sources: World Bank (1981); Central Statistics Department (1987a).

^a *Division, is the term used for a local government area.*

for agricultural production in the rural areas (Central Statistics Department, 1987a).

There has been considerable effort to improve access to primary education, and about 60 percent of eligible children currently attend primary school. However, the rate of adult literacy in The Gambia is estimated to be only 20 percent. Maternal and infant mortality rates remain high due to widespread seasonal malnutrition and chronic infectious diseases. The entire rural population and a significant proportion of the urban population were classified as poor in a 1985 sample survey by UNICEF. This defined poverty in terms of a relative deprivation of the means and resources to satisfy such basic needs as food, clothing, shelter, health, and education (UNICEF, 1985). However, not all investigators use the same criteria as UNICEF.

ECONOMIC STRUCTURE

The Gambian economy is heavily dependent upon agriculture, which in 1988/89 accounted for 34 percent of total gross domestic product at factor cost (Table 2). This dependence has not significantly changed from 1974/75 when agriculture contributed about the same percentage of total GDP. The importance of agriculture is actually understated in Table 2, as roughly 40 percent of manufacturing activity is related to groundnut processing, and groundnut

Table 2 – The Gambia: Gross Domestic Product, by Sector, 1974/75 and 1988/89

	1974/75		1988/89 ^a	
	Millions of Dalasis ^b	Percent ^c	Millions of Dalasis ^b	Percent ^c
	GDP Factor Cost			
Agriculture	70.5	34.6	396.2	34.1
Groundnuts	39.0	19.2	90.8	7.8
Other crops	18.9	9.3	168.6	14.5
Livestock	10.2	5.0	93.9	8.0
Fishing	1.0	0.5	36.2	3.2
Forestry	1.4	0.7	6.7	0.6
Industry	20.8	10.2	119.4	10.3
Manufacturing	6.6	3.2	66.4	5.7
Construction	12.8	6.3	48.8	4.2
Electricity/water	1.4	0.7	4.2	0.4
Services	112.2	55.1	645.9	55.6
Groundnut trade	29.1	14.3	26.4	2.2
Other trade	20.0	9.8	201.8	17.4
Hotels/restaurants	4.1	2.0	52.9	4.6
Transport/communication	12.6	6.2	126.6	10.9
Business/housing	19.3	9.5	77.1	6.6
Government	20.9	10.3	140.8	12.1
Other	6.2	3.0	20.3	1.7
Total GDP at factor cost	203.5	100.0	1,161.5	100.0
GDP market prices	222.1	...	1,489.5	...
GDP (constant 1979/80 market prices)	360.5	...	576.6	...
	GDP per Capita			
Population (1,000)	510.0	...	809.0	...
GDP (constant 1979/80 market prices)	706.8	...	712.7	...

Sources: World Bank 1985; IMF 1989.

^a Estimated.

^b US\$1.00 = D8.33 as of March 1990.

^c Percent of GDP at factor cost.

marketing and trade is an important component of the service sector. This dependence on largely rained agriculture for generating national income has made economic growth extremely dependent on climate and on changes in international agricultural prices.

Apart from agriculture, the most important features of the economy are its tourism industry and a well-developed commercial sector that has been primarily involved in the wholesale and retail trade of imported goods, petroleum products, and locally-produced manufactured and agricultural products. For most of The Gambia's history, wholesale and retail traders have been involved in the entrepôt trade, or the transshipment of imported food and consumer goods to other countries in the region. This reexport trade expanded rapidly in the 1970s, as The Gambia maintained its traditional open trade policy while neighboring countries increasingly resorted to high tariffs and quotas to protect inefficient, import-substituting domestic industries. Although the vast majority of reexports are not officially recorded, it is estimated that 30 to 35 percent of The Gambia's total goods imports are reexported (IMF, 1989). As virtually all the goods are sold for fully convertible CFA² francs, reexport activity is an important source of foreign exchange. However, this trade is illegal in the countries taking the reexported goods and thus carries some risk, so its links to the economy as a source of employment and broad-based economic growth are not well defined.

The figures in Table 2 show a significant downward trend in value added from groundnut production over the past decade. Although institutional factors have also been involved, the decline in income from groundnuts relative to cereals and livestock mainly reflects a period of low rainfall that has encouraged farmers to devote more land to drought-resistant coarse grains.

Manufacturing in The Gambia consists of groundnut processing and a few other modest resource-based enterprises, such as food processing, printing, and production of basic chemicals and building materials (World Bank, 1988). Although the manufacturing sector has nearly doubled in importance since 1974/75, it still accounts for only 6 percent of GDP.

Tourism has grown rapidly since 1981/82, as new hotel capacity has become available, and the sector has rebounded from the depressed level experienced after contractual difficulties with major charter operators and an attempted coup in 1981. Tourism has provided increased employment opportunities, but

² The CFA franc is the common currency of the seven countries of the West African Monetary Union. It is pegged to the French franc at an exchange rate of CFAF 50:1 French francs.

the net foreign exchange earned from this sector is considerably lower than gross earnings, as an estimated 50 percent of gross receipts are used to finance imported goods, including those used by the hotels (World Bank, 1985). The actual net foreign exchange receipts from tourism may actually be even less than 50 percent because tourists arrive on packaged tours that are prepaid and arranged in the originating country.

INTERNATIONAL TRADE AND EXCHANGE RATE POLICIES

The Gambia is heavily dependent on trade. It imports about half of its food supplies, all of its fertilizers, fuel, and capital goods, and most other manufactured goods. As shown in Table 3, imports of food, which have risen from 22 percent of the value of imports in 1978/79 to almost 30 percent in 1988/89, constitute the most important single import item, followed by manufactured goods. Rising consumption of rice, wheat, and sugar, particularly in the urban areas, has been an important contributing factor. However, imported foods, as well as manufactured goods such as textiles, used clothing, batteries, soap, matches, and radios, are also important in the reexport trade, and a significant proportion is reexported to Senegal and to other surrounding countries.

The Gambia's net foreign exchange earnings derive from three broad sources: exports of domestic goods, which are at present exclusively agricultural products; profits on reexports of imported food stuffs and consumer goods; and net receipts from tourism. The range of domestic exports is limited, and a single commodity—groundnut products—accounted for about 73 percent of the value of domestic exports in 1988/89. This concentration has fallen slightly since 1978/79, as declining groundnut production and efforts to diversify the economy have increased export earnings from fish and fish products, cotton, and other domestic products. As earnings from groundnuts have declined, The Gambia has become more dependent on foreign exchange earnings from the reexport trade and from tourism. Profits from the reexport trade are estimated to account for over 75 percent of The Gambia's total exports of goods in 1988/89, up from 57 percent in 1978/79. Tourism receipts have also increased from 21 percent of The Gambia's exports of goods and services in 1978/79 to 29 percent in 1988/89.

A number of factors affect the volume and value of reexports. These include purchasing power in neighboring countries and the profit margin from the reexport trade, which is determined by the international prices for goods imported into The Gambia for reexport and the degree of price distortion in neighboring countries. It also depends on the degree of border patrolling by neighboring Senegal, through which all reexport goods must pass. In the past,

Table 3 – The Gambia: Composition of Exports and Imports, 1978/79 and 1988/89 (Millions of Dollars)

	1978/79	Percent ^a	1988/89	Percent
Exports				
Domestic goods	35.1	100.0	23.8	100.0
Groundnut products	31.7	90.5	17.3	72.8
Fish and fish products	1.9	5.3	3.2	13.4
Cotton lint	...	...	.9	3.8
Other products	1.5	4.2	2.4	10.0
Reexport trade ^b	47.2	...	78.5	...
Tourism	22.4	...	41.5	...
Total exports	104.6	...	144.0	...
Imports				
Import goods	111.5	100.0	130.1	100.0
Food and live animals	24.6	22.1	40.3	31.0
Beverages and tobacco	5.0	4.5	6.6	5.1
Crude materials	2.2	2.0	1.3	1.0
Minerals and fuel	10.6	9.5	9.5	7.3
Animal and veg. oils	0.2	0.2	2.0	1.5
Chemicals	6.7	6.0	9.2	7.1
Manufactured goods	36.8	33.0	33.1	25.4
Machinery and transport equipment	24.6	22.0	26.3	20.2
Unclassified	0.8	0.7	1.8	1.4
Other nonfactor services	20.9	...	49.0	...
Total Imports	132.2	...	179.3	...

Sources: World Bank 1985; IMF 1989.

^a Export shares are percentage of domestic exports. Import shares are percentage of total imports of goods.

^b Reexport data are estimated, as at least two-thirds are unrecorded.

the reexport trade has also been affected by Gambian exchange-rate policies. As the dalasi became increasingly overvalued in the early 1980s, the reexport trade flourished since traders were able to import goods for reexport at the official exchange rate and resell the goods at the more advantageous exchange rate received on the black market. However, this led to the profits from the

reexport trade being retained outside the banking system. To stem the outflow of foreign exchange, the GOTG devalued the dalasi from D4 to D5 per pound sterling in early 1984. The dalasi was subsequently floated in January 1986, as part of the ERP.

Side by side with the reexport trade, groundnuts are also sold illegally across the Senegal/Gambia border in two-way trade that depends upon the prevailing price differential in the two countries. By law, The Gambia Produce Marketing Board (GPMB) has the sole right to purchase groundnuts from farmers and traders at its depots in The Gambia, and to engage in international trade. In the early 1980s, the GPMB's purchase prices were slightly higher than Senegal's. This attracted 10 to 20 thousand tons of groundnuts per year from Senegal that were then exported by the GPMB to earn foreign exchange (USAID, 1986). Cross-border trade flows have been reversed since the 1984/85 trading season, however, as GPMB prices have failed to match the prices paid in Senegal.

Until 1986, the outflow of groundnuts to Senegal contributed to a decline in the foreign exchange earnings available to the Government to meet its import bill and to pay foreign creditors. However, following the liberalization of The Gambia's foreign exchange market in early 1986, CFA francs earned by farmers are now deposited in the banking system where they are sold on the interbank market. To the extent that farmers receive higher prices for their groundnuts, this trade benefits The Gambia through increased foreign exchange earnings and farmer incomes. However, Hogan (1987) points out that decreased sales to the GPMB reduce the employment effects in The Gambia from marketing, processing, and transporting groundnuts.

It should be noted that although The Gambia's external trade balance has benefitted from the reexport trade, its promotion, notably under the ERP, has led to tensions with neighboring countries, particularly Senegal. The termination in late 1989 of the Senegambia Confederation, which had established certain political and economic ties between Senegal and The Gambia, has resulted in increasing restrictions along the border. Thus, dependence on the reexport trade for generating foreign exchange earnings from the reexport trade may prove to be a risky strategy in the future.

EMPLOYMENT AND INCOMES – AGRICULTURE

Production Characteristics

Over 75 percent of The Gambia's labor force is engaged in subsistence farming of rainfed crops. Crop production is organized among approximately 45,000 *dabadas*, or production work groups whose members pool labor and other resources to farm certain fields.³ The average *dabada* has 13 to 14 members (adults and children) and cultivates about 3.9 hectares using primarily traditional technologies. Annual farm surveys undertaken in The Gambia by the Department of Planning (DOP) at the Ministry of Agriculture indicate that about 70 percent of *dabadas* have access to draft animal technology (Sumberg and Gilbert, 1988).

Fertilizer use in The Gambia, which averaged 25 kilograms per hectare in 1989, is higher than in other West African countries; but it is still 75 percent below recommended usage. Fertilizer is applied to approximately 15 percent of the area sown to groundnuts and to 25 to 29 percent of the area sown to coarse grains (*ibid.*).

Responsibility for crop production is divided between men and women. Men organize the bulk of coarse grains production and are responsible for 96 percent of those fields (DOP, 1990a). Women, on the other hand, organize both swamp and upland rice production – 97 percent of swamp rice fields and 94 percent of upland rice fields are under female control. Both men and women are in charge of organizing traditional cash crop production, and women controlled 38 percent of all groundnut fields, or 22 percent of planted area in 1989 (*ibid.*).

As shown in Table 4, cash crops (primarily groundnuts) dominate crop production. Roughly 84 percent of *dabadas* cultivate this crop, which occupies about 50 percent of the cultivated area. The remaining area is parceled out among the various coarse grains, rice, and cotton. In addition to the crops shown in Table 4, the 1989/90 agricultural sample survey revealed that 13 percent of *dabadas* produce sesame and cassava (DOP, 1990a). Recently compiled information on horticultural crop production also shows that approximately 37,000 tons of tomatoes and onions were grown on 15,000 hectares under donor-funded schemes in 1989 (*ibid.*). About 90 percent of farmers also raise livestock (cattle, sheep, goats, and draft animals) and most farmers raise poultry.

³ The *dabada* is a subunit of the farm compound, which is the common term for the farm household. The farm compound consists of household members who work together and eat at the same kitchen. There may be more than one *dabada* in each compound.

Cereal production rose from 26 percent of crop production in 1974/75 to 43 percent in 1987/88. In response to successive droughts in 1980 and 1981, farmers increased production of the more drought-resistant coarse grains, relative to groundnuts, in order to increase their food security. From 1979/80 to 1982/83, area planted to coarse grains rose by 68 percent, from 42,000 hectares to 70,000, while the area planted to groundnuts rose by about 40 percent. As shown in Figure 1, coarse grain production remained fairly steady during the 1970s, but rose sharply in the early 1980s and in 1985/86 following a third drought in 1983/84. Groundnut production, on the other hand, declined in the 1970s due primarily to reduced yields in the latter part of the decade. Production increased with good weather and improved prices in 1982/83 and then fell continuously until 1986/87 when good weather and the higher producer prices instituted under the ERP reversed this trend.

Per capita crop production patterns differ among regions in The Gambia, if only slightly (Table 5). Cultivation of groundnuts as the cash crop is prevalent throughout the rural areas; however, North Bank provides a relatively larger share of production both overall and on a per capita basis. In Western Division, only 70 percent of *dabadas* cultivate groundnuts. This percentage probably reflects the off-farm earning opportunities of nearby Banjul and its surrounding urban areas. Cotton is cultivated mainly in Upper River. Rice is more widely produced in McCarthy Island, where it is grown on small irrigation schemes and on approximately 1,400 irrigated hectares of the Jahally-Pacharr Smallholder Rice Project, and in Lower River, where it is primarily grown in swamps. In North Bank, millet is the predominant food crop grown. Cultivated area per *dabada* tends to be significantly larger (5.0 hectares compared with the national average of 3.9) in North Bank due to higher rates of mechanization, and it is significantly lower in Western Division (2.0 hectares).

Growth in agricultural income and productivity has been limited by natural and institutional factors and the rate of growth has slowed. Despite the fact that 1987/88 was a good year for agricultural production, average production per person employed in agriculture was 12 percent lower in that year than in 1974/75.⁴ Agricultural production in The Gambia depends upon a single annual rainy season that usually lasts from July to October. Rains tend to be erratic and droughts frequent, so there is much variation from year to year in agricultural

⁴ Comparisons of agricultural production for single years can often be misleading. However, in this instance, if three-year averages centered around 1974/75 and 1987/88 were used, the results would be no different.

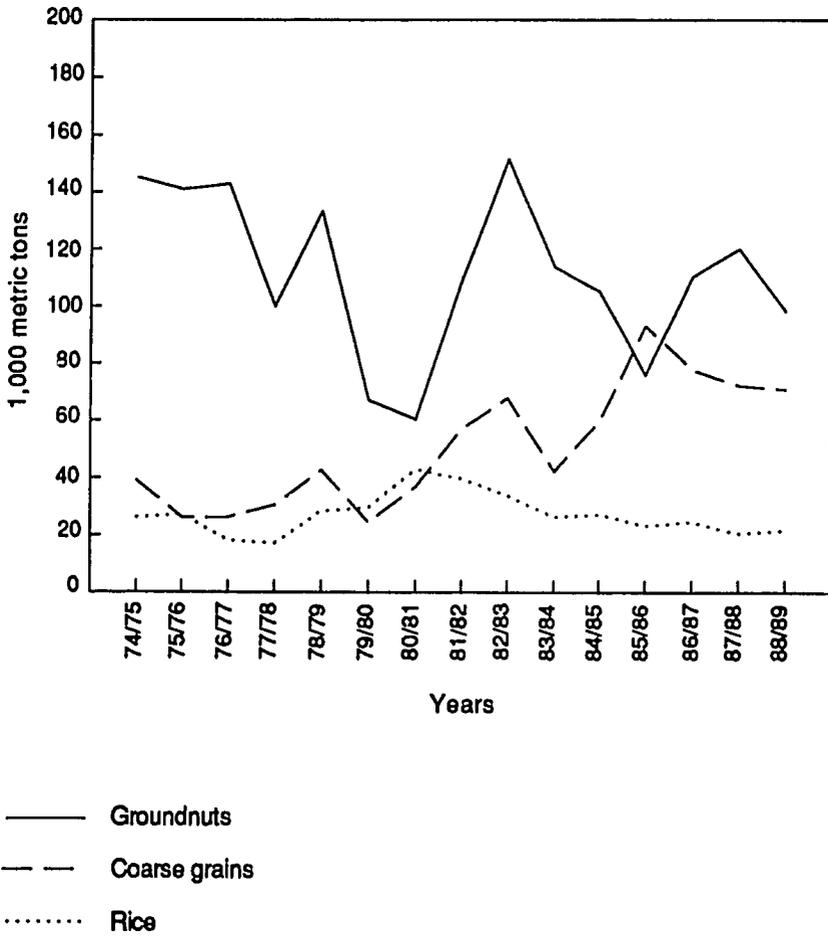
Table 4 – The Gambia: Estimated Production of Principal Crops, 1974/75 and 1987/88

	1974/75	Production	1987/88	Production
	1,000 Tons	Percent	1,000 Tons	Percent
Cereals	54.0	25.7	92.4	43.3
Paddy rice	17.4	8.3	20.4	9.6
Upland rice	4.0	...	1.4	...
Swamp rice	11.1	...	12.5	...
Irrigated rice	2.4	...	6.5	...
Coarse Grains	36.6	17.4	72.0	33.8
Early millet	6.7	...	38.2	...
Late millet	11.6	...	11.4	...
Sorghum	7.9	...	6.6	...
Findo	1.5	...	0.4	...
Maize	8.9	...	15.4	...
Cash crops	156.0	74.3	120.8	56.7
Cotton	...	...	0.8	0.4
Groundnuts unshelled	156.0	74.3	120.0	56.3
Total crops	210.0	100.0	213.2	100.0
Crop Production per Capita				
Population (1,000)	510.0	...	783.2	...
Cereal production (kg. per capita)	105.9	...	118.0	...
Labor force employed in agriculture (1,000) ^a	225.0	...	260.0	...
Cereal production (kg. per capita labor force in agriculture)	933.3	...	819.9	...
Cash crops	693.3	...	464.6	...
Cereals	240.0	...	355.3	...

Sources: World Bank (1985); Department of Planning, Ministry of Agriculture (unpublished data).

^a Based on data from the International Labor Organization.

Figure 1 – The Gambia: Trends in Crop Production, 1974 -1989



Source: Department of Planning (unpublished data, various years).

Table 5 – The Gambia: Average per Capita Annual Production of Crops, by Area 1985/86-1987/88

	Divisions				
	Western	North Bank	McCarthy Island: North and South	Lower River	Upper River
	Kilograms				
Cereals	83.38	175.18	247.21	203.70	177.77
Millet	34.57	138.84	114.89	124.43	51.67
Sorghum	11.81	1.31	8.94	1.77	48.00
Maize	14.51	17.82	34.51	16.19	65.62
Findo	0.80	0.24	0.07	0.33	0.82
Rice	21.69	16.97	88.80	60.98	11.66
Groundnut	109.01	245.96	185.64	148.30	173.22
Cotton	...	...	...	...	13.30
Total crops	192.39	421.14	432.85	352.00	364.29

Source: Department of Planning, Ministry of Agriculture (unpublished data, various years).

production and incomes. Added to this, over the longer term, The Gambia's agricultural production has suffered from a regional decline in average rainfall that has occurred over the Senegal-Guinea region (USAID, 1986).

Constraints on productivity growth also stem from the increasing pressure of population on limited arable land of good quality. Because of this, the length of the fallow periods traditionally allowed by Gambian farmers to restore soil fertility has decreased from between five to seven years to about two to three. To maintain yields, farmers have been encouraged to use more fertilizers, to switch to mixed farming, and to employ crop rotation. However, these efforts have been hindered by inefficiencies in the delivery of farm inputs (fertilizers and seeds), and credit, and by the low level of research and extension services.

Income Differentials and Agricultural Poverty

Low productivity and variability in agricultural income has resulted in a large disparity between rural and urban incomes. In 1974, it was estimated that average household income (including the value of subsistence production) in the rural areas was only 26 percent of the average income in the urban areas (UNICEF, 1985). The World Bank (1981) estimated that per capita rural

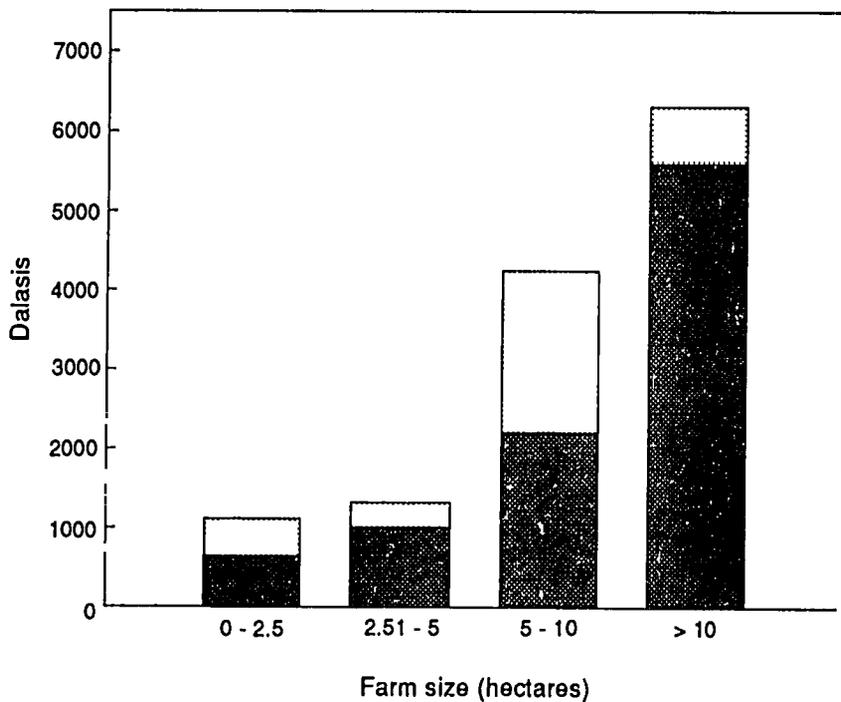
incomes were about 45 percent of income in the urban sector. More recent data collected by UNICEF from an ad hoc survey of 100 Gambian households in March 1989 indicates that per capita rural incomes are about 27 percent of per capita incomes in Banjul/Kombo St. Mary, and about 52 percent of per capita income in the semiurban areas, Farafenni and Kaur.

It has been argued that, given the pervasive poverty of the rural areas, regional differences in rural incomes and economic activity are of minor importance, especially as most agricultural activity is performed with rudimentary technology (World Bank, 1981). However, von Braun, Puetz, and Webb (1989) have argued that there are substantial differences in per capita income among households in rural Gambia that are of longer standing than is frequently believed, and that agriculture-based programs for poverty alleviation should be targeted to these poorer households, or compounds.

In support of the latter argument, the baseline survey conducted in 1982 by The Gambia Mixed Farming Project (MFP) found considerable variation in farm compound incomes and poverty and a skewed distribution of farm assets (Haydu et al., 1986). The survey found that half the farm compounds, those with the smallest cultivated areas, cultivate 26.9 percent of total cultivated land, while 10.0 percent of the largest compounds cultivate 23.0 percent of the land. Moreover, the survey found that cash income earned from crops increases in direct proportion to farm size, although off-farm earnings diminish the difference in total cash earnings between the smallest and the largest farms (Figure 2). The MFP survey also found the distribution of cattle, which measures household savings or wealth, to be highly skewed, with over 70.0 percent of compounds owning only 7.0 percent of all cattle, and 5.7 percent owning 42.6 percent of cattle. However, sixty-one percent of the households with the largest cattle herds in the North Bank Division were found to be of two ethnic groups, the *Fula* and the *Serehuli*. The latter tend to have larger compounds than other ethnic groups, so on a per capita basis cattle distribution is less skewed.

Farm compounds using animal traction in the MFP survey had, on average, over three and a half times more income from crops than of households practicing traditional manual cultivation.⁵ However, 30 percent of *dabadas* have been found to own no draft animals (Figure 3). Among *dabadas* who own them, the most commonly used draft animal is the donkey. A donkey is relatively

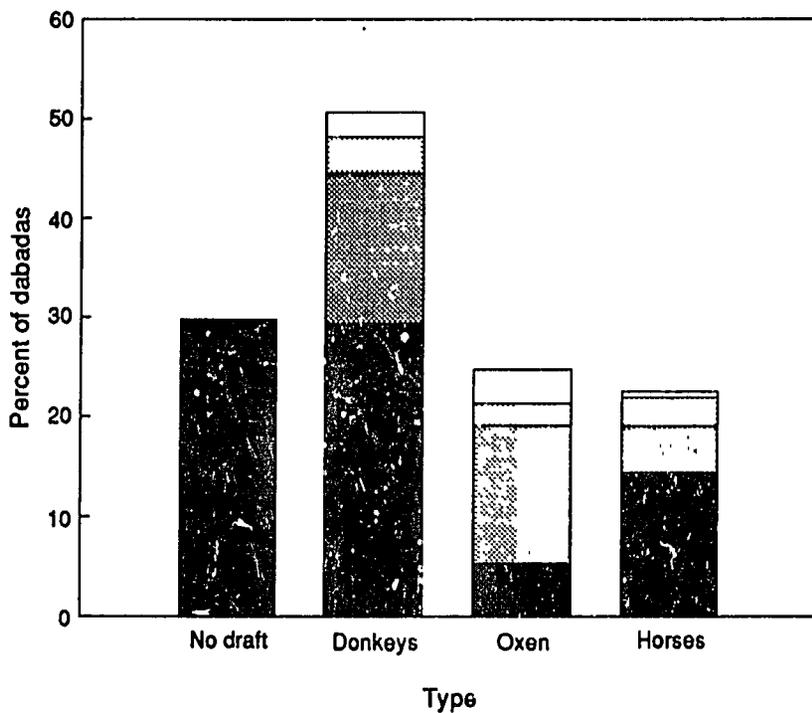
⁵ While draft power is associated with higher incomes, it is not clear whether higher incomes are the cause or the effect because poor households do not choose to be without draft animal technology.

Figure 2 – The Gambia: Compound Income by Size of Holdings, 1982

-  Off-farm income
-  Annual crops

Source: Haydu et al. (1986).

Figure 3 – The Gambia: Dabada Ownership of Draft Animals by Type of Animal, 1986-1987 (Averaged)



- >3 Animals
- ▤ 3 Animals
- ▨ 2 Animals
- 1 Animal
- No draft

Source: Sumberg and Gilbert (1988).

inexpensive, and its purchase is the first step towards the adoption of animal traction. Some households can rent or borrow draft animals, but the MFP study found that the rural households with no draft animals represent the poorest group of farmers. These poor households seem to have such an insufficiency of resources that investment opportunities are beyond their reach (Haydu et al., 1986).

Farm surveys indicate that up to 90 percent of farmers growing crops in upland areas have access to draft technology. However, draft power has not been commonly used in rice cultivation in the past because of heavy soils in lowland areas where rice is grown, and because most of the upland rice is farmed by women, most of whom neither own nor have access to draft animals.

Rural Incomes and Gambian Agricultural Policy

Crop sales and off-farm revenues, which include off-farm employment, petty trading, and remittances from family members working abroad or in urban areas, constitute the most important components of rural cash income in The Gambia.⁶ The amount of income earned from groundnut sales, however, is the most important indicator of what the levels of income will be year by year.

From 1984 to 1987, The International Food Policy Research Institute (IFPRI) conducted farm surveys in upland villages in McCarthy Island in conjunction with the Program Planning and Monitoring Unit (PPMU) at the Ministry of Agriculture. These surveys found that farmers sold about 70.0 percent of their total groundnut harvest, compared with 10.7 percent for rice and 3.1 percent for upland cereals—millet, sorghum, and maize (von Braun et al., 1990).

Although the groundnut crop is primarily grown for cash, 15 to 25 percent is retained on farm for domestic consumption in soups and stews, for seeds for the next season, or for local sales and consumption as confectionery nuts and groundnut butter. Groundnuts were found to constitute nearly 80 percent of the cash income earned by the farmers in the IFPRI/PPMU surveys.

The MFP survey found that, on average, off-farm revenues constitute about 20 percent of the cash income of farm households. As shown in Figure 2, off-farm revenues were found to comprise about half of cash income for farms cultivating 0 to 2.5 hectares and 5.0 to 10.0 hectares in the MFP survey, while earnings from

⁶ Other sources of income include livestock sales and loans. Income from sale of livestock is generally a small component of farm incomes as livestock are held as a store of wealth and sales are infrequent (Haydu et al., 1986).

crop production were found to provide the bulk of income for farms in the 2.51 to 5.00 hectare class and for farms with greater than 10.00 hectares. This suggests the efforts to improve farm incomes through an increase in the groundnut price would directly benefit farms in the middle and upper income ranges relatively more than those in the lowest income range.

The GOTG has played an important role in determining farmers' cash income through subsidies on farm credit and inputs and through the Gambia Produce Marketing Board (GPMB), which until recently had the monopoly on groundnut purchases at prices fixed by the Government. In the past, the GOTG fixed the price of groundnuts at the producer level. The GPMB purchased the groundnuts from The Gambia Cooperative Union (GCU), or from other licensed buying agents (LBAs), who purchased the groundnuts from farmers on behalf of the board.⁷ The GOTG also maintains a floor price for paddy, and until 1985, the GPMB held the monopoly on purchase of domestic and imported rice. This had little impact on cash income, however, as 90 percent of domestic rice production is either consumed on the farm or sold through private market channels (FAO, 1983). Marketing of coarse grains output is almost exclusively handled by private traders.

Farm input subsidies on fertilizers, seeds, and agricultural credit have been channeled to farmers through GCU, which operates a well-established network of cooperative marketing societies throughout the country. The GCU is responsible for the supply of inputs (seeds, fertilizers, and implements) to cooperative members on credit, and it has also been the chief purchaser and transporter of groundnuts to the GPMB.

In 1987, there were 86 cooperative produce marketing societies (CPMS) affiliated to the GCU with a total of 105,724 members. Of these, 7,500 were women (Demissie, Brenneman, and Nash, 1989). The number of *dabadas* is currently estimated at about 45,000. If each *dabada* acts as a coherent work group, then most farmers, with the exception of most women, have had access to GCU inputs and credit. However, if the *dabadas* are not working as coherent groups, then the 60 percent of farmers who are not cooperative members would

⁷ As from the 1989/90 groundnut trading season, the GPMB has purchased groundnuts from either farmers or traders at its depots at an ex-depot price determined by the board. The LBAs have been discontinued.

not have access to inputs and subsidies supplied through the GCU (PPMU, 1987).⁸

Farmers near the border with Senegal have in recent years been able to increase their incomes by selling all or part of their groundnut crop to Senegalese traders at prices that have generally exceeded those of the GPMB. The amount sold varies according to the price differential and the closeness of the village to the Senegalese border. Hogan (1987) estimated that in 1986/87, 30 to 35 percent of the crop near the border was sold in Senegal. Langan (1988) found that in 1987/88 prices on the Senegalese market averaged 39 percent above official Gambian prices, and that 50 to 85 percent of production in the border areas and 25 percent of nonborder production was sold to Senegal. Puetz and von Braun (1988) have found that participation in the parallel market increases the inequality of income distribution in the rural areas because the better-off farmers tend to sell more of their crop on the parallel market than do farmers in the poorer income groups. Poorer farmers tend to sell more of their crop on the official market due to their limited ability to absorb the risk attached to parallel market sales and to their need to pay back production credit via groundnut sales to their cooperative.

EMPLOYMENT AND INCOMES – NONAGRICULTURAL SECTOR

Employment in urban areas falls into the formal and the informal sectors. The formal sector refers to employment in registered public- and private-sector establishments in The Gambia with five or more employees; all other employment is classified as being in the informal sector. Employment surveys undertaken each December indicate that the formal sector employs about 10 percent of the labor force in the country as a whole, and over 55 percent of the nonagricultural labor force. The remainder of the latter group is either unemployed or employed in the urban informal sector.

In 1988, the public sector (government and parastatals) accounted for about 50 percent of formal-sector employment. With the growth in government services that started during the First Plan and a Second Plan launched in 1981/82, all formal-sector employment growth from 1976 to 1983 was accounted for by the public sector, which increased its share of formal-sector employment from 74 percent to 82 percent in 1983. In contrast with the earlier period, formal-se-

⁸ Ramamurthy (1986) states that cooperative membership is fairly accessible to the average farmer, as members only have to pay D5 for a share in the cooperative. He also estimated that roughly 45 to 50 thousand farmers received seasonal credit every year.

tor employment growth from 1983 to 1988 under the ERP has been led by the private sector.

Formal-Sector Employment

Formal-sector employment by industry, in 1987 included community and personal services (36 percent of formal-sector employment), wholesale and retail trades – including hotels and restaurants (15 percent), manufacturing (14 percent), construction (10 percent), and transport, storage, and communications (10 percent) (Table 6). Employment in construction and manufacturing has increased since 1983, while employment in the wholesale and retail trades and in transport, storage, and communication has declined. Public-sector employment is highly concentrated in community, social, and personal services (51 percent of public-sector employment) and in transport, storage, and communications (19 percent). Private-sector activity, on the other hand, tends to be

Table 6 – The Gambia: Formal-Sector Employment, by Industry^a, 1983, 1986, and 1987

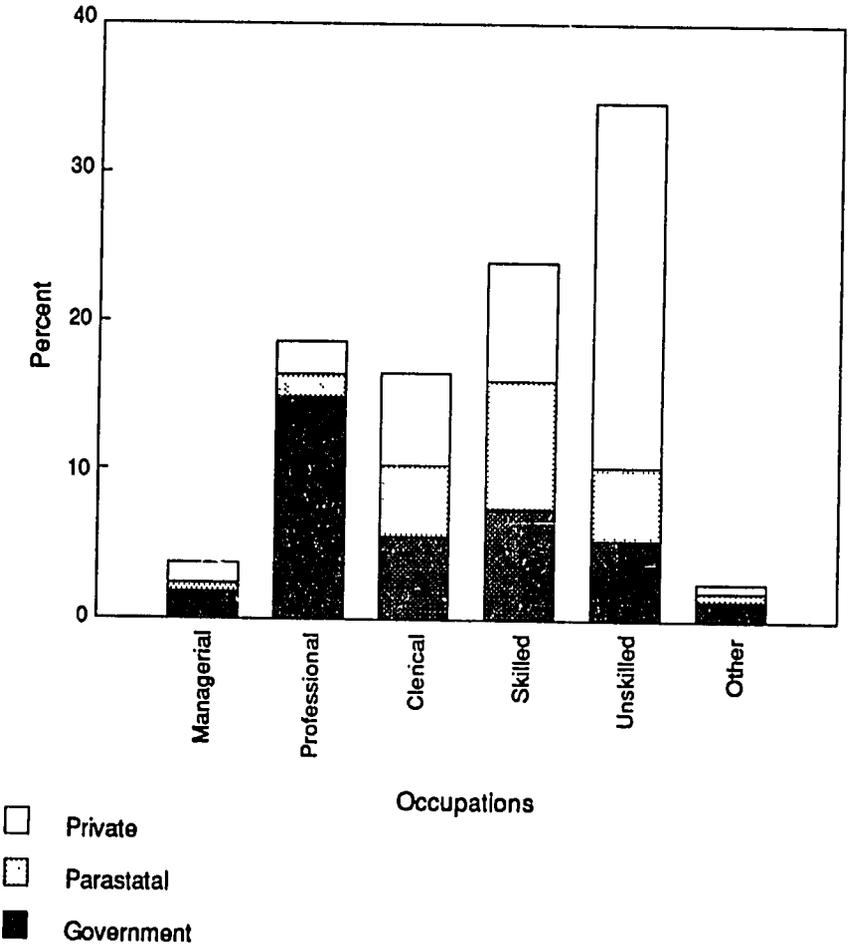
	1983		1986		1987	
	Number	Percent	Number	Percent	Number	Percent
Agriculture, forestry, fish	2,527	7.8	1,661	5.2	2,316	7.2
Manufacturing	3,237	10.0	2,696	8.5	4,630	14.4
Electricity, gas, water	1,744	5.4	1,178	3.7	929	2.9
Construction	2,124	6.5	4,421	13.9	3,242	10.0
Wholesale, retail trade, restaurants, hotels	6,405	19.7	5,537	17.4	4,829	15.0
Transport, storage, communications	4,022	12.0	2,908	9.1	3,184	9.9
Financing, insurance, real estate, business services	867	2.7	1,338	4.2	1,113	3.4
Community, social, personal services ^b	11,569	35.6	12,102	38.0	11,974	37.2
All Industry	32,495	100.0	31,841	100.0	32,219	100.0

Sources: World Bank (1985); Central Statistics Department (1987b and 1989).

^a Includes government, parastatal, and private employment.

^b Includes public administration, education, medical, and other services.

Figure 4 – The Gambia: Persons employed in the Formal Sector, by Occupational Category, December 1987



Source: Central Statistics Department (1989).

more concentrated in wholesale and retail trade (32 percent of private-sector employment), manufacturing (19 percent), and community, and personal services (14 percent).

Unskilled workers constitute the largest single occupational category of those employed in the formal sector (Figure 4). Most of these unskilled workers (70 percent) are employed by the private sector in construction, manufacturing, and in the wholesale and retail trades. Males constitute over 80 percent of employees in the formal sector. Roughly 80 percent of employment is located in the greater Banjul area, (Central Statistics Department [CSD], 1989).

Informal-Sector Employment

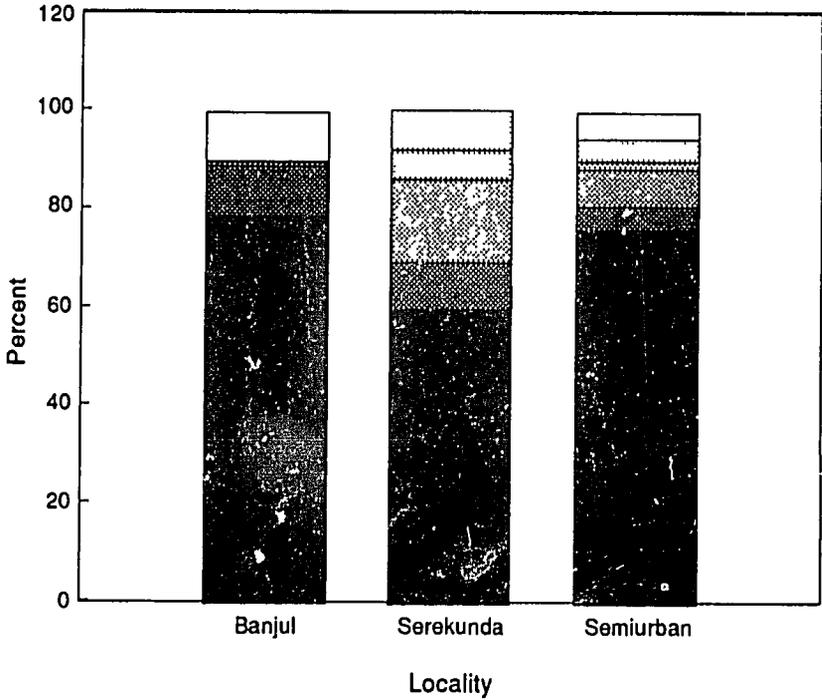
The urban informal sector is made up of a large number of unregistered establishments. The informal sector is an important generator of employment, accounting for an estimated 50,000 workers or 15 percent of the labor force in large towns (World Bank, 1988a). Informal-sector employment can be found in arts and handicrafts; in commerce, usually on street corners; in workshop production including shoe making, weaving, tailoring, batik making, dressmaking, and bee keeping; in services such as grain milling, welding, catering, and transportation; and in domestic service. The sector is estimated to have grown steadily at about 2 percent per year in the past six years (World Bank, 1988a).

There is little information about wages and incomes in the informal sector. It has been suggested that the average cash earnings per worker in the informal sector are probably not much lower than those in the formal sector (World Bank, 1981). However, a survey by UNICEF in 1985 found that, at least among males, respondents with higher incomes (monthly incomes above D250) were predominantly employed in the formal sector, while lower income respondents (monthly incomes below D250) were equally employed in the formal and informal sectors, or unemployed (UNICEF, 1985). This suggests that incomes of informal-sector workers may be lower than, or approximately equal to, the incomes of those employed in the lower paid occupations in the formal sector. In contrast to formal-sector employment, which is predominantly male, women in the informal sector tend to be self-employed and are found particularly in retailing or in business.

Urban Incomes and Formal-Sector Wage Scales

The information currently available on the sources of urban household income consists of a small survey of 62 households conducted in 1990 by UNICEF in the urban Banjul and Serekunda areas, and in two areas classified as semiurban (Farafenni in North Bank Division and Kaur in McCarthy Island North). The base period for this survey is March, 1989. As shown in Figure 5,

Figure 5 – The Gambia: Sources of Urban and Semiurban Household Income, by Locality, March 1989



Source: UNICEF (unpublished survey data).

salary and wage income constitutes 60 to 80 percent of household income in the urban (Banjul and Serekunda) and semiurban areas. Income from loans, however, constitutes a higher percentage of income (10-20 percent) in the areas outside Banjul. This is likely to be related to the more rapid population growth in these areas, and the larger population of migrants who might need loans for various reasons. Remittances account for 5 to 10 percent of urban household income.

Both published public-sector wage scales and the government's minimum-daily-wage scales changed relatively little between 1982/83 and 1987/88. However, on January 1, 1985, all civil service grades received a flat increase in monthly salary of D8. This resulted in roughly a 5.0 percent increase in the annual earnings of the lowest grade, and a 0.5 percent increase in the annual earnings of the highest grade. Similarly, daily pay for general workers subject to the minimum daily wage increased by 2.0 to 5.0 percent from 1984 to 1985. Today, actual wages paid in the formal sector tend to be above the government's published minimum daily wage, and information from formal-sector surveys indicates that wages of daily and salaried workers increased during this period despite the fact that neither the minimum wage nor the public-sector wage scale was substantially revised. Despite the fact that the public-sector wage scale remained relatively flat during this period, civil servants received a continuing increase in earnings from annual increments, upgrading of posts, and promotions.

3. **Poverty in The Gambia: Nutritional, Educational, and Health Profile of Gambian Households**

Since the focus of this study is economic reform and low-income groups, this chapter provides a more detailed description of the extent of poverty in The Gambia. More specifically, this chapter focuses on the nutritional, educational, and health status of the population in both rural and urban areas. The available social indicators for The Gambia indicate that poverty is an important problem both in an absolute sense and as compared with standards for sub-Saharan Africa (Table 7).

NUTRITION PROFILE

Food Availability

A detailed breakdown of national food availability in The Gambia is shown in Table 8. The information presented has been compiled from statistical series available from FAO databases and the Department of Planning in the Ministry of Agriculture. Roughly half of the available foods are supplied by three cereals—rice, millet, and sorghum—and the remainder by production of other domestic crops, fish, and livestock, and by other imports.

Food consumption patterns vary considerably between rural areas and between urban and rural areas due to the availability of different foodstuffs in different areas. Rice, imported or domestically produced, is the predominant cereal consumed in Banjul and its surrounding areas and in the rural divisions such as Upper River and McCarthy Island. In the other rural areas, millet, sorghum, and maize are the staple grains. Most imported foods are consumed in Banjul and its surrounding areas, largely because prices for these foods increase with the distance from Banjul. (Under the zonal pricing system, prices for imported goods are roughly 10 percent higher in the rural areas than in Banjul.)

Fish is the cheapest form of animal protein, and more is consumed than beef, except in Upper River where it is less easily available. Meat, fish, and vegetables are more likely to be consumed weekly in Banjul and Western Division, where

Table 7 – The Gambia: Basic Social Indicators – The Gambia, Middle-Income Developing Economies, and Sub-Saharan Africa Compared

	The Gambia		Middle-Income Economies	Sub-Saharan Africa
	1973	1986-88	1986	1986
Life expectancy at birth (years)	33	43	63	50
Daily calorie supply (per capita)	1,800	2,252	2,719	2,097
Population growth rate (percent)	2.2	3.4	2.1	3.2
Crude birth rate (per thousand)	49	50	31	48
Crude death rate (per thousand)	30	20	9	16
Total fertility rate (number per female)	6.5	6.3	4.1	6.7
Infant mortality rate (per thousand live births)	217	167	65	113
Primary school enrollment (percent of age group)	31	57	104	75

Sources: *World Bank Social Indicators data base; Central Statistics Department (1987a).*

Table 8 – The Gambia: Availability of Foods, 1972-1987

	72-74	80-82	83	84	85	86	87
	1,000 Metric Tons						
Milled rice	28.7	49.8	56.4	78.1	93.5	103.1	137.4
Domestic production	18.6	18.3	16.6	12.9	13.4	11.4	12.0
Imports	9.9	26.4	29.7	50.0	64.8	73.8	113.0
Food aid	0.2	5.1	10.1	15.2	15.3	17.9	12.4
Wheat	5.3	15.9	10.5	16.2	13.9	23.8	19.6
Imports	4.0	11.1	7.8	12.5	8.6	23.6	19.3
Food aid	1.3	4.8	2.7	3.7	5.3	0.2	0.3
Millet	32.6	17.5	29.5	22.4	32.7	46.4	43.4
Domestic production	32.6	15.0	28.6	21.9	32.7	46.4	43.4
Imports	0.0	2.5	0.9	0.5	0.0	0.0	0.0
Sorghum (domestic production)	...	10.0	13.5	6.0	7.0	10.0	7.6
Maize (domestic production)	1.7	7.2	14.4	7.2	10.6	22.5	14.7
Other coarse grain (imports)	3.0	4.8	0.0	0.0	0.6	0.4	0.4
Total cereal availability	71.3	105.2	124.3	130.0	158.3	206.3	223.1
Other domestic production ^a	30.0	50.5	58.2	60.1	80.5	66.5	83.0
Pulses	1.0	3.3	4.0	4.0	4.0	4.0	4.0
Roots	7.0	6.0	6.0	6.0	6.0	6.0	6.0
Vegetables	...	7.0	8.0	7.0	7.0	7.0	8.0
Fruits	...	4.0	4.0	4.0	4.0	4.0	4.0
Groundnuts	3.7	9.8	14.1	13.4	39.1	19.7	35.2
Meat	5.0	7.0	7.0	7.0	7.0	7.0	8.0
Milk	8.3	5.7	5.0	5.0	5.0	5.0	5.0
Fish	5.0	7.7	10.1	13.7	8.4	13.8	12.8

continued on next page

Table 8 — Continued

Other imports	3.4	14.9	33.5	49.4	61.4	68.0	79.2
Sugar	2.4	11.5	31.0	46.0	58.0	64.0	73.0
Vegetable oil	0.0	0.3	0.2	0.6	0.4	1.0	3.0
Meat	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Tea	0.2	0.9	0.3	0.3	0.6	0.6	0.6
Dairy products	0.6	1.8	1.8	2.2	1.8	1.9	2.0
Potatoes	0.1	0.3	0.2	0.3	0.6	0.5	0.6
Kilograms							
Per capita food availability							
Cereals	144.4	141.0	159.9	154.5	193.7	236.5	176.6
Imports	44.3	104.2	119.1	178.1	209.3	238.5	202.9
Domestic cereals	107.1	76.1	102.8	65.3	85.5	117.1	97.5
All Foods	212.2	255.8	303.7	325.0	402.8	441.7	404.4

Sources: FAO production and trade yearbooks, various years; Department of Planning, Ministry of Agriculture (unpublished data); USAID (1989).

^a *Data for pulses, vegetables, fruits, roots, meat, and milk are FAO estimates.*

they are more easily available and incomes are higher, than in the central and eastern divisions (UNICEF, 1985).

It appears that available food per capita in The Gambia has doubled since the 1970s; however, the information in Table 8 should be treated with caution for three reasons. First, much of this increase is accounted for by a larger volume of imports of wheat, rice, and sugar — products that are of considerable importance in the reexport trade. Thus some of the increase in the per capita amount of food available, particularly since 1985, is due to the decline in international prices for these products, which would have made the reexport trade more profitable. Second, since the availability of groundnuts is calculated as a residual

of production and official exports, the data include amounts that were sold unofficially in Senegal. Third, most of the information on domestic production of other foods, which accounts for the remaining increase in availability, is based on FAO estimates rather than on actual production figures.

Similarly, caloric consumption in the Gambia appears to have increased since the early 1970s, and on a nationwide basis, it approximates daily requirements.⁹ As shown in Figure 6, daily caloric consumption per capita rose from approximately 1,800 calories during the period from 1972 to 1974 to approximately 2,200 calories in the period from 1980 to 1982. The increase in caloric intake in the period from 1980 to 1982 is primarily due to higher consumption of sugar, groundnuts, and other foods including rice as the number of calories supplied from cereals has remained relatively constant over the two periods. Imported rice and wheat took a greater share of cereal consumption between 1980 and 1982 because that period was a time of drought.

In Figure 6, cereals and groundnuts are shown to account for approximately 75 percent of calories for the nation as a whole in the period from 1980 to 1982. However, it has been estimated that in the rural areas, up to 90 percent of energy input derives in most years from cereals and groundnuts. Groundnuts alone account for 13 percent in August (preharvest) and 35 percent in November (postharvest) (UNICEF, 1985). In a study of rural household consumption in Jahally-Pacharr, von Braun, Puetz, and Webb (1989) found that cereals and groundnuts supplied 84 percent of calories consumed by households in their survey area.

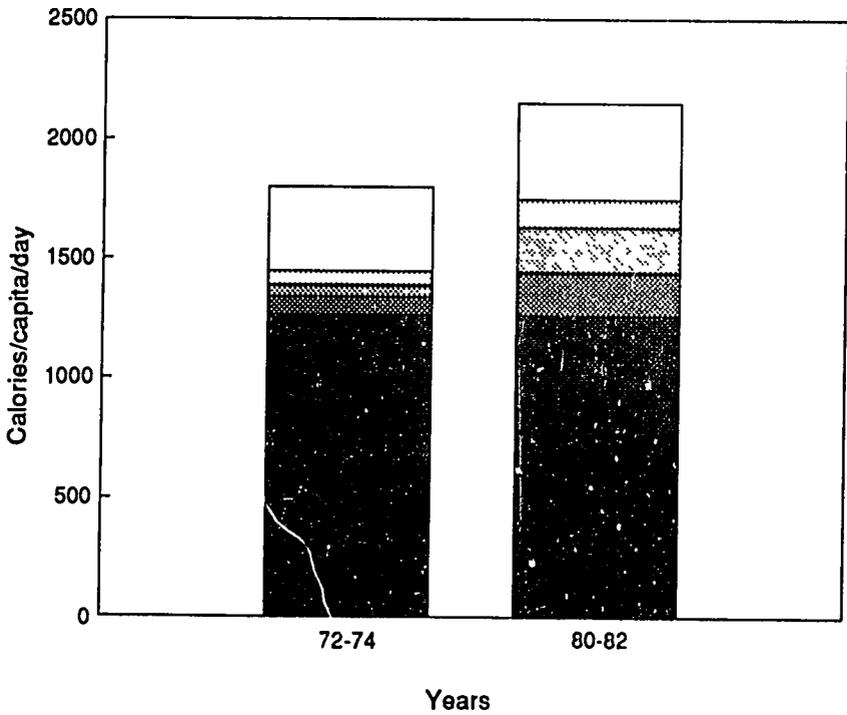
Per capita food availability has since increased by over 50 percent of the amount available in the 1980-82 period. This suggests that since 1983 the food availability shown in Table 8 has greatly exceeded per capita requirements. It is thus reasonable to assume that much of the increase in food imports shown in this table since 1983 has been destined for the reexport trade rather than for domestic consumption. The World Bank (1985) has reported that roughly 80 to 85 percent of sugar imports are reexported. More recently, USAID (1989) reported that around 50 percent of rice is reexported.

Although food supplies appear to be adequate, the brevity of the agricultural season results in significant seasonal variation in availability. Immediately after

9

Estimates of daily energy requirements for The Gambia vary. The World Bank (1981) estimated daily energy requirements to be about 2,230 calories per head per day. Von Braun, Puetz, and Webb (1989) used a requirement of 2,700 calories per adult equivalent per day. The latter found that households in and around the Jahally-Pacharr area were consuming an average of 2,570 calories per adult per day, or 95 percent of requirements.

Figure 6 – The Gambia: Calorie Consumption per Capita, 1972-1974 and 1980-1982



- Other
- Groundnuts
- ▨ Sugar
- ▩ Wheat
- Other cereals
- Rice

Source: World Bank (1981); Table 9.

the harvest, between September and December, food supplies are abundant, but dwindle until toward the end of the dry season. UNICEF has found that in all divisions except Upper River, at least 80 percent of the rural population has exhausted food stocks by June and must purchase more during the three remaining months before the first crops are ready for harvesting (UNICEF, 1985). Food shortages occur in July and August, traditionally called the "hungry season."

Nutritional Status

Although the average per capita energy intake approximates recommended requirements for The Gambia, nutritional studies indicate that poorer households, children, and pregnant or lactating mothers are generally in deficit, particularly in the rural areas and during the rainy season. Von Braun, Puetz, and Webb's (1989) study of rural household consumption in the Jahally-Pacharr area found that seasonal fluctuation in per capita caloric consumption exists, but it tends to be a problem of the poorest rural households and not of the total rural population. In this study, von Braun, Puetz, and Webb found caloric consumption to be 15 percent lower in the wet (hungry) season for households in the lowest expenditure quartile, but sufficient and constant during both seasons for the other expenditure quartiles. According to this study, caloric consumption is income-elastic, and thus additional income generated by poorer households translates into higher food consumption and nutritional improvement.

Nutrition surveillance for children under five years of age has been undertaken in the rural areas of The Gambia since 1985 by the Nutrition Unit of the Department of Medical and Health. The program collects data from all primary healthcare (PHC) villages in rural areas. The indicator of nutritional status is the weight-for-height standard used on the Nabarro Thinness Chart. Acute malnutrition is said to occur in children whose measurements fall below 80 percent of the weight-for-height standard. Such children are thin or "wasted." Program results for the surveys between 1987 and 1989, which covered approximately 30 percent of the population of children under five, are shown in Table 9.

These data reveal that during the rainy season (August and September), 3.3 to 3.6 percent of children under five in The Gambia can be classified as acutely malnourished, as compared with 1.4 to 2.1 percent during the dry season (February and March). The data reveal the higher incidence of acute malnutrition during the rainy season, but there is no apparent trend over the period from 1987 to 1989. Acute malnutrition has also been found to be more common in girls than in boys, and its incidence increases from the western to the eastern

Table 9 – The Gambia: National Nutrition Surveillance Program Results, 1987-1989 (Children under Five)

	Children Acutely Malnourished ^a
	Percent
February/March 1987	1.4
August/September 1987	3.6
February/March 1988	1.6
August/September 1988	3.3
February/March 1989	2.1

Source: Samba (1989).

^a *Below 80 percent of weight-for-height standard.*

part of The Gambia (Samba, 1989). It is also highest among children aged between 13 and 30 months.

Other field surveys have also analyzed the extent of malnutrition among children in the rural areas. Using weight-for-age as an indicator, the IFPRI/PPMU 1985/86 survey in the Jahally-Pacharr region found that 35 percent of children under five were underweight (below 80 percent of weight-for-age standard) during the wet season, and that 52 percent of children aged one to two were underweight (von Braun, Puetz, and Webb, 1989). Both weight-for-age and weight-for-height standards are commonly used indicators of malnutrition. Weight-for-age reflects the total growth history of the child, whereas weight-for-height is usually considered the best measure of a child's current nutritional situation.

Growth monitoring is also undertaken by Catholic Relief Services (CRS) for children participating in CRS nutrition schemes. CRS data indicate that from 1981 to 1987, 35.2 percent of children enrolled in the CRS program were below 80 percent of the weight-for-age standard. Since the CRS program targets malnourished children, however, this figure must be considered too high as a reference point for the entire country. CRS data also indicate that the highest rates of malnutrition are found in McCarthy Island Divisions (the area of the IFPRI/PPMU survey) and in Upper River Division (CRS/The Gambia, 1988).

Among certain sections of the rural population, the nutritional standing of men may be significantly better than that of children and most women (World Bank, 1981). This is thought to occur despite the fact that rural women are

generally responsible for the subsistence farming of food crops and tend to give higher priority than rural men to adequate nutrition (UNICEF, 1985). However, women have little influence over the decision to sell or keep the cash crops cultivated by men so many find there are few resources remaining when the subsistence crops run out during the rainy season.¹⁰

It is generally agreed that the most effective way to increase nutritional status in the rural (and urban) areas is to increase household income, but prior studies suggest that the impact of the income source should be carefully examined. Von Braun, Puetz, and Webb (1989) found that the nutritional status of women and children improved with an increase in household income from any source, but that a decline in women's cereal production reduced household caloric consumption despite the additional income. Moreover, in a later study that used data on household caloric consumption over the two years from 1986 to 1988, von Braun et al. (1990) found that caloric consumption generally rises with an increase in the ratio of the price of rice to the groundnut price. The relationship of income source and household nutritional status is important because the ERP was designed to raise farm incomes by increasing agricultural prices, in particular the price of groundnuts.

Food Expenditure Shares

The last nationwide household income and expenditure survey in The Gambia was conducted in 1969. A weighting scheme for the construction of a low-income consumer price index (CPI) in Banjul/Kombo St. Mary was derived from this survey. The weights were revised in 1974 and are the basis for the current CPI used throughout this paper. Nationwide information on household consumption by income distribution does not exist, although the Ministry of Economic Planning and Industrial Development (MEPID) plans to do such a survey in 1990/91.

The weights contained in the CPI by consumption group are shown in Table 10. The largest expenditure groups are food and drink (58.0 percent of expenditure), followed by clothing (17.5 percent), miscellaneous, energy, and housing. A comparison of the CPI weights with the data collected in Banjul, Serekunda, and in two semiurban areas (Farafenni and Kaur) by UNICEF in March 1989 indicates that the share of household expenditure on food in the CPI is close to

¹⁰ In an unrelated paper, Shipton (1987) found that rural women tend to save proportionately more of their incomes for the rainy season than do men. Shipton (1989b) also reports that although both men and women grow groundnuts, on balance, women store a greater proportion of their groundnuts for family use, and that men sell a greater proportion than women.

Table 10 – The Gambia: Expenditure Shares for Urban and Semiurban Households: From Low-Income CPI and Figures Compiled by UNICEF (1989)

	Consumer Price Index ^a	UNICEF ^b		
		Banjul	Serekunda	Semi-urban ^b
		Percentage of Expenditure		
Food and drink	58.0	64.3	47.4	64.3
Rice	10.0	...	...	...
Bread	2.6	...	...	...
Other cereals	2.0	...	...	...
Roots and pulses	6.1	...	...	...
Vegetables and fruits	4.7	...	...	...
Meat and fish	12.5	...	...	...
Dairy and fats	10.0	...	...	...
Other	10.1	...	...	...
Clothing and textiles	17.5	2.5	9.9	2.4
Housing	5.1	2.0	3.5	1.6
Energy	5.4	10.7	9.1	8.2
Miscellaneous	14.0	20.5	30.1	23.5
Health	2.3	2.0	5.4	2.2
Education	1.5	6.0	4.6	2.1
Transportation	1.5	4.7	7.2	7.0

Sources: *Unpublished data from UNICEF (1989) and Central Statistics Department.*

^a *Expenditure shares used in the formulation of the low-income consumer price index in Banjul and Kombo/St. Mary.*

^b *Taken from unpublished household surveys sponsored by UNICEF in March 1989 in Banjul, Serekunda, and Farafenni and Kaur (semiurban areas).*

the average for urban families. Expenditure shares for clothing and housing appear to have declined since 1974, while expenditure shares for energy, education, and transportation have increased.

The IFPRI/PPMU rural expenditure survey of 1985/86 found that, on average, the surveyed rural households devoted 66 percent of all expenditure to food, and that this proportion varied little between the rainy and dry seasons. The study carried out by von Braun, Puetz, and Webb (1989) also found that share of expenditure on food tends to be slightly higher for poorer households (68.5 percent of expenditure) than for better-off households (64.6 percent).

Table 11 – The Gambia: Expenditure Shares for Rural Households, 1985/86 and 1989 (IFPRI/PPMU and UNICEF Surveys Compared)

	IFPRI/PPMU ^a				UNICEF ^b		
	Lowland		Upland		Foni	Upper Baddibu	Sandu
	Wet	Dry	Wet	Dry			
Percentage of Expenditure							
Food	61.9	66.0	68.2	66.3	52.3	73.0	79.4
Clothing	5.7	6.4	4.6	7.0	0.5	2.3	4.5
Housing	0.8	0.4	0.8	0.4	0.4	1.2	...
Energy	3.5	2.9	2.7	2.6	6.4	9.9	4.9
Miscellaneous	28.1	24.3	23.7	23.7	35.5	13.3	11.2
Health	1.2	0.7	0.9	0.5	1.9	0.8	2.9
Education	0.4	0.4	0.1	...	1.7	4.6	...
Transportation	2.0	2.1	1.2	1.3	5.5	1.5	...

Sources: Von Braun, Puetz, and Webb (1989); unpublished data from UNICEF.

^a IFPRI data taken from 1985/86 survey of villages in and around the Jahally/Pacharr smallholder irrigation project in McCarthy Island Division. Lowland villages have access to pump irrigated rice.

^b UNICEF data from unpublished survey of 40 rural households in Foni, Upper Baddibu, and Sandu in March, 1989.

Average expenditure shares from the IFPRI/PPMU survey are compared in Table 11 with more recent data on rural household expenditure shares obtained by UNICEF in March 1989 in three other rural areas in The Gambia. As the UNICEF data covers only 40 households, it should be treated with caution. However, the UNICEF data do indicate that in rural areas with a relatively low per capita income (Upper Baddibu and Sandu), food expenditure can account for 70 to 80 percent of total expenditure. The UNICEF data also indicate higher expenditure shares for energy consumption as compared with the shares in the CPI and in the IFPRI/PPMU study cited above.

EDUCATIONAL PROFILE

In line with national development policies, access to education in The Gambia expanded considerably in the late 1970s. In 1976/77, primary school fees were abolished, almost all new school construction was concentrated on the rural areas, and informal literacy classes were established for the adult population. As a result of this policy, primary school enrollment rates have almost doubled since 1976 (Table 12).

Much of this growth has occurred in the rural areas, where primary school enrollment rates increased from an average of 23 percent of eligible children in 1976 to an average of 50 percent in 1988. Primary school enrollment rates, however, tend to decline in regions further from Banjul. With the exception of Western Division, primary enrollment rates in rural areas are roughly one-half to two-thirds of the rate in the Banjul/Kombo St. Mary Division. Low enrollment rates in the rural areas have been attributed to lack of classrooms, the reluctance of families to lose child help on the farm and at home, the direct costs involved in school attendance (uniforms, books, and school furniture), and the longer distances of schools from rural villages (UNICEF, 1985).

Primary school enrollment is higher for boys than girls. In 1988, 67.8 percent of boys were attending school as compared with 46.2 percent of girls (GOTG Working Committee Group, 1989a). Under its new education policy, the GOTG has recently set a goal of 75 percent primary school enrollment for both sexes by the year 2000.

The expansion of educational facilities and services since 1976 is not yet reflected in the education profile of the adult population. In UNICEF's 1985 household survey, 61 percent of the urban survey (46 percent of surveyed males and 76 percent of surveyed females) had not attended primary school, although 84 percent of urban mothers stated that all of their school age children were attending school (UNICEF, 1985). UNICEF's rural profile revealed that 96 percent of rural males had no formal education, although this rate dropped to 68 percent when Koranic education was included. It was also found that 97 percent of the surveyed rural females could not read or write in their mother tongue or in English.

Although the government's education policy has increased access to education, it appears that the quality of education may not have kept up with the increase in demand for schooling. This decline in quality was apparent before the ERP, but it no doubt has continued with the decline in real budgetary expenditure for education services since the ERP's introduction in 1985 (UNICEF, 1985; GOTG Working Committee, 1989a). There is a shortage of qualified teachers, particularly at the primary and at the secondary technical levels; it is estimated that as many as 74 children would be allocated to each

Table 12 – The Gambia: Primary School Enrollment Rates, by Division and the Country as a Whole, 1976/77, 1983/84 and 1987/88

Division	1976/77	1983/84	1987/88
	Percentage of Children of Primary School Age ^a		
Banjul/Kombo St. Mary	74	58	88
Western	49	60	83
Lower River	17	38	50
North Bank	21	44	49
McCarthy Island	17	31	35
Upper River	9	17	23
The Gambia (Averaged)	31	43	57

Source: UNICEF (1985); GOTG (1989a).

^a *Percentage of children of primary school age. For 1976/77 and 1983/84, percentage of 8-14 population; for 1987/88, percentage of 8-13 population.*

qualified teacher if the total number of primary school children were evenly distributed (GOTG Working Committee, 1989a). School enrollments exceed the supply of furniture and classrooms. Shortages of school materials—pens, writing paper, and school books—exist at all levels of education.

Unlike primary education, secondary schools require fees of D150 per year for technical schools and D300 for high schools. In addition, secondary students must pay for textbooks and supplies that can amount to D300 per student per year. In 1988, about 35 percent of primary students moved on to secondary schools. About 20 percent of eligible children are enrolled in secondary education.

HEALTH PROFILE

Government health services in The Gambia are delivered through three tiers. Primary healthcare (PHC) is provided by village health workers through community-based programs. Village health services (VHS) comprise (1) a village development committee that is responsible for implementing the primary healthcare program in the village and for appointing the two village health workers, (2) a traditional birth attendant who is responsible for maternal and infant care, and (3) a village health worker who maintains the supply of essential drugs and provides health education. VHSs cover approximately 50 percent of

the rural population. In 1989 there were approximately 381 operating VHSs, or one VHS per 1,619 people. From the start of the PHC program in 1981, village health services have been financed through prescription fees and from community support of the village health workers.

At the secondary level, 18 health centers and 13 dispensaries offer in- and outpatient services, advice on maternal and child health (MCH) education programs, and immunization services. At the tertiary level, the Royal Victoria Hospital in Banjul serves as the central referral point and offers more specialized services. A second government hospital, Bansang, provides hospital services outside Banjul. Outside the government health system, there are three private hospitals, several clinics operated by nongovernmental organizations, and a number of private pharmacies that operate on a fee for service basis.

Extending access to health services, particularly in the rural areas, was emphasized in the First (1975/76-1980/81) and Second Development Plans (1981/82-1986/87). In 1980/81, the government launched the "Health for All by the Year 2000" strategy that was based on the PHC approach and designed to reduce morbidity and mortality rates, particularly among children. The Second Plan placed national priority on rural development, and identified the PHC program as the instrumental strategy (World Bank, 1987a). This period was marked by a shift in healthcare resources from the urban to the rural sector, as well as a shift from a curative to a preventive healthcare strategy.

A comparison of 1973 and 1983 census statistics reveals that improved access to healthcare resulted in significant improvement in The Gambia's health profile. The crude death rate declined from 29 to 30 deaths per thousand to 21; recorded infant mortality fell from 217 per thousand live births in 1973 to 167; and child mortality (0-2 years) declined from 290 per thousand to 202. In 1987, the immunization coverage was 62 percent.

Despite these improvements, the health status of most Gambians is considered to be generally poor and sharp differences remain between rural and urban residents (GOTG, 1989b). Infant mortality is still high and estimates of maternal mortality rates, which range from 10 to 20 percent per thousand births, are still among the highest in developing countries (Planning Unit, Ministry of Health, 1990). The main causes of morbidity and mortality are malaria, respiratory infections, and diarrhea/dysentery. Maternal deaths are also related to inefficient referral and evacuation systems at the village level. Estimated child-mortality rates taken from the 1983 census, range from 114 to 150 per thousand children in Banjul/Kombo St. Mary to 172 to 256 per thousand in the rural areas and reveal sharp rural-urban differences. The seasonal deficits in food consumption, especially among children in the rural areas during the rainy

season, are important causes of death in young children, particularly those under two years old. It is estimated that 50 percent of all deaths in late infancy and early childhood occur during the rainy season (CRS/The Gambia, 1988).

The expansion in access to healthcare services during the 1970s and 1980s placed an increasing financial burden on the government for the provision of trained manpower, imported drugs, and medical supplies. Although the VHS were basically self-financing, the fees charged for services at the government hospitals and clinics were nominal, and the government had to provide large subsidies to the healthcare system.¹¹

Shortages of foreign exchange and pressures to reduce the government's fiscal deficit resulted in declining real expenditures for drugs and medical supplies starting in 1983 while public demand for health services was increasing. This resulted in widespread shortages of drugs and other medical consumables, as well as in trained manpower, at all levels of the healthcare system.

11 The fees charged for an outpatient consultation (including prescriptions for drugs) at government clinics and at Royal Victoria Hospital, respectively, were D0.25 and D0.50 from 1975 to 1985.

4. The Policy Environment and Background to the ERP, 1979/80 - 1984/85

The Gambia's financial crisis emerged from the acceleration of its investment effort in the mid-1970s under the First Development Plan (1975/76-1980/81). Overextension of the public sector, combined with a series of severe droughts and adverse movements in the terms of trade starting in 1979/80, led the economy into chronic fiscal and balance of payments deficits.

This chapter describes the economic situation in The Gambia before the implementation of the ERP in 1985. To assess the effect of the ERP on low-income groups, we must look at the economic realities that compelled the government to undertake the program. The GOTG adopted measures prior to the ERP, but they were short-term and proved to be highly inadequate given the government's limited financial resources and the vulnerability of the economy to external shocks. The actions taken from 1979/80 to 1984/85 and their economic outcomes are summarized in Table 13. A good summary of The Gambia's economic situation both before and after the ERP can also be found in McPherson and Radelet (1989).

PRE-ADJUSTMENT: 1974/75 - 1979/80

Public investment under the First Plan was channeled into basic economic and social infrastructure (transport and communications, public utilities, schools, agricultural extension stations, health clinics, etc.). The Gambia initially relied on highly concessional foreign loans and grants to finance about 70 to 75 percent of its investment program under the First Plan. The remainder was financed from its current budgetary surplus and from domestic borrowing.

The World Bank has criticized the public investment program implemented under the First Plan for contributing to The Gambia's economic deterioration in the early 1980s because of its low rate of return on investment (World Bank, 1985). More important for the financial deterioration of the economy, was the Plan's failure to anticipate the structural economic changes in the form of higher recurrent expenditure and imports that would result from such a rapid expansion of development expenditure. These changes led to a structural situation of higher recurrent expenditure and imports.

Previous Page Blank

Table 13 – The Gambia: Exogenous Influences and Economic Adjustments, 1979/80-1984/85

Year	Exogenous Influences	Multilateral Aid Adjustments	Economic Outcome
1974/75 – 1979/80		Official loans and grants financed 70-75% of development expenditure. Sevenfold increase in debt to multilateral agencies.	Overextension of public sector; emergence of chronic public sector and balance of payment deficits; depletion of GPMB reserves.
1979/80 – 1980/81	Drought; 32% decline in terms of trade; aborted coup d'état.	Exceptional foreign aid made available to avert severe adjustment; IMF Trust Fund loans; IMF Compensatory Financing Loan.	Increased public sector and current account deficits; arrears to private creditors emerge.
1981/82 – 1982/83	Foreign aid inflows decline to more normal levels; further decline in terms of trade; improved weather and groundnut crops.	Under IMF standby program, modest increases in production prices, taxes, and interest rates	Fiscal deficit reduced by cuts in imports and in materials; emergence of parallel foreign exchange market as dalasi becomes overvalued; net out-flows of private capital; GPMB reserves depleted as spread between world groundnut price and GPMB purchase price inadequate to meet costs; GPMB deficit met with bank credit.
1983/84	Unfavorable weather; food crop production fails; groundnut crop reduced; world groundnut prices rise; Italian government reimbursement postponed for fertilizers and seeds under ADP II.	Under IMF standby program. dalasi devalued by 25%; retail rice price increased 14.6%; subsidies on fertilizer, public transport reduced; expenditure controls put in place; interest rates raised; standby program suspended June 1984 due to inability of GOTG to meet targets for net credit and external arrears.	Current account deficit worsens with higher rice import costs; delays in transporting and processing groundnuts lead to delayed export receipts; inflation rises to 16% annual rate; GPMB unable to retire crop credits on time; arrears to official (bilateral) creditors emerge.

1984/85

Unfavorable weather and pest infestation reduces groundnut crop.

Arrears to IMF emerge; foreign financing of development projects under revised Second Plan leads to temporary rise in net foreign assets of banking system.

Current account deficit widens; rice and petroleum in short supply; groundnut producer prices increased, but little effect due to CFA franc premium and higher prices in Senegal; GPMB deficit financed with bank credit; rice subsidy eliminated; increased development expenditure leads to 34% increase in money supply and annual inflation rate of 22%; parallel foreign exchange market reemerges; effective exchange rate depreciation reversed; external arrears increase to over 2¹/₂ times domestic exports.

As civil servants were rapidly recruited to furnish new services, the number of established posts in the government doubled, and recurrent expenditure increased by 20 percent per year. An estimated 40 percent of total public investment under the First Plan was channeled to new publicly-owned enterprises created in an attempt to develop new industries, and the number of parastatals doubled between 1975 and 1981. The GPMB was called upon to use its substantial accumulated reserves to capitalize these new parastatals through share purchases or loans, and to provide large direct transfers to the government in support of development expenditure.

The urban population, swelled by new public-sector wage earners, increased its consumption of imports. Added to this, imports accounted for over 60 percent of general government expenditure and expenditure on development projects. This rapid increase in the consumption of imports brought the Gambian external trade into deficit as domestic exports, even in good years, were increasingly unable to generate enough foreign exchange to cover the cost of domestic imports. The need to divert GPMB surpluses to nonagricultural uses in addition to financial losses incurred on imports of rice and fertilizers and on local sales of groundnut oil, limited the ability of the GPMB to raise producer prices for groundnuts during this period, and production began to decline. The balance of payments went into deficit in 1976, surplus in 1977, and then went back into deficit thereafter.

By 1979/80, the current account deficit had increased from the average level of about 4.0 percent of GDP maintained in the early 1970s to 20.8 percent of GDP, and the overall public-sector deficit had increased from about 5.0 to 11.0 percent of GDP. Although over 90.0 percent of the deficit was financed with foreign loans and grants, the overextension of the public sector and drawdown of foreign and domestic financial reserves made it increasingly difficult for the government to meet its remaining obligations. More important, by 1979, the public sector was so overextended that it could not act as a buffer against the climatic factors and exogenous shocks that were to follow.

LIMITED ADJUSTMENT: 1979/80 - 1981/82 – FINANCIAL INFLOWS AVERT COLLAPSE

Drought and the deterioration in the terms of trade severely reduced real GDP growth over the two-year period 1979/80 to 1980/81, and export-earnings growth during the three years from 1979/80 to 1981/82. The attempted coup d'état in 1981 also temporarily reduced foreign exchange earnings from tourism. Exceptionally high levels of official foreign aid and foreign borrowing during 1980/81 and 1981/82 allowed the economy to avoid severe retrenchment. In

1980/81 and 1981/82, the overall public-sector deficit increased to 20.0 percent of GDP but net foreign financial inflows from official sources (loans and grants), which more than doubled during this period, continued to finance more than 90.0 percent of this deficit. This foreign financing allowed the country to maintain annual investment plans and to increase government consumption. The government also borrowed heavily on a commercial basis. Credit extended by suppliers and financial institutions increased from 5.5 percent of medium and long-term debt in 1979 to 22.5 percent in 1981.

Under an IMF standby program adopted in February 1982, the GOTG attempted to lower the public-sector deficit through reductions in consumer subsidies and selective tax increases and to reduce its external current account imbalance through increased producer prices for groundnuts and rice. Other specific measures included an increase in petroleum prices to cover import costs, increases in electricity tariffs, and the introduction of petroleum-related taxes both to discourage consumption and to increase revenues. To stimulate increased domestic savings, the program included a significant rise in interest rates on commercial bank deposits and the removal of interest rate ceilings on loans and overdrafts.

MODERATE ADJUSTMENT: 1982/83 - 1984/85 — ECONOMY APPROACHES COLLAPSE

A further deterioration in the terms of trade in 1982/83 and a return of foreign aid inflows to more normal levels placed further strains on the Gambian economy. The government was forced to make abrupt expenditure cuts and sharply curtail imports. The fiscal deficit was reduced from 21 to 14 percent of GDP through increased import duties and excise taxes and through a drastic reduction of expenditure for imported materials as both civil service wages and salaries and debt-service payments increased.¹²

As a condition for the standby arrangement with the IMF, producer prices for groundnuts were increased in the 1982/83 season. However, with improved weather conditions, the area planted to groundnuts rose to the highest level ever. Increased production, coupled with a further decline in world groundnut prices, plunged the GPMB deeply into debt. The GOTG was forced to grant the GPMB

¹² Kahn and Lizondo (1987) have shown that if a fiscal deficit is eliminated by reduced public-sector expenditure of traded goods, neither a reduction in real wealth nor a depreciation of the real exchange rate is required.

direct access to central-bank financing at the government's lending rate, producing a 45 percent growth in domestic credit in a twelve-month period.

By 1982/83, the growing inability of the central bank (CBG) to convert dalasi deposits into foreign-exchange led to a rapid loss of confidence in the banking system by the trading community. The element of private short-term capital account in the balance of payments dropped sharply as traders began transferring their foreign revenues from the reexport trade directly to foreign banks or into the active parallel foreign-exchange market that developed about this time. The premium received for CFA francs exchanged for dalasis on the parallel market also made the Senegalese groundnut prices more attractive and thus promoted cross-border trade.

The economic situation continued to deteriorate in 1983/84 as real GDP growth stalled due to unfavorable weather conditions. A second standby arrangement was negotiated with the IMF in early 1984. Under this arrangement, the dalasi, which had been pegged at D4 to £1 sterling since 1974, was devalued by 25 percent. Subsidies on rice, fertilizers, and public transport were also reduced.

Late rains and pest infestation worsened The Gambia's economic and financial difficulties in 1984/85 as reduced groundnut production led to a decline in real GDP. The external current account deficit, which had declined during the two years ending 1982/83, widened from 19 percent of GDP in 1983/84 to 26 percent in 1984/85. The scope of the parallel foreign exchange market continued to expand as the foreign exchange receipts accruing to the banking system declined. External payment arrears rose to about US\$55 million at end June 1985, equivalent to over two-and-one-half times 1984/85 domestic exports. Shortages of essential imports, such as petroleum and rice, became widespread.

The 1984 devaluation of the dalasi resulted in a significant reduction of domestic imports, which declined by an estimated 27 percent from 1983/84 to 1984/85. Crop prices were increased in June 1984 but the 11 percent price increase for groundnuts did not balance the 25 percent devaluation of the dalasi. Nor was it competitive with prices offered in Senegal, particularly in light of the black market premium on the CFA franc (Jones, 1986). The GPMB attempted to remedy the situation with a further 24 percent increase in its purchase price for groundnuts in late January 1985 but by that time, farmers had already sold a substantial part of the crop. Higher GPMB prices and the lower-than-expected groundnut purchases, reflecting the poor harvest, resulted in the GPMB showing an overall deficit for 1984/85 that had to be financed from bank credit.

Current expenditure in 1984/85 remained almost unchanged from the previous level. However, the investment program of the Second Plan was revised in 1984/85 with the result that development expenditure rose by 57 percent and the

overall public-sector deficit increased. Foreign financing of this development expenditure temporarily increased the net foreign assets of the commercial banks. As a result, money supply increased by 34 percent and helped to boost inflation to 22 percent for the fiscal year. As a result, by August 1985, the dalasi was significantly overvalued. The parallel exchange market discount quickly reemerged following the 1984 devaluation, partly because the authorities were unable to liberalize private-sector access to foreign exchange in the face of continuing excess demand.

5. Economic Recovery: 1985/86 to Present

BACKGROUND

Realizing that long-term structural adjustments would be required to boost foreign exchange earnings in the face of declining groundnut prices and capital flight, the government implemented its economic recovery program in mid-1985. The adjustment strategy comprised three closely interrelated elements: (1) exchange rate and pricing policies, (2) demand management policies, and (3) a reduction in the size and role of the public sector to a level consistent with the small size and limited resource base of the economy (IMF, 1987). The ERP also placed special emphasis on alleviating supply constraints, in particular diversifying the productive base and expanding exports, increasing domestic rainfed agricultural production, and improving the efficiency of the public sector including the productivity of the public investment program.

It has been argued that the success or failure of a stabilization program can be judged on the extent to which it raises the prices or profitability of traded (exported or imported) goods relative to nontraded (domestic) goods and thereby reduces domestic absorption and stimulates exports (IMF, 1986; Scobie, 1989). An increase in the prices of traded goods relative to nontraded goods amounts to a depreciation in the real exchange rate. The ultimate success of this strategy depends on there being sufficient monetary and credit restraint at home to prevent the erosion of the change in relative prices by subsequent increases in the prices of nontraded goods. Too much money growth may fuel domestic inflation and reduce the incentive to transfer resources (labor and capital) from production of nontraded to traded goods that was the purpose of the devaluation in the first place. In an open economy such as that of The Gambia, the domestic goods sector primarily consists of services provided by government and the private sector. But the service sector uses both domestic inputs (labor) and imported supplies. Thus, structural adjustment in The Gambia has required that prices (and returns) in the traded goods sector be raised relative to the returns to labor and capital in the service sector.

A depreciation of the real exchange rate implies a reduction in real wealth, which lowers the demand for nontraded goods and reduces pressures for price increases. The larger the decline in real wealth, the larger the depreciation of the real exchange rate, *ceteris paribus* (Khan and Lizondo, 1987). However, as Khan and Lizondo also show, the lower the share of wealth held in domestic

Table 14 – The Gambia: Exogenous Influences and Economic Adjustments, 1985/86-1988/89

Year	Exogenous Influences	Multilateral Aid Adjustments	Economic Outcome
1985/86	Sharp decline in world groundnut prices; late rains reduce groundnut crop; grant fertilizer supplied by the Italian government arrives late; net official financial inflows decline.	GOTG introduces ERP; retail rice price decontrolled; general import tax and specific duties on consumer goods raised; flexible exchange rate system introduced and restrictions on foreign exchange purchases removed; prices of petroleum products, public transport, water, telecommunications, and electricity raised; crop producer prices increased; interest rate ceilings abolished; government wages and salaries frozen; 2,760 civil servants terminated; government expenditure restrained; limits placed on total domestic and net credit to government; subsidies on fertilizer reduced; export taxes on fish and fish products eliminated; price controls on all foodstuffs eliminated; fees for health services at government hospitals raised 25 to 400%.	No growth in real GDP; annual average inflation rate rises to 35% (70% end-period); differential between official and parallel exchange rates eliminated; private consumption and public sector deficit decline; external current account deficit rises due to poor groundnut crop and increased private foreign exchange outflows; external arrears increase; net domestic credit rises reflecting bank financing of GPMB losses on the groundnut account.

1986/87

Good weather improves groundnut crop; international rice prices decline and groundnut prices rise; official financial inflows increase.

ERP extended for 2-year period sustained by 13-month IMF standby arrangement, annual arrangement under IMF structural adjustment facility (SAF), World Bank structural adjustment credit (SAC), and commodity aid (STABEX); external bilateral debt (Paris Club) rescheduled; arrears to IMF settled; groundnut prices raised 64%; import duties reduced on items important to the reexport trade; rice import duty increased to 30% of cost; specific import duties on petroleum products and diesel fuel increased by 73% and 51% respectively; general import tax increased by 1%; development expenditures increased 81% based on revised PIP; water and electric rates raised to allow Gambia Utilities Corp. (GUC) to break even; GOTG terminates 750 established and 340 daily wage workers; GOTG assumes certain guaranteed loans of Gambia Commercial & Development Bank (GCDB); bi-weekly tender system introduced for determining 90-day Treasury bill rates.

Real GDP grows by 5.5%; public sector deficit rises as both current and development expenditure increases; foreign loans and grants finance over 90% of development expenditure under revised PIP; high level of net foreign borrowing allows GOTG to establish net creditor position with banking system; increased groundnut producer price requires both budgetary subsidy to GPMB and domestic bank financing; annual inflation rate rises to 46% (22% end-period); external current account deficit rises to 32% of GDP as merchandise trade deficit doubles; balance of payments registers surplus due to increased official transfers, net official loans, and private capital inflows.

(Table 14 Continued)

Year	Exogenous Influences	Multilateral Aid Adjustments	Economic Outcome
1987/88	Good weather improves groundnut crop; official loans decline due to delay in disbursement of second tranche of World Bank SAC; export prices for groundnuts decline by 19%.	Bilateral debt (London Club) rescheduled; income tax reforms reduce highest marginal tax rate from 75% to 35%; tax base broadened to include nonwage income; increased taxable income threshold effectively exempts most civil servants from income taxes; new investment code implemented; commercial banks' reserve requirement on demand deposits raised from 10% to 24%; groundnut producer price lowered 16.7%; GOTG transfers D163 million to GPMB and GUC for groundnut subsidies and to repay GUC and GPMB debts.	Real GDP grows by 5.3%; inflation decelerates to 12% annual rate (9% end-period); public sector deficit remains constant at 22% of GDP; domestic borrowing rises as foreign aid inflows decline; current account deficit narrows to 21% of GDP; balance of payments surplus declines with lower level of official foreign loans; positive real interest rates emerge.
1988/89	Uneven distribution of rainfall and shortages of seednuts reduce groundnut crop; world market prices for groundnuts decline.	Second phase of ERP supported by 3-year structural adjustment facility (ESAF) arrangement with the IMF; uniform 10% sales tax at manufacturer/importer level replaces general import duty and existing excise taxes; import duties on rice and tea eliminated; new civil service grade structure implemented and upward adjustment in public-sector wages; groundnut producer price lowered to D1,100 per ton; fees for health services provided by Government hospitals and clinics raised under cost recovery program.	GPMB realizes D13.2 million loss on groundnut operations; external current account deficit declines to 18% of GDP; real GDP rises by 3%; average inflation rate declines to 11% (8% end-period); fiscal deficit declines to 7% of GDP.
1989/90	Good weather results in largest groundnut crop since 1982/83 season.	Second World Bank SAC approved; groundnut marketing liberalized; groundnut export tax suspended; national sales tax extended to service sector; fertilizer subsidies reinstated as fertilizer price reduced to about 60 percent of estimated import value; GOTG transfers D111 million to GPMB and GCU to write off debts.	Real GDP growth projected to be over 5%.

money, the smaller the reduction in real wealth from a depreciation of the exchange rate. Thus, in The Gambia, those who had smuggled foreign currency out of the country or who had otherwise saved foreign exchange would have been less uncomfortably affected by the policies of the ERP.

In its first year, 1985/86, the ERP was introduced by the GOTG with little additional financial support from the donor community. In 1985/86, net official foreign loans actually declined from US\$33.8 million (21 percent of GDP) to US\$31.1 million (16 percent of GDP). Although the reaction of donors was favorable, they were reluctant to support the ERP because The Gambia was in arrears to the IMF and did not have a standby arrangement. Once these arrears were cleared, the ERP was extended for two years, through 1987/88, with financial support from the donor community. The second phase of the ERP, covering the period from 1988/89 to 1990/91, has been implemented with further donor support. The policy reforms implemented in 1985/86, as well as subsequent measures implemented under the extended ERP, are shown in detail in Table 14 and are discussed more fully below.

THE ECONOMIC RECOVERY PROGRAM: 1985/86

Price and Exchange Rate Policies

Price and exchange rate policies in the first year of the ERP were designed to reduce domestic consumption and to increase the relative price of traded to nontraded goods. An increase in the general import tax and higher item-specific import duties raised the prices of most imported consumer goods. The GOTG also increased fertilizer prices, liberalized the importation of fertilizer in January 1986, and announced that fertilizer subsidies would be phased out by December 1986. The export duty on fish (previously 17 percent) was eliminated to encourage exports. Controls on rice prices were abolished and all restrictions on private-sector participation in rice trade and marketing were eliminated. The new rice policy not only permitted consumer rice prices to rise, thereby reducing the demand for imports, but it also reduced the public sector's demand for foreign exchange.

GOTG controls on prices for all foodstuffs, including groundnut oil, meat, eggs, and bread, were eliminated. Administered prices for petroleum products, public transport, telecommunications, water, and electricity were raised at various times to ensure the pass-through of higher import tariffs and exchange-rate adjustments. To reduce subsidies on healthcare services provided through government hospitals and clinics, fee increases ranging from 20 to 400 percent were instituted for specific services.

Recognizing that the key to increasing export earnings lay in revitalizing the groundnut sector, the GOTG raised the producer price for groundnuts by 58 percent, from D620 to D980 per ton, in July 1985 at the start of the planting season. The price was later raised to D1,100 per ton, at the start of the buying season in November and to D1,260 per ton, in January 1986 to bring the Gambian price more in line with the Senegalese price (which was higher than the equivalent world price) at the prevailing parallel-market exchange rate. However, the parallel-market exchange rate depreciated during much of the buying season so that the new producer prices were still not sufficiently competitive to prevent significant cross-border outflows.

Among the policies implemented to correct for the distortions in the prices of traded to nontraded goods, the boldest and the most effective policy was the liberalization of restrictions on the foreign exchange market in January 1986. Such a bold move was deemed necessary by the GOTG in order to neutralize the large parallel market for foreign exchange and to reduce the capital flight associated with that market. Ramamurthy (1986) estimated that by early 1986, approximately 48 percent of the money supply was held outside the banking system.

The system adopted in 1986 involved a floating exchange rate and an inter-bank market in which the commercial banks and the CBG set foreign exchange rates weekly by bidding for the available foreign exchange. Three commercial banks participate, with the CBG, in these weekly trading sessions. Foreign exchange is then sold by these banks at market rates. During the first month of operation, the official exchange rate was set at D7.45 per £1 sterling, representing a dalasi depreciation of 49 percent. By March 1986, the official exchange rate had depreciated further to D10.00 per £1 sterling, thereby reducing the difference in value on the parallel market to only about 5 percent; by mid-October 1986, the parallel market and interbank market rates were practically identical (USAID, 1987).

To strengthen the liberalized system, the GOTG also announced the removal of existing restrictions on payments and transfers for current international transactions, established foreign exchange surrender requirements for public enterprises, and set limits on the foreign exchange working balances of the commercial banks. At the end of the week, commercial banks must sell to the CBG foreign exchange balances in excess of established reserves. Despite these measures, an initial lack of confidence in the system resulted in increased private short-term capital outflows in 1985/86.

Public-Sector Policies

To limit the upward drift in domestic prices of nontraded goods, the government froze public-sector wages and salaries, reduced development expenditure from the previous year's level, and sharply constrained the growth of noninterest current expenditure. The government work force was reduced by more than 24 percent in 1985/86 through lay-offs of 2,300 temporary and daily laborers and 460 civil servants in established posts (Herlehy, 1988). The GOTG also instituted a ban on the creation of any new publicly-owned enterprises and commenced a program to rationalize and privatize existing parastatal corporations. Actions taken to tighten customs revenues collection resulted in both higher revenues as well as increased prices for imported goods.

Demand Management

To encourage savings, the interest rate paid by banks on savings deposits was raised from 8 to 15 percent and the interest rate charged on certain loans was raised from 10 to 22 percent in September 1985. These ceilings were abolished in February 1986, and minimum deposit rates ranging from 15 to 17 percent were introduced to support the liberalized exchange rate system and to reduce capital outflows. The interest rate on Treasury bills and on central bank advances was also increased from 8 to 15 percent.

To reduce inflationary pressures, the IMF and GOTG initially intended the following limits: (1) the growth of total domestic credit to 9 percent, (2) the increase in net credit to government to zero, and (3) the increase in credit to public enterprises to 10 percent. The GOTG believed that the rate of inflation could be held to around 20 percent, notwithstanding the possible inflationary impact of movements in the exchange rate.

1985/86 Economic Outcome

The first year of the ERP was accompanied by unfavorable exogenous conditions that handicapped the government's efforts to achieve the ERP's objectives and worsened the ERP's effects on real incomes. Poor weather reduced the groundnut crop to about 70 percent of its level in the previous year and the terms of trade fell by 41 percent.¹³ Net official financial inflows declined, further exacerbating The Gambia's precarious external trade balance. The deficit in the merchandise trade balance widened as earnings from groundnut

¹³ Von Braun and Puetz (1987) have also documented the adverse effects on agricultural production of the late delivery of fertilizer provided by the Italian government under a grant in the 1985/86 season. (See section on fertilizer policy, page 80).

exports declined. By the end of June 1986, external arrears had increased to almost two and one-half times 1985/86 exports of goods and services (excluding reexports).

Despite efforts to control public spending, an increase of 26 percent in net bank credit to the GPMB was required to cover GPMB losses on the groundnut account. By the end of July 1986, at the start of fiscal year 1986/87, the dalasi depreciation, in local currency terms, amounted to about 125 percent. As a result of exchange rate depreciation, adjustments in administered prices, and further increases in bank credit, inflation (end-period) rose to a rate of 70 percent from July 1985 to June 1986. The decontrolled price of rice imported by the private sector increased to D360 per 100 kg in March 1986 (up from D126 in September 1985), reflecting the depreciated exchange rate as well as insufficient supplies. In order to ease domestic pressures, the GPMB sold some officially imported rice at a lower price of D155 per 100 kilogram bag.

Real GDP was stagnant in 1985/86. Private consumption contracted sharply, falling to 76 percent of GDP from 86 percent in the previous year, as the exchange rate depreciation, drought, and reduced government expenditure reduced real incomes and domestic absorption.

EXTERNAL FACTORS, ECONOMIC REFORMS YIELD HIGHER INCOMES, 1986/87

The GOTG's payment of arrears to the IMF in July 1986 and the subsequent negotiation of a standby agreement cleared the way for additional donor assistance to support the ERP. In addition to drawings of US\$6.0 million under the standby agreement of September 1986, the ERP was supported by a loan of US\$4.0 million for the first year of an IMF structural adjustment facility (SAF), a three-year US\$37.0 million World Bank structural adjustment credit (SAC) with co-financing, and US\$7.3 million in commodity aid grants from the European Community (STABEX). Numerous bilateral donors also provided technical assistance and balance of payments support. In 1986/87, net official foreign loans and grants increased to US\$78.0 million, or over 50 percent of GDP.

Price and Exchange Rate Policies

As a condition for the IMF standby arrangement, the farmgate groundnut price was increased to D1,800 per ton, a level 43 percent above that of January 1986, and some 10 percent above the export price for shelled groundnuts. This higher groundnut price was chosen to ensure that the GPMB would procure and export at least 60,000 tons of groundnuts (Hogan, 1987). The IMF, not yet confident that the CFA francs earned by farmers from cross-border groundnut

sales would be repatriated through the new interbank market, wanted the domestic price high enough to discourage farmers from selling groundnuts across the border in Senegal.

According to the IMF agreement, GPMB losses on its groundnut account would be covered by a budgetary transfer financed partly by external assistance and partly by new fiscal measures that would increase the import duty on rice from 26 to 30 percent and raise import taxes on petroleum products. However, the producer-price increase combined with good weather resulted in an increase of 46 percent in groundnut production. The GPMB's expenses were therefore greater than expected, and additional financing had to be provided through domestic bank credit. Meanwhile, food crop production declined by 16 percent.

The standby arrangement also committed the GOTG to promote the re-export trade to further increase its foreign exchange earnings. Import duties were reduced on items such as textiles, tomato paste, radios, batteries, corrugated sheets, and cement, all of which are important in that trade. Lower import duties, combined with improved access to foreign exchange through the interbank market, helped to encourage this trade.

Public Sector Policies

Foreign loans and grants accommodated a 77 percent increase in development expenditure in 1986/87. Although the general freeze on government wages and salaries continued, recurrent public expenditure rose by 66 percent to include the higher costs for debt service and imported materials and a budgetary transfer of D83 million (about 8.8 percent of GDP) to the GPMB. Government staff levels were further reduced by the termination of 750 established civil servants, by the firing of 340 temporary and daily-paid laborers, and by the closure of 750 vacant posts (Herlehy, 1988). The GOTG also adopted a plan for rationalizing the public enterprise sector that involved the phased divestiture of government holdings and negotiations of performance contracts with enterprises that were to remain in the GOTG's portfolio. To improve the productivity of public investment, the government introduced a rolling three-year program (PIP) linked to the annual preparation of the recurrent budget in 1986/87. Stringent selection criteria were established for new development projects, including the requirement that they yield a minimum 15 percent rate of return.

Demand Management

During 1986/87, the government continued its credit policy of limiting the net domestic assets of the banking system. The government was able to retire its debt to the banking system and establish a net creditor position, as foreign

financial inflows more than fully covered the deficit. The growth in money supply (44 percent) derived entirely from an increase in net foreign assets of the banking system. Due to the substantial foreign financial inflows, The Gambia's balance of payments registered a small surplus in 1986/87 despite the widening of the external current account deficit to 32 percent of GDP.

In July 1986, the GOTG introduced a flexible, more market-oriented system for determining interest rates. Under the new system, key interest rates are determined on the basis of a biweekly tender for treasury bills. Central bank rediscount rates and the minimum rate on three month savings deposits are linked to this treasury rate; and other deposit and lending rates are allowed to respond to this rate. Under this new system, treasury-bill rates fluctuated between 16 and 20 percent in 1986/87. Previously, the rate had been fixed at 15 percent.

In January 1987, through the creation of a managed fund at the CBG, the GOTG assumed D73 million of bad, government-guaranteed loans extended by The Gambia Commercial and Development Bank (GCDB) to various private and public enterprises. The assumption of these loans and the offsetting adjustments made on the balance sheets of the CBG and GCDB were an important first step in the GOTG's restructuring of the banking system.

1986/87 Economic Outcome

Good weather and an improved groundnut crop helped the economy to grow by 5.5 percent in real terms in 1986/87. The value of the dalasi stabilized on the foreign exchange market, and the inflation rate on an end-period basis declined from 70 percent in 1985/86 to 22 percent in 1986/87. Higher interest rates instituted in 1986/87 and improved confidence in the interbank system reversed the outflow of private short-term capital that had occurred in the previous year. International rice prices declined in early 1986, and by December 1986, retail prices for imported rice stabilized at levels only about 9 percent above their corresponding level of the previous year. Increased groundnut export realizations helped to keep the costs of the GPMB's groundnut subsidy under control.

The GOTG also reached agreement with the group of official bilateral creditors known as the Paris Club to reschedule payments pertaining to publicly guaranteed or insured commercial credits and official loans contracted before July 1, 1986. Under the terms of the agreement, payment of 100 percent of the principal and interest (excluding late interest charges) falling due between October 1, 1986 and September 30, 1987 would be deferred until between 1992 and 1997. Repayment of 100 percent of the arrears on principal and interest outstanding on September 20, 1986 was deferred until between 1991 and 1996. To facilitate implementation, The Gambia undertook to make a minimum

monthly deposit of US\$0.42 million to a special account with the Bank of England. Total debt relief established in 1986/87 is estimated at US\$3.30 million and at US\$12.10 million for debt arrears. After payments to the Bank of England, net debt relief is an estimated US\$1.70 million.

GOTG CONTINUES SUCCESSFUL REFORMS, 1987/88-1989/90

Reforms between 1987/88 and 1989/90 have focused on improving public-sector management and on strengthening the market orientation of specific sectors in order to improve economic efficiency. The GOTG also continues to adhere to the credit and monetary policy targets negotiated with the IMF. In 1987/88, The Gambia received a second annual arrangement under the IMF structural adjustment facility (SAF). This was followed by the approval of a three-year arrangement under the IMF's enhanced structural adjustment facility (ESAF) in 1988/89, and a second three-year World Bank SAC in 1989/90.

Price and Exchange Rate Policies

Following The Gambia's payment of arrears to the IMF, an important priority of the extended ERP since 1987/88 has been to introduce market forces into the groundnut marketing system and to eliminate the budgetary transfer to the GPMB. To phase out the groundnut subsidy, the GOTG lowered the producer price for groundnuts in both 1987/88 and 1988/89. New pricing and marketing rules introduced in the 1989/90 season eliminated the groundnut subsidy and allowed anyone – farmers, traders, or GCU agents – to sell groundnuts directly to the GPMB at its depots. To cushion the impact on farmers, the GOTG suspended the export tax on groundnuts.

Public-Sector Policies

Since 1987/88, the GOTG has signed performance contracts specifying steps to improve efficiency and to reduce costs with three public-sector enterprises – the GPMB, The Gambia Utilities Corporation (GUC), and The Gambia Ports Authority (GPA). The GOTG has also adopted programs to strengthen the Ministries of Agriculture, Works and Communications, Education, and Health. To improve both cost recovery and efficiency in the health system, user fees for health services were instituted in all government hospitals and clinics in August 1988. Fee incomes generated are linked to the establishment of a revolving fund for financing recurrent costs of drugs and medical supplies and to an overhaul of the health services.

An income-tax reform approved in February 1988 has greatly simplified the system, lowered marginal tax rates, and increased taxable income thresholds.

The new tax threshold introduced at that time effectively exempted most civil servants from income taxes. A 10 percent national sales tax at the importer and manufacturer level was introduced in July 1988 to replace the 6 percent general import duty and other excise taxes. The national sales tax was broadened in July 1989 to include services, such as hotels and restaurants, telecommunications, insurance, and night clubs and casinos. In January 1989, a long-delayed general wage and salary increase for government employees was introduced. It raised salaries for civil servants by 55 percent, on average, after substantial restructuring of pay and grading scales.

Demand Management and Credit Policy

While maintaining its continued commitment to tight credit and the flexible interest-rate system, the GOTG has been restructuring its financial sector since 1987/88. The GOTG is currently putting into effect a comprehensive reform of the GCDB, the largest bank in the country and sole source of term lending.

As part of this financial restructuring, the GOTG has written off accumulated debts owed to the GCDB and the CBG by two parastatals — the GPMB and The Gambia Utilities Corporation (GUC). To improve the financial viability of the agricultural-credit system, the GOTG instituted a program for recovery of outstanding debt owed by farmers to the GCU. It has also drawn up new credit eligibility rules for cooperative members. The GOTG has also made a provision of D111 million to write off accumulated debts owed by the GCU to the GCDB in 1989/90.

1987/88 - 1988/89 Economic Outcome

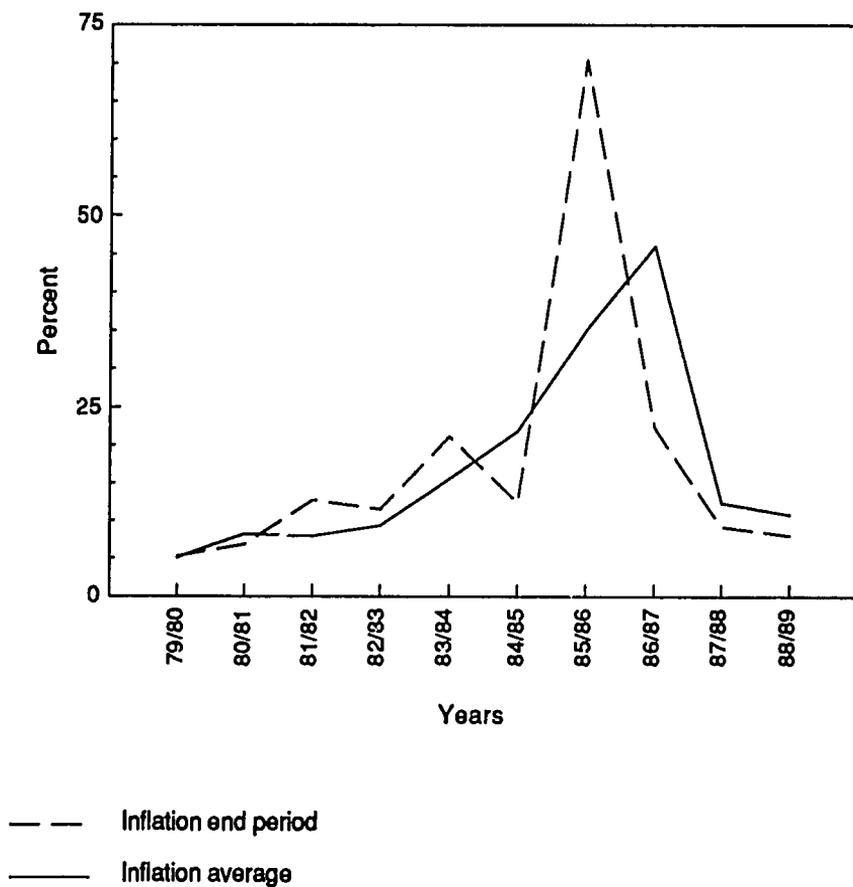
Real GDP rose by 5.3 percent in 1987/88 and by 3.1 percent in 1988/89. With decelerating inflation, positive real interest rates emerged in 1987/88 for the first time in years.

SUMMARY: STRUCTURAL ADJUSTMENT AND THE ERP

The success of the ERP in terms of creating a more sustainable macro-economic environment is briefly analyzed in this section. Specifically, the effects of the ERP on inflation, the real exchange rate, and the reduction of the fiscal and balance of payments deficits are examined below.

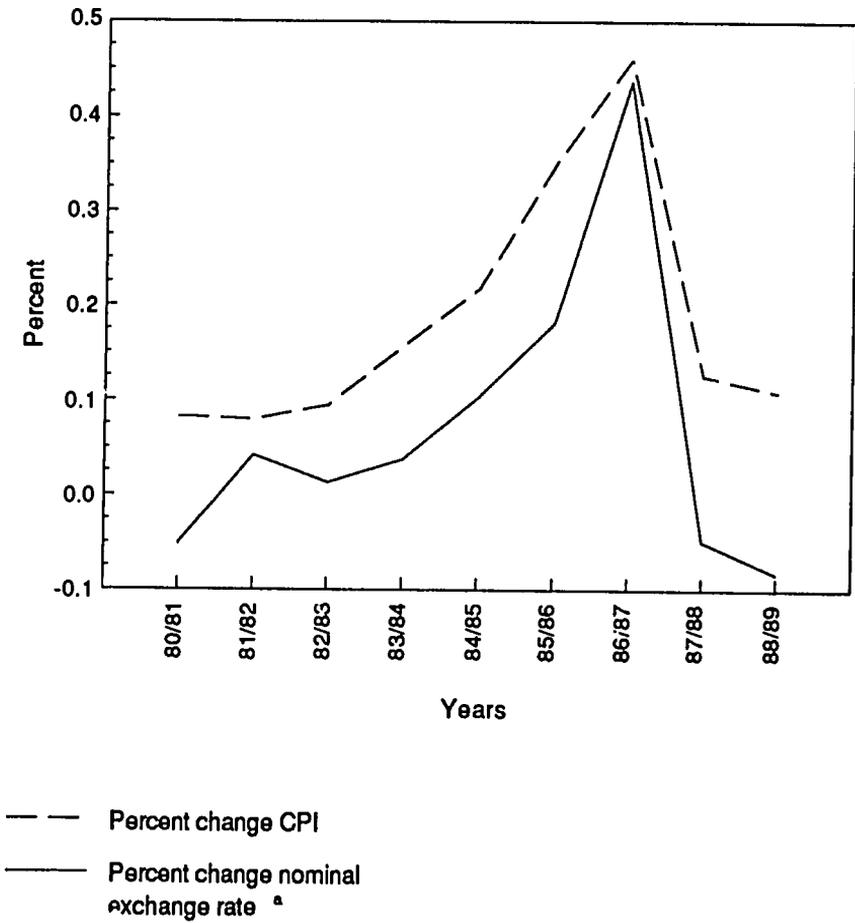
The ERP and Inflation

As the Gambia is an open economy, the rate of inflation is dependent on changes in the exchange rate as well as on the level of domestic bank credit. Inflation in The Gambia remained constant at an average annual rate of 5 to 10 percent from 1979/80 to 1982/83; it rose in 1983/84 with the higher level of bank

Figure 7 – The Gambia: Rates of Inflation, 1979 - 1989

Source: *International Monetary Fund (1987, 1988, 1989).*

Figure 8 – The Gambia: Variations in CPI and Nominal Exchange Rate, 1980 - 1989



Source: International Monetary Fund (1987, 1988, 1989).

^a Negative of change in value of dalasi per unit of foreign exchange.

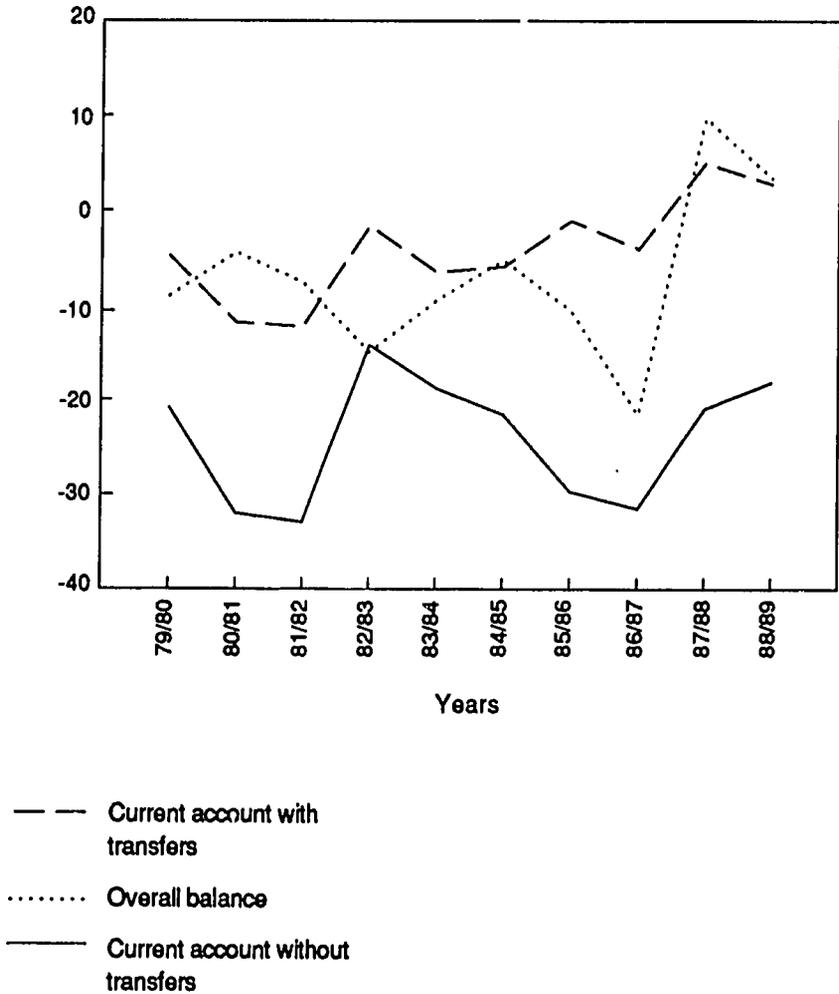
financing required to support the GPMB and other GOTG initiatives, and then increased sharply in 1984/85 with the 25 percent devaluation of the dalasi (Figure 7). The liberalization of currency restrictions and the subsequent float of the dalasi in 1986/87 resulted in its further depreciation. In terms of major currencies, it declined by over 50 percent between its prefloat level in 1985 and the beginning of July 1987 (Figure 8).¹⁴ In both 1985/86 and 1986/87 inflation jumped sharply due to the depreciation of the dalasi and the further increase in bank credit required to support the GPMB in 1985/86. With the stabilization and slight appreciation of the dalasi since 1987/88, inflation has decelerated sharply.

The decline in the rate of inflation starting in 1986/87 (on an end-period basis) reflects the government's commitment to stabilizing the exchange rate through high interest rates and restrictive monetary and credit policies and to freezing government wages and salaries. As mentioned earlier, the interbank market operates within a tight fiscal and monetary environment that has limited the extent of the depreciation of the dalasi by restraining the demand for and increasing the supply of foreign exchange. Inflationary pressures were also reduced by the GOTG's sterilizing of a portion of the massive increase in foreign aid that occurred in 1986/87; some of this aid was used to effect a 53 percent reduction in domestic credit and thus, moderate its effects on the money supply. The latter action limited inflationary pressures on the price of nontradables, since the price of tradables is fixed by the exchange rate. In addition, the large inflows of foreign aid have allowed the government to stabilize the exchange rate at lower interest rates and at a higher level of real income than would have been possible if the current account deficit had had to be eliminated.

The ERP and The Current Account Trade Deficit

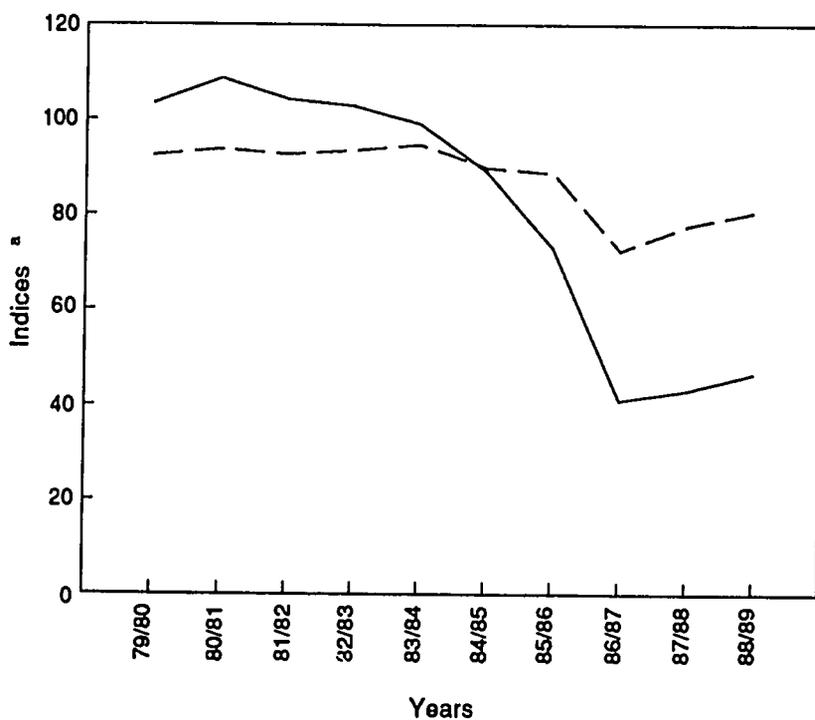
The Gambia's current account deficit (as a percent of GDP) increased steadily from 1982/83 to 1986/87 despite GOTG efforts to reduce domestic absorption and expand exports (Figure 9). As shown in Figure 10, these efforts resulted in The Gambia's real exchange rate, which measures the real value of the dalasi in terms of foreign currencies, remaining virtually unchanged from 1979/80 to 1985/86. An approximate 20 percent decline in the real exchange rate was achieved in 1986/87, thus making imports more expensive relative to domestic production and encouraging exports. Since 1986/87, the real exchange rate has appreciated, but it remains below its pre-ERP level.

¹⁴ In Figure 8, the negative of the change in the nominal value of the dalasi is shown because the variations in the CPI and in the value of the dalasi in terms of major currencies should be negatively correlated.

Figure 9 – The Gambia: Trade Balances as a Percent of GDP, 1979 - 1989

Source: *International Monetary Fund (1987, 1988, 1989).*

Figure 10 – The Gambia: Trends in Real and Nominal Exchange Rate Indices, 1979 - 1989 (1980=100)



— Nominal exchange rate

- - Real exchange rate

Source: International Monetary Fund (1987, 1988, 1989).

^a Defined in dalasis per unit of foreign exchange.

The cushioning effect on the economy of the higher adjustment-induced foreign aid flows since 1986/87 is shown clearly in Figures 9 and 10. The decline in the real value of the dalasi has not been nearly enough to eliminate The Gambia's current account deficit, which remains at roughly 20 percent of GDP. Lower interest payments on foreign debt from debt rescheduling and payment of arrears and increased foreign exchange earnings from tourism and reexports have helped to reduce the current account deficit. With the depreciation of the dalasi, however, the import share of GDP has increased from around 50 percent pre-ERP to roughly 60 percent. The Gambia's current balance of payments surplus is the result of foreign transfers and highly concessional foreign loans.

The ERP and the Fiscal Deficit

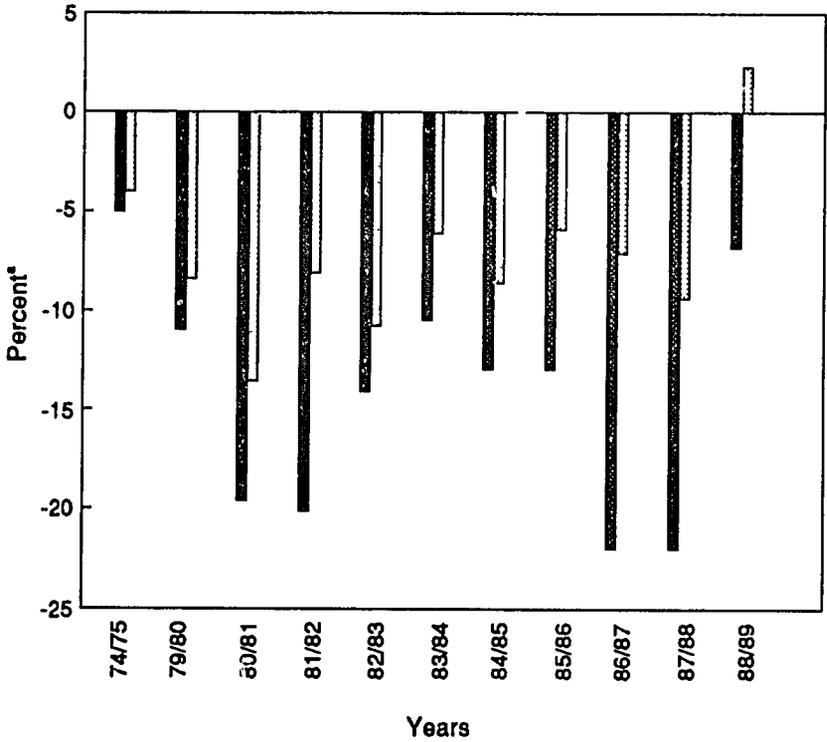
Following the adjustment-induced foreign financial inflows, total real public expenditure in 1986/87 grew by an average of 33 percent over its level of 1985/86. The GOTG's fiscal deficits of about 22 percent of GDP in 1986/87 and 1987/88 were at roughly the same level (in terms of GDP) maintained earlier in 1980/81 and 1981/82 when foreign financial inflows averted the economy's financial collapse (Figure 11). Increased real public expenditure in 1986/87 and 1987/88 were financed by a combination of higher tax rates, broader tax coverage and more effective enforcement, as well as by foreign loans and grants. However, much of this growth in public expenditure was accounted for by debt service and by transfers to public entities as part of the GOTG's restructuring of the banking system. In 1988/89, reduced real expenditure and higher tax revenues induced through tax reform enabled the GOTG to reduce its fiscal deficit to only 7 percent of GDP.

External Debt Situation

Since its financial difficulties began in 1979, The Gambia's external debt has risen from under \$100 million in 1979 to over \$300 million in 1988 (Figure 12). Practically all of this debt increase is due to highly concessional foreign aid from multilateral and bilateral donors. In contrast to the pre-ERP period when official medium- and long-term debt accounted for 58 percent of The Gambia's external debt, official loans currently account for 80 percent of this debt.

Although The Gambia's external arrears have been reduced to one-third of their peak level of June 1986, efforts to service this debt will weigh heavily on the economy over the coming decades. Due to higher interest payments and the need to settle arrears with the IMF and the commercial banks, debt service rose to over 100 percent of domestic export earnings (from commodity exports plus profits from the reexport trade and earnings from tourism) in 1986/87 (Figure 13). However, since 1986/87, debt service has stabilized at about 50 percent of

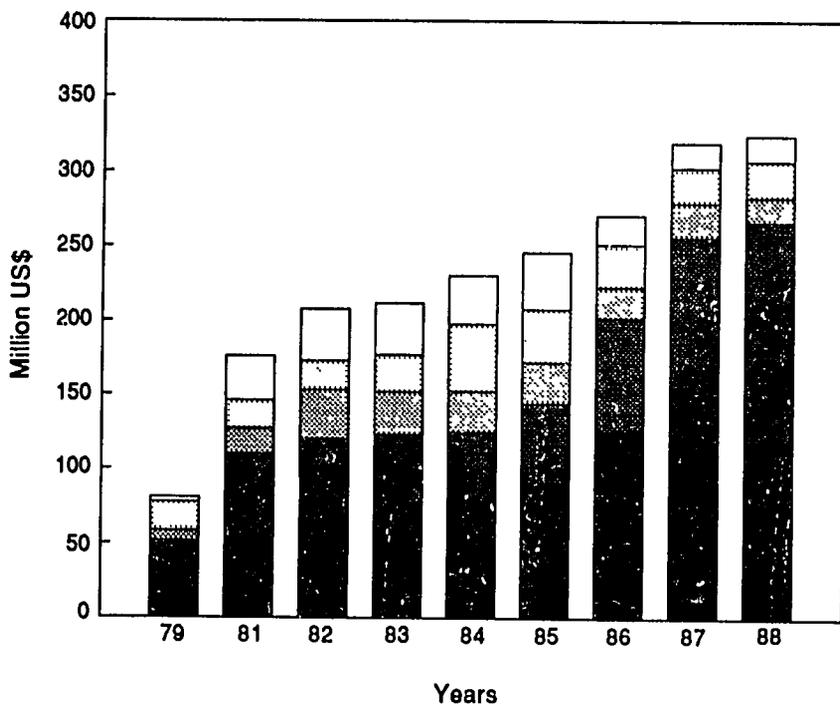
Figure 11 – The Gambia: Fiscal Account as a Percent of GDP, 1974/75 and 1979 - 1989



- No grants
- ▨ With grants

Source: *International Monetary Fund (1987, 1988, 1989).*

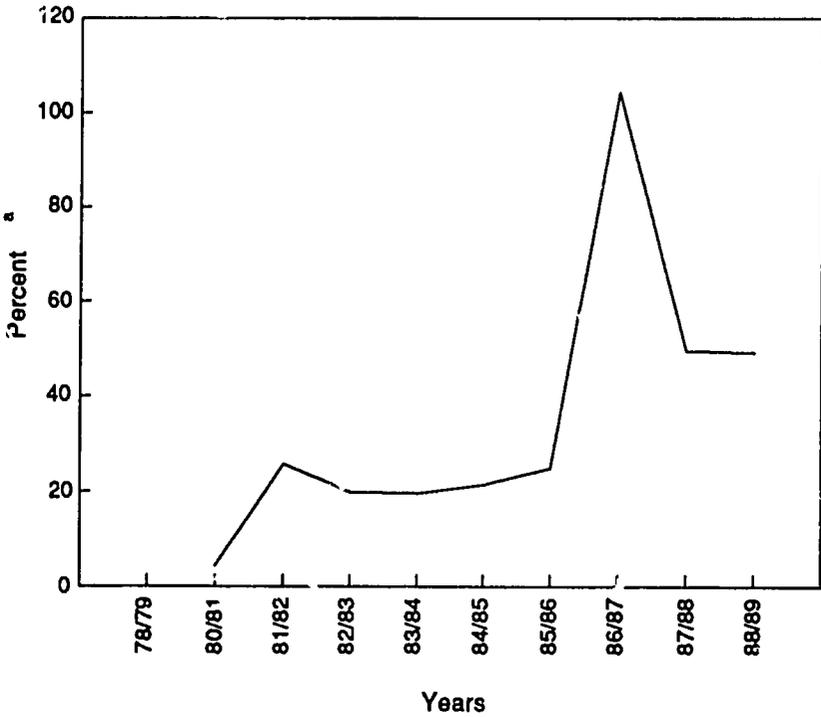
^a *Negative numbers denote fiscal deficit.*

Figure 12 – The Gambia: Debt Indicators, 1979 - 1988

- Other
- ▤ Short-term
- ▨ Fund credit
- Bilateral
- Multilateral

Source: World Bank, World Debt Tables.

Figure 13 – The Gambia: Debt Service Ratio Including Payments Owed to the IMF, 1978-1989



Source: International Monetary Fund (1987, 1988, 1989).

^a Percentage of exports of domestic goods and nonfactor services.

domestic export earnings. As the World Bank (1987b and 1988b) has noted, high debt service ratios combined with The Gambia's structural merchandise trade deficit will require The Gambia to attract larger foreign financial inflows and increased foreign exchange earnings to balance the external payments gap in the future.

13

6. Economic Growth, Real Incomes, and Prices Under The ERP

BACKGROUND

The objectives of the ERP were to increase export earnings and reduce domestic absorption by raising farmgate prices for groundnuts and cereals, promoting the reexport trade, reducing consumer subsidies, and limiting growth in public-sector expenditure. To be successful, the program had to affect the relative rewards among factors employed in the tradable and nontradable sectors and thus income distribution between the two sectors. Due to the importance of the agricultural sector in producing tradable goods (groundnuts, cereals, fish) and the concentration of urban workers in nontradable service activities, including government, the policies adopted in the early years of the ERP resulted in an income transfer from the urban to the rural population.¹⁵ Urban consumers were also hardest hit by the increase in the real price of rice, the urban staple grain. This income transfer can now be seen as temporary, however, as urban incomes have risen since 1988/89 due to increases in government salaries and in the minimum wage.

To assess the effects of the ERP on specific income groups will require a detailed income and expenditure survey for urban and rural households. With such a survey, one could analyze how movements in prices and changes in incomes and government expenditure have affected the consumption possibilities open to individuals in different income classes. The Ministry of Economic Planning and Industrial Development (MEPID) plans to undertake a nationwide household survey in 1990/91 to gather this type of information. However, other data on employment, earnings, and prices exist and can be used for a preliminary analysis of the ERP.

This chapter provides a preliminary evaluation of the changes in real incomes, prices, and government expenditure that have occurred during the course of the ERP. The purpose of this analysis is to assess (1) how real incomes and prices

¹⁵ Urban incomes probably increased with the promotion of the reexport trade; however, it is not clear how this activity affects documented formal-sector incomes and employment.

have changed in The Gambia since the ERP and (2) how some of the reforms implemented under the ERP may have affected incomes and prices differently in the urban and rural areas. This analysis neither links specific policies and reforms to microlevel effects or changes in income distribution nor examines how incomes and prices would have changed in the absence of adjustment. It provides a frame of reference for CFNPP's extended research in The Gambia that will then use household information to link specific reforms to an appropriate microlevel model.

THE ERP AND ECONOMIC GROWTH

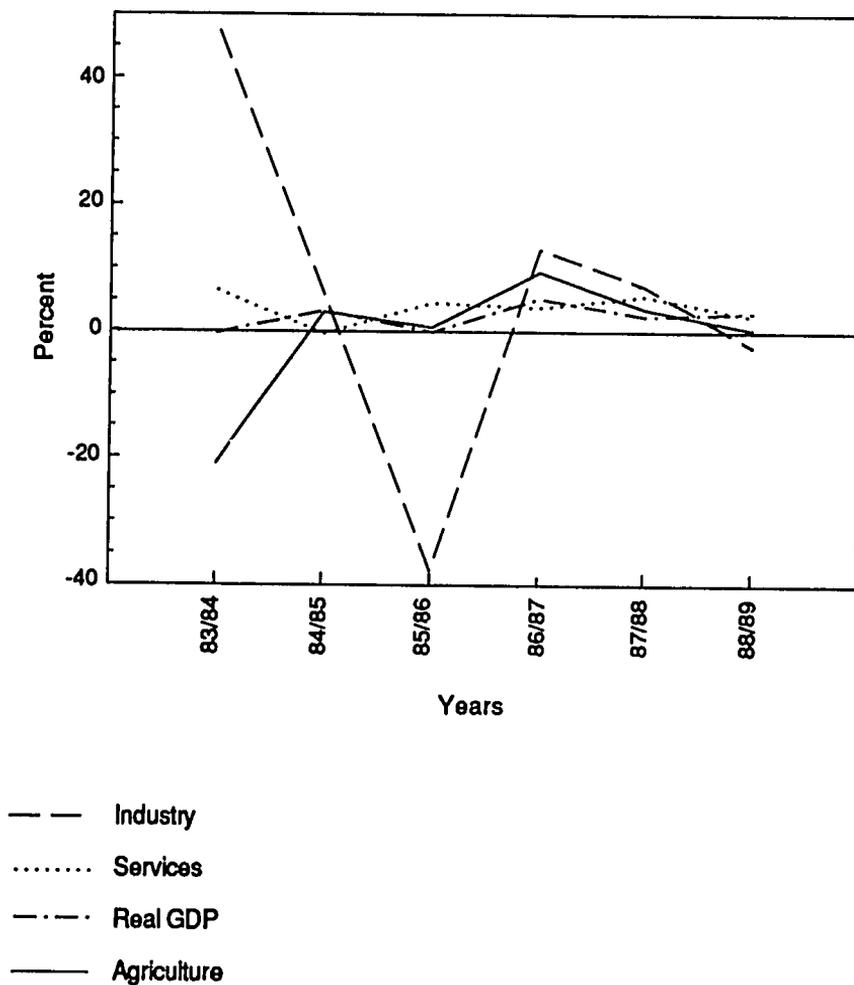
Although the costs of adjustment to the ERP were initially felt in urban areas, rising real GDP and real GDP per capita, starting in the second year of the ERP, helped to reduce the social costs. As shown in Figure 14, real GDP rose by over 5 percent during the period between 1986/87 and 1987/88. In the absence of a general equilibrium model, one cannot know whether the increase in real output was attributable to the adjustment program itself, or to the improvement in exogenous factors, such as adjustment-induced foreign financial inflows, improved weather conditions, and the halt in the deterioration of the external terms of trade that accompanied the ERP in 1986/87. Foreign aid flows cushioned the impact of the adjustment policies by allowing a higher level of income and expenditure than otherwise could have occurred.

This is not to say that 1985/86, the year the government instituted the ERP on its own initiative, did not have significant social costs. Real GDP per capita dropped sharply in that year. Again, it is not possible to identify whether the specific factors responsible for this decline were exogenous, like poor weather and the decline in external aid flows, or endogenous, that is to say the policies implemented under the ERP.

Despite the ERP's emphasis on transferring income to the agricultural sector, real output growth in the industrial sector appears to have outstripped that of agriculture during the period between 1986/87 and 1987/88. The reallocation of labor and land from cereals to groundnuts in response to higher groundnut prices, increased fertilizer prices, the restructured farm credit system with more stringent credit requirements, and the lower prices for groundnuts in 1987/88 may all have contributed to this relatively slower growth. In the industrial sector, value added from groundnut processing rose with increased groundnut production in 1986 and 1987, and construction activity benefitted from increased public expenditure on infrastructure as well as from private-sector initiatives in commercial and residential construction.

The service sector also expanded during the period from 1986/87 to 1988/89.

Figure 14 – The Gambia: Growth of Real Gross Domestic Product by Production Sector, 1983 - 1989



Source: International Monetary Fund (1987 and 1989).

Increased output generated from groundnut marketing as well as other trading, GOTG encouragement of tourism, and increased public sector expenditure for transport and communications contributed to this growth. In addition, new financial policies including the creation of the interbank market, and the introduction of a flexible interest rate appear to have encouraged the business and financial services sector since 1986/87.

The available information suggests that the ERP has been successful in promoting increased domestic savings and investment and in reducing consumption, which fell from 83 percent of GDP in 1983/84 to 76 percent in 1985/86 and to 72 percent in 1988/89. Thus, there has been a social cost to the ERP in terms of reduced consumption of goods and services. In the following sections, the changes in real per capita incomes and prices that accompanied the ERP are examined more closely.

URBAN FORMAL-SECTOR INCOMES UNDER THE ERP

Formal- and Informal-Sector Employment

Despite retrenchment in the Civil Service under the ERP, employment in the formal sector has steadily risen since 1986. By December 1988, total employment in the formal sector had increased by over 4 percent from its level in 1986, although employment in the public sector had declined by 19 percent (see Table 15). The 38 percent decline in public-sector employment from 1983 to 1988 reflects the cutback of 3,850 civil servants—2,640 temporary and daily-paid workers and 1,210 established workers—initiated under the ERP and the closing out of an additional 750 vacant posts.

Although earnings information is not available for the informal sector, the fact that formal-sector employment is higher than before the ERP suggests that the civil service retrenchment did not, in itself, have an adverse effect on informal-sector earnings per worker (see Sarris, 1990, for a discussion of labor market issues). This may be because the retrenchment did not increase the net supply of workers in the informal sector. Anecdotal information on the whereabouts of the laid-off workers suggests that they have been able to find employment in the public sector, as other vacancies have arisen, in parastatals, in the private sector, and in farming.

On the other hand, slower growth in government (and formal-sector) activity since the start of the ERP has resulted in the urban informal sector increasing its share of urban employment from 36 percent in 1983 to 44 percent in 1988 (Table 15). Thus, the informal sector has largely absorbed the growth in the urban labor force since 1983. This, no doubt, has dampened the ability of those

Table 15 – The Gambia: Total Labor Force and Employment, 1976-1988

	June 1976	June 1983	December 1986	December 1988
	Numbers			
Labor Force ^a	268,000	300,419	312,000	320,000 ^b
Agricultural	228,600	249,621	256,000	260,200
Nonagricultural	39,400	50,798	56,000	59,800
Utilization of Labor	268,000	300,419	312,000	320,000
Formal employment	26,642	32,495	31,841	33,191
Public sector	19,837	26,674	20,434	16,463
Private sector	6,805	5,821	11,407	16,728
Agriculture	228,600	249,621	256,000	260,200
Urban informal sector	12,758	18,303	24,159	26,609
	Percentages			
Total labor force in formal sector	9.9	10.8	10.2	10.4
Nonagricultural labor force in formal sector	67.6	64.0	56.8	55.5

Sources: World Bank (1985), Central Statistics Department (1987b and 1989), and Sabally (1989).

^a Based on International Labor Organization estimates.

^b Estimate based on trend from 1983 to 1986.

employed in the informal sector to obtain higher nominal earnings as well as any increase in real earnings.

Formal-Sector Incomes Under the ERP

Although formal employment has expanded since introduction of the ERP, information on real wages and salaries paid in the formal sector from 1979 to 1987 indicates substantial declines in real earnings of both established and regular (daily-paid) workers (Table 16).¹⁶ The greatest decline in real monthly

¹⁶ Movements in real wages and salaries indicate changes in nominal wages and salaries relative to the CPI.

and daily earnings occurred between June 1983 and December 1986. Real daily earnings of established workers fell by about 9 percent from 1979 to 1983 while earnings of regular workers fell by about 10 percent. In contrast to the earlier period, established workers' real daily earnings fell by 37 percent from 1983 to 1986 while those of regular workers fell by 45 percent. It is doubtful, however, that real incomes could have been maintained at their 1983 levels even without the ERP, given the GOTG's precarious financial situation at the start of the ERP. By 1987, real incomes of established workers appear to have stabilized while those of regular workers fell by an additional 13 percent (Table 16).

This large decline in real urban-sector earnings is not surprising, given that very little urban activity and employment is involved in the production of tradable goods. Wage increases in the private sector as well as in the public sector appear to have been equally depressed despite the fact that only government salaries were included in the GOTG's wage freeze of mid-1985. The moderate stabilization of real incomes in December 1987 was reflected in increases in nominal incomes. These occurred in both private and public sectors and were 19 and 15 percent, respectively in both private and public sectors (Central Statistics Department, 1987b and 1989).

Table 16—The Gambia: Real Earnings of Formal-Sector Workers, 1979-1987 (1980 = 100)

Earnings/Employee Type ^a	June 1979	June 1983	December 1986	December 1987
	Dalasis ^b			
Real daily earnings				
Established	10.9	9.9	6.2	6.2
Regular	6.1	5.5	3.0	2.6
Real monthly earnings				
Established	...	...	123.3	133.4
Regular	...	...	64.7	59.0
All employees^c	...	195.1	118.8	125.3

Sources: Raw data from World Bank (1985) and Central Statistics Department (1987b and 1989).

^a Established workers are salaried; regular workers are casual or full-time but paid on a daily basis.

^b Deflated by the CPI.

^c Includes earnings of expatriate employees, but excludes earnings of temporary employees.

The decline in the daily earnings of the daily-paid workers compared with those of salaried workers indicates that the latter have greater ability to protect their real incomes in times of economic belt tightening and/or that the ERP has created a relatively greater demand for more highly skilled labor. This may be indicated by the fact that the number of employees in the financial and business services sector more than doubled from 1986 to 1988 and average nominal monthly earnings in this sector have more than tripled. This sector employs a disproportionately large number of established workers compared with other sectors. On the other hand, the government retrenchment released a much larger number of regular and temporary workers. The increased supply of these workers to the private sector may have limited the nominal wage increases that were granted to regular workers during the retrenchment period.

Policy changes implemented by the GOTG in 1988/89 should reverse much of the decline in real formal-sector incomes over the last 10 years. In November 1988, a new civil service grade structure was introduced and in January 1989, wages and salaries for the established posts were raised, on average, by 55 percent. The minimum daily-wage scale was also revised by the government in 1989. This new wage scale increased the minimum wage for the highest paid daily-wage workers, foremen and artisans, by 63 to 75 percent (from D13.3 to D21.7 and from D7.8 to D13.7, respectively), and it increased the minimum wage for lower paid laborers by 63 percent (from D5.5 to D9.0). The extent to which these higher minimum wages will increase incomes of all workers is not clear, however, as the average wages paid in the formal sector in 1987 for daily-rated workers appear to be at the same level or higher than the new minima. However, assuming that these reforms result in a 60 percent increase in formal-sector incomes, real monthly incomes were expected to regain their approximate levels of June 1983 in 1988/89.¹⁷

To facilitate the transfer of civil servants to the private sector, the GOTG established a resettlement program in 1987 under the auspices of the Indigenous Business Advisory Service (IBAS). Under this program, IBAS provides subsidized loans to laid-off workers to start their own businesses. Roughly 700 to 800 former civil servants have applied for loans out of the approximately 3,850 who were retired. To qualify for a loan, a person must (1) be a laid-off civil servant, (2) have an idea for going into business and the prospects to do so, (3) attend a free but compulsory training program, (4) provide 100 percent security

¹⁷ In addition to the 1988/89 wage and salary changes, urban workers in 1988 benefitted from new income tax measures, that lowered taxable incomes for almost all civil servants.

for the loan, and (5) provide an equity contribution of 5 percent of the loan. These loans have been provided to former civil servants countrywide, but most borrowers are located in Western Division because the training must be completed in the Banjul area. The capital and skill requirements make the loans helpful primarily to better-off workers; very few loans have been awarded to women. A survey of 119 IBAS loans indicates that about 55 percent were for starting a marketing or retail enterprise, 25 percent for farming, 10 percent for carpentry, and the remainder for miscellaneous businesses.

AGRICULTURAL POLICY REFORMS, RURAL INCOMES, AND THE ERP

Agricultural policy reforms under the ERP focused on raising producer prices for groundnuts and for other agricultural commodities (in the first two years of the ERP), on reducing subsidies for fertilizers and credit, on restoring the financial viability of the farm credit system, and on improving the groundnut marketing system (in the most recent years of the ERP). GOTG fertilizer, credit, and agricultural policies before and after the ERP, and the impact of policy reforms on rural incomes and agricultural production are discussed below.

Fertilizer Policy

Fertilizer policy prior to the ERP. Until 1985, the GPMB imported fertilizer and organized its domestic handling, and the GCU retailed the fertilizer through its cooperative produce marketing societies (CPMS). Fertilizer sales by the GCU have usually been made on credit, thus encouraging the farmers' groundnut sales to the GCU to repay loans. Fertilizer prices were heavily subsidized during the 1970s and early 1980s. As shown in Table 17, the sale price in some years accounted for only 20 to 30 percent of the actual cost of the fertilizer to the GPMB, with the result that the GPMB lost money on its fertilizer account every year. In addition to losing money on GOTG-determined fertilizer prices, the GPMB was also highly inefficient as a fertilizer wholesaler (Langan, 1987; PPMU, 1987). In three years, 1981 to 83, GPMB wholesaling costs for fertilizer ranged from 23 to 45 percent of prices.

These losses to the GPMB were compounded by the inadequacy of the fertilizer retailing allowance paid by the GPMB to the GCU. This was insufficient to cover GCU costs, and the GCU also lost revenues on fertilizer

Table 17 – The Gambia: Fertilizer Costs and Sale Prices in Dalasis per Ton and Subsidies as a Percentage of Cost, 1974-1989

	SSP ^a			NPK Compound (15-15-15)			NPK Compound (8-24-24) ^b		
	Cost Price	Sale Price	Sub- sidy (%)	Cost Price	Sale Price	Sub- sidy (%)	Cost Price	Sale Price	Sub- sidy (%)
1974	178	80	55.0	228	97	57.4			
1975	343	95	72.3	282	120	57.4			
1976	329	92	72.0	453	120	73.5			
1977	333	108	67.6	532	129	75.7			
1978	304	106	65.1	425	137	67.8			
1979	417	93	77.7	440	134	69.5			
1980	443	104	76.5	694	133	80.8			
1981	325	108	66.8	581	135	76.8			
1982 ^c	495	140	71.7	837	194	76.8			
1983 ^d	501	160	68.0	738	245	66.8			
1984	540	270	50.0	1,042	370	64.5			
1985 ^e	590	460	22.0	1,136	600	47.2			
1986 ^f	1008	740	26.6	1,351	1,140	15.6			
1987 ^g	840	840	0.0	1,220	1,220	0.0			
1988	840	840	0.0	1,220	1,220	0.0			
1989 ^h	...	...	...	...	...	...	1,820	1,095	39.8

Sources: USAID (1985); PPMU (1987); Puetz and von Braun (1988); FAO (1989).

^a SSP stands for Single Super Phosphate.

^b Not used until 1989.

^c Under standby arrangement with IMF, GOTG agreed to gradually eliminate fertilizer subsidies.

^d Fertilizer distributed free to groundnut farmers in 1982 and 1983 conditional on their retaining groundnut seed for the following year's planting. Subsidy would be higher if this scheme were taken into account.

^e First tranche of fertilizer supplied by the Italian government under ADP II arrived late. Old stocks sold during 1985/86 season. Fertilizer prices raised in June 1985 as part of the ERP.

^f GOTG unable to raise fertilizer prices to full economic cost due to large unused stocks of the Italian grant fertilizer.

^g Second tranche of fertilizer supplied by the Italian government sold at the estimated import price plus wholesale costs.

^h Fertilizer prices lowered after third tranche of Italian grant fertilizer retendered by GOTG under pressure from the World Bank.

distribution.¹⁸ Although farmers benefitted from the low cost of fertilizers, these subsidies often resulted in late delivery and mismanagement of inputs by the GPMB and the GCU (Demissie, Brenneman, and Nash, 1989). Under the 1982/83 standby arrangement with the IMF, the GOTG agreed to a schedule for gradually phasing out the fertilizer subsidies. However, subsidies on groundnut fertilizer—single super phosphate (SSP)—actually increased in 1982/83 and 1983/84 as the GPMB, in order to cut the costs of seed distribution, gave farmers a free bag of SSP for every two bags of groundnut seed kept at the village feed store in both those years.¹⁹

In 1984/85, the GOTG, in conjunction with the World Bank and other donors, implemented an agricultural development project (ADP II), which changed the system under which fertilizer previously had been imported into The Gambia. It introduced further subsidies into the fertilizer retailing system. Under ADP II, imported fertilizer is supplied free to the GOTG under a grant provided by the Italian government. Previously, the grant component of fertilizer imports had been small, roughly 10 percent (von Braun and Puetz, 1987). The ADP II also finances GCU's fertilizer purchases and its acquisition of other farm inputs through a 10-year, interest-free loan, and it pays for transporting fertilizer from Banjul to the provincial stores. Langan (1987) has estimated that if the costs absorbed by ADP II were fully included in the retail price of fertilizer, it would cost 25 to 32 percent more.

The 1985/86 tranche of 19,000 tons of fertilizer supplied under the Italian grant was delivered too late for the planting season. Instead, fertilizer was supplied to farmers from unsold stocks of the previous year. Von Braun and Puetz (1987) have examined the negative impact on farm production of this late delivery of fertilizer, use of which plummeted in the 1985/86 season. This same 1985/86 season marked the first year of the ERP and the introduction of the fertilizer pricing and marketing reforms discussed below.

Fertilizer policy under the ERP. The objectives of fertilizer reforms implemented under the ERP were to reduce and eliminate the fertilizer subsidies and to increase efficiency in fertilizer marketing by allowing private traders to enter the market. The GOTG generally made good efforts to accomplish these objectives; however, these efforts were hindered by the changes in fertilizer distribution

¹⁸ It may be that the allowance was adequate and the GCU losses on fertilizer reflected only GCU inefficiency rather than subsidies to farmers.

¹⁹ In the 1989 season, farmers switched to NPK compound 8-24-24 on all crops.

policy introduced by ADP II. And, since the fertilizer came in as part of a grant and was free, it was difficult to measure the fertilizer subsidy.

As shown in Table 17, prices of SSP and NPK compound 15-15-15 were raised by 70 and 62 percent, respectively, in 1985/86, and by 61 and 90 percent, respectively, in 1986/87. To eliminate the fertilizer subsidy, the second tranche of 4,500 tons of Italian grant fertilizer, which arrived in 1987, was sold at the estimated import price. In this and the following year, a minimum price based on a rough approximation of the equivalent import price was established, and the fertilizer was auctioned at the port. By 1987/88, with much of the price adjustment already made, prices for SSP and compound increased by 14 percent and 7 percent, respectively, and were constant in 1988/89.²⁰

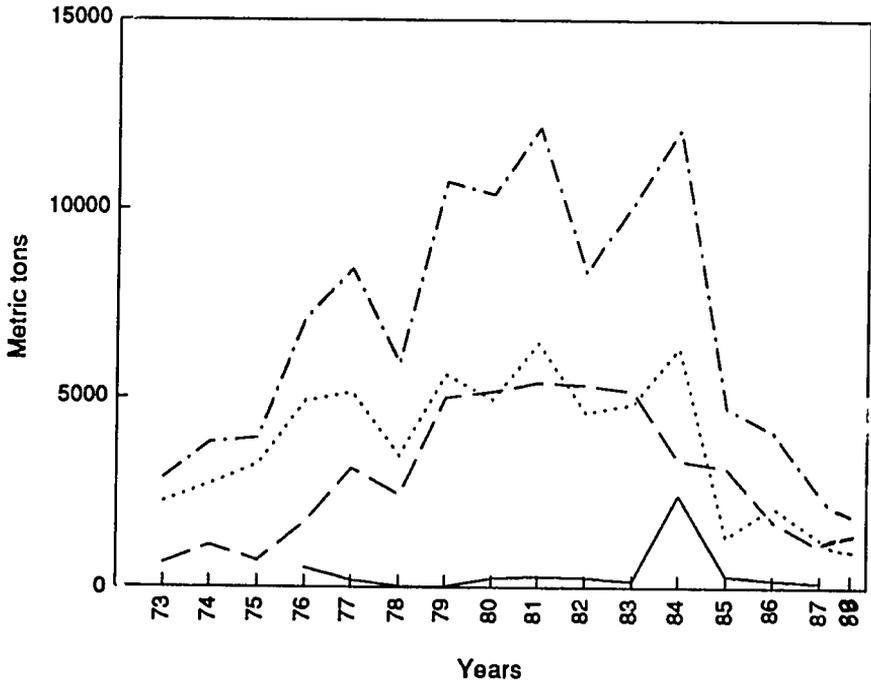
To improve marketing efficiency, fertilizer importation had been decontrolled in January 1986 and the GPMB relieved of its responsibility for handling fertilizer. However, private importers expressed little interest in importing fertilizer while large stocks of the ADP II fertilizer were still on hand. In both 1985/86 and 1986/87, the GCU was appointed by the GOTG to be the sole distributor of the first tranche of the Italian grant fertilizer. The GCU continued to be the sole distributor of the second tranche of grant fertilizer, despite the auction, as the GCU made the only bid for this fertilizer. Lack of private-sector participation was largely attributable to the GCU's preferential financing arrangements under the ADP II and the private sector's lack of knowledge about fertilizer marketing.

The third tranche of 7,000 tons of the Italian grant fertilizer was auctioned in 1988. The GCU purchased 4,500 tons and 2,500 tons were acquired by private-sector dealers affiliated with an FAO fertilizer project based in The Gambia. This fertilizer was initially auctioned at a minimum price represented by the estimated import cost. However, following a retender suggested by the World Bank, the fertilizer was later resold at an auction price roughly 60 percent of the estimated economic cost. This change in fertilizer pricing policy reflected the fact that the fertilizer was a grant. The change was implemented to put a stop to the sharp increases in fertilizer prices that had occurred during the ERP.

Due to the higher prices for fertilizers, and to more stringent agricultural credit requirements that will be discussed below, fertilizer use dropped sharply

²⁰ Puetz and von Braun (1988) and Langan (1987) have noted that the selling price of the fertilizer is actually lower than it would have been if the fertilizer were imported from private companies. For instance, Puetz and von Braun have estimated that the subsidy in 1987/88 was 17 percent on SSP.

Figure 15 – The Gambia: Fertilizer Use, 1973-1988



- · — · Total
- SSP
- — — NPK compound
- Urea

Source: Langan (1987); Puetz and von Braun (1988).

during the ERP. As shown in Figure 15, consumption of both SSP and NPK compound 15-15-15, which was used on cereals and cotton, generally rose during the 1973 to 1981 period. The rate of increase was much higher for compound following the growth of coarse-grain production in the late 1970s and early 1980s.

Fertilizer use declined in 1982, following two years of drought, and then appeared to peak in 1984 at over 12,000 tons, although much of the fertilizer apparently consumed in the latter year was actually sold in Senegal. Fertilizer use appears to have declined steadily during the ERP, although it is believed that some of this reduced consumption is due to the reduction in subsidies that has discouraged cross-border sales to Senegal. Nonetheless, apparent consumption in the 1987/88 and 1988/89 seasons is less than it was in the 1970s.

Puetz and von Braun (1988) found that overall fertilizer use in their survey area in McCarthy Island declined by more than 50 percent from 1984 to 1987. They also found a correlation between fertilizer use and income distribution among farmers in their survey sample. Higher fertilizer prices and reduced access to credit meant that the share of the highest income group in the use of fertilizer increased from 63 percent in 1984 to 75 percent in 1987, while the share of the lower income groups declined from 37 percent in 1984 to 25 percent in 1987.

Agricultural Credit Policy

Agricultural credit policy prior to the ERP. Institutional credit for agricultural production is distributed to farmers by the GCU through its network of cooperative societies (CPMS). Both subsistence and production credit are also supplied by private traders; however, the extent of this private credit is negligible compared with credit coming from the institutional system.²¹ In the past, the GCU has received loanable funds from the GCDB, and seednuts and fertilizers from the GPMB for lending on to farmers (see Table 18 for GCU credit sources). GCU borrowings from the GCDF are refinanced by the CBG, and thus the GCU has been able to obtain funds for lending on to farmers, as well as for groundnut marketing, at better rates than have been available to private traders or buyers (Table 19).²² Since 1985/86, GCU seasonal loan activity for production credit (fertilizers and seeds), as well as for medium-term credit for the purchase

21 Clarke (1987) has estimated that in 1986/87, private traders supplied about 1 percent of seasonal credit to farmers.

22 In the 1989/90 season, GCDB credit for groundnut marketing was made available to both the GCU and private traders on equal terms.

Table 18 – The Gambia: GCU Credit Program, Sources of Funds, 1982/83-1988/89

	Credit Sources				Total
	GCDB	GPMB	GCU	ADP II	
	1,000 dalasis				
1982/83	3,440	...	...	...	3,440
1983/84	5,194	...	...	...	5,194
1984/85	4,540	5,251	...	...	9,791
1985/86	481	...	...	1,128	1,609
1986/87	4,020	2,884	280	4,619	11,803
1987/88	...	...	...	6,934	6,934
1988/89	...	...	356	2,120	2,476

Source: Demissie, Brenneman, and Nash (1989).

of implements, has been financed by a 10 year interest-free loan under ADP II.

Until 1979/80, the GCU was mainly engaged in the disbursement of subsistence (cash) credit. Repayment records were excellent, averaging 92 percent from 1970/71 to 1979/80. Loans to support crop production began in 1979/80 under the First Rural Development Project, the forerunner of ADP II. However, in 1982/83 and 1983/84, subsistence credit was again disbursed and fertilizer was distributed to groundnut producers free of charge.

Following successive droughts in 1979/80 and in 1980/81, repayment rates fell dramatically. In 1982, the GOTG instructed the GCU to write-off D25 million of outstanding agricultural loans due from cooperative members from those years. Poor repayment rates continued from 1981/82 to 1985/86, averaging only 53 to 67 percent. Moreover, individual defaulters were not denied new credit as long as their primary cooperative societies maintained the required collective repayment rate.

By 1985, the GCU was heavily in debt owing D35.2 million to the CBG, GCDB, and GPMB due to the write-off of subsistence credit owed by the cooperative societies in 1981/82 and to other bad debts and unrecoverable loans (Ramamurthy, 1986). To improve loan recovery and the financial viability of the GCU, a production-oriented credit scheme was introduced in 1984/85 through the ADP II. Under this credit scheme, production loans are provided for a standardized package of inputs and the production loans are recouped from commercial crop sales. To receive the credit, primary societies (CPMS) must

Table 19—The Gambia: Interest Rates Charged under GCU Credit Program, 1982/83 - 1988/89

Year	Charges to GCU from:			Charges to Cooperative Members		
	GPMB ^a	GCDB/ CBG ^b	ADP II	Subsistence Loans ^c	Production Credit ^c	Imple- ments ^d
Percentages						
1982/83	0	9	...	10.8 (14.4)	10.8 (14.4) ^e	...
1983/84	0	9	...	10.8 (14.4)	10.8 (14.4)	...
1984/85	21	17	...	13.0 (17.0)	13.0 (17.0)	13.0
1985/86	18	21	0 ^f	...	13.0 (17.0)	13.0
1986/87	18	21	0	...	18.0 ^g (24.0)	15.0
1987/88	19	24	0	...	18.0 (24.0)	15.0
1988/89	15	18	0	...	15.0 (20.0)	15.0

Sources: Demissie, Brenneman, and Nash (1989); World Bank (1984).

^a Seednuts and fertilizers provided in kind.

^b Refinance of funds provided by the central bank at preferential interest rates.

^c These loans are usually provided for nine months. Figures in parentheses are effective annual rates.

^d 5-year medium term credit at annual rates shown.

^e Credit in 1982/83 and 1983/84 was primarily for subsistence loans as fertilizers were provided to groundnut producers free of charge.

^f ADP II funds are lent on to the GCU at no cost on the understanding that reflows from credit will deposited in a revolving fund that will be used to finance new credit and gradual increases in the GCU credit program.

^g Interest charged at 2 percent per month.

be registered and viable and have an average recovery rate of at least 85 percent. Individual recipients must be cooperative members, free of debt to the cooperative society, have an established marketing record, and hold an amount of share capital in the cooperative proportionate to their annual borrowings (Clarke, 1987).

Interest charges payable by farmers were also raised from 10.8 percent for a nine-month loan to 13.0 percent in 1984/85 as part of ADP II. These interest charges had been positive in real terms in 1982/83 but slightly negative in 1983/84.

The GCU's preferential borrowing rates from the GCDB and GPMB meant that the interest rates charged to farmers in 1982/83 and 1983/84 were higher than the GCU's average cost of capital and they provided a positive spread to cover its lending operations. In 1984/85, however, the GCU's cost of capital from the GCDB and the GPMB was considerably higher (Table 19). The GCU lost money on seasonal credit, in spite of the higher rates charged to farmers, as the ADP II interest-free loan was not available to the GCU until 1985/86.

The elimination of subsistence loans under the ADP II probably had important effects on the distribution of income. Since these loans were often used to buy food and other necessities, particularly during the rainy season, their termination probably forced rural Gambians to take subsistence loans from traders and shopkeepers at interest rates that generally exceed 100 percent (Haydu et al., 1986). In his study of rural credit in The Gambia, Shipton (1987) found that the poorer families tended to borrow the most from shopkeepers; the richest appeared not to take any substantial loans from them.

Puetz and von Braun (1988) also found that tightened access to credit under the ADP II reduced the use of inputs. In 1985/86, 35 out of 82 cooperative societies were not qualified to receive new loans under a 75 percent repayment standard. However, loan recoveries did improve, averaging 80 percent in 1986/87 (Clarke, 1987).

Agricultural credit policy under the ERP. Because of the precarious financial situation of the GCU and the inefficiencies in the credit distribution system, ERP credit reforms focused on improving the financial viability of the GCU and on improving the efficiency of GCU credit operations. To more fully reflect the GCU's cost of borrowed funds, interest rates charged to farmers were raised to a 24 percent annual rate in 1986/87 (Table 19). This rate was well above the GCU's cost of capital, averaged to include interest-free ADP II funds, and it provided the GCU with a margin to cover its loan operations. Interest rates for seasonal credit were lowered in 1988/89 to reflect the decline in commercial interest rates in that year. These new rates are still effectively subsidized as they do not cover the GCU's borrowing costs excluding the ADP II funds, and allow a margin to cover GCU lending activities. Thus, the availability of ADP II funds has allowed farmers to pay lower interest rates for seasonal credit.

Under the SAC agreement with the World Bank, new criteria for credit eligibility were instituted during the 1987/88 season to improve the efficiency of GCU's credit operations and its ability to collect outstanding loans. The new credit policy strictly excludes individual loan defaulters from new loans and it limits loans for new inputs to the amount received the previous year. Only cooperative members who got credit in the previous year are eligible for new

credit. To improve the efficiency of the CPMS system and to reduce the indebtedness of the GCU to the banking system, the number of CPMS was also reduced from 86 to 54 after the 1988/89 season.

Poorer rural households have tended in the past to depend significantly more on the official credit system, which covers about 45 percent of agricultural input credit. Thus, they have probably suffered most from higher interest rates and restrictions on access to institutional credit. Higher income groups are more likely to pay cash for agricultural inputs, although Puetz and von Braun (1988) determined that the better-off households have easier access to official credit.

Agricultural Pricing Policy

The GOTG's primary instrument under the ERP for transferring resources to the agricultural sector was the official producer price for groundnuts. As shown in Table 20, the official farmgate price for groundnuts was increased in 1986/87 to over three times its level in 1982/83. Cotton prices were similarly raised, though not so high. The higher minimum price for paddy offered in 1985/86 reflected the increase in market prices for rice following liberalization of this market in early 1985. The temporary increases in farmgate groundnut prices substantially raised the incentives to produce groundnuts relative to

Table 20 – The Gambia: Official Producer and Market Prices for Agricultural Commodities, 1982/83 - 1988/89

	82/83	83/84	84/85	85/86	86/87	87/88	88/89
	Dalasis per Ton						
Cotton	560	610	700	1,282	1,346	1,800	2,200
Groundnuts	520	450	620	1,260	1,800	1,500	1,100
Palm kernels ^a	314	314	314	410	...	...	...
Rice (paddy) ^b	510	510	600	900	945	1,000	900
Maize ^c	390	390	390	600	800	1,000	1,250
Millet ^d	460	460	460	650	800	1,000	1,250

Sources: IMF (1988); FAO (1989).

^a With effect from the 1986/87 crop season, no official minimum producer prices are set for palm kernels.

^b Minimum price.

^c With effect from the 1986/87 crop season, no official minimum producer prices are set for maize.

^d Market price only.

cereals from 1985/86 to 1987/88. Because of the central role played by the groundnut sector in the ERP, the following sections concentrate on describing groundnut pricing before the ERP and on changes in groundnut marketing and pricing under the ERP.

Groundnut pricing policy before the ERP. Until 1985/86, GOTG pricing policy for groundnuts was to set producer prices substantially below the export price. The difference represented the export tax on groundnuts, GPMB's costs for marketing, storage, and processing, and the farmers' contribution to the groundnut stabilization fund. Previous studies evaluating the efficiency of the GPMB have not resolved the question of whether the GPMB has been efficient in groundnut marketing, or whether farmers could have obtained higher incomes if the GPMB had been ousted from its monopsony purchasing role (AMIS, and DH&S, 1989).²³ A USAID-funded study of the GPMB concluded that the rapid increase in GPMB liabilities in the early 1980s was not due to apparent inefficiencies in GPMB's operations, but to producer price subsidy payments, low groundnut production giving poor operating results, and expenses for public service commitments (USAID, 1985). Thus, the following discussion assumes that the GPMB's surplus (deficit) on groundnut marketing reflects the actual tax (subsidy) to producers from the government's price support policy. The issue of whether or not the groundnut export tax constituted an undue tax burden on farmers, and whether the level of the tax was appropriate is not addressed. This issue can only be answered in the context of the Government's overall development objectives as they relate to agricultural and tax policy. Farmers are not subject to income tax.

As shown in Table 21 the GOTG was reasonably successful in stabilizing the real producer price of groundnuts from 1978/79 to 1982/83. The real price to producers fell from D355 per ton in 1978/79 to D327 per ton, a decline of only 8 percent, despite a 15 percent drop in the GPMB's nominal export price.²⁴ However, to stabilize the producer price shown in Table 21, the GPMB was

23 The Gambia Cooperative Union (GCU), which has been the GPMB's primary buying agent for groundnuts, has been shown to be highly inefficient in its buying operations as compared with the private sector (Langan, 1988).

24 The World Bank (1985) has argued that GOTG policies substantially taxed groundnut producers during this period due to the overvaluation of the exchange rate, high GPMB marketing costs, and the groundnut export tax. The relatively small decline in the real producer price during this period does not attest to this when reviewed in light of the decline in export prices. Moreover, as will be shown in the next section, substantial subsidies were required to raise real producer prices in 1985/86 and 1986/87 despite the depreciation of the dalasi.

Table 21 – The Gambia: Cost Price Structure for Decorticated Groundnuts, 1978/79-1987/88

	78/79	79/80	80/81	81/82	82/83	83/84	84/85 ^a	85/86	86/87	87/88
	Dalasis per Ton									
Producer price	421	421	460	500	520	450	620	1,100	1,800	1,500
Board costs	139	211	262	152	153	186	187	275	243	250
Cost/ton unshelled	560	632	723	652	673	636	807	1,375	2,043	1,750
Cost/ton shelled	800	903	1,032	931	961	909	1,153	1,964	2,919	2,500
GPMB overhead/interest paid	40	36	52	139	107	90	85	780	482	321
Other	20	39	35	34	37	31	36	29	30	60
Cost ex-Banjul before tax	860	978	1,120	1,104	1,105	1,030	1,274	2,785	3,431	2,881
Export duty (10-12% Banjul price)	100	102	108	89	78	180	231	246	410	346
Realized Banjul export price	969	800	1,129	920	826	1,844	1,929	2,046	2,346	1,896
GPMB net trading profit (loss)	(9)	(280)	(99)	(273)	(357)	634	424	(971)	(1,495)	(1,331)
Memorandum Items:										
Real producer price ^b	355	341	341	343	327	245	277	364	408	302
	Percentages									
Implied producer tax (subsidy) ^c	18.1	(29.6)	1.4	(25.8)	(37.6)	126.6	73.9	(46.3)	(42.2)	(46.0)

Sources: 1978/79-1983/84, USAID (1985); 1985/86-1987/88, IMF (1987 and 1988); AMIS DH&S (1989).

^a Estimated.

^b Deflated by the CPI (1976/77= 100).

^c Difference between realized Banjul export price and cost ex-Banjul before tax as a percentage of the producer price shelled basis.

forced to tax producers in 1978/79 and to subsidize them in three years – 1979/80, 1981/82, and 1982/83. These subsidies placed considerable strain on GPMB resources, as the groundnut stabilization fund had been depleted by 1979. The exceptional 1982/83 groundnut crop, combined with the producer subsidy awarded in 1982/83 at the insistence of the IMF, plunged the GPMB deeply into debt. In both 1983/84 and 1984/85, when international groundnut prices recovered, the GPMB was unable to increase producer prices commensurately due to its earlier financial losses.

Groundnut pricing under the ERP. To increase foreign exchange earnings and to satisfy the conditions of the 1986/87 IMF standby arrangement, producer prices for groundnuts were raised significantly in both 1985/86 and 1986/87. As shown in Table 21, the 1985/86 increase of 77 percent resulted in a 46 percent subsidy to farmers based on prevailing export prices and GPMB handling costs. Producer prices were raised a further 64 percent in 1986/87. However, with the depreciation of the dalasi and higher net export realizations in that year, the subsidy on the groundnut producer price remained at 42 percent. The subsidy increased in 1987/88 despite the sharp drop in the producer price to D1,500 per ton.

These producer price increases proved to be temporary, however. Producer prices for groundnuts were lowered once the GOTG had settled its arrears with the IMF and the interbank system proved to be effective in attracting foreign exchange. In addition to the drop in 1987/88, the producer price was further lowered in 1988/89 to D1,100 per ton – a price approximately equal to the GPMB's breakeven cost. Producer prices were lowered in order to reduce, and eventually eliminate, the GOTG's budgetary transfer to the GPMB.

Additional groundnut pricing reforms were introduced in the 1989/90 season. These reforms allow the GPMB to establish its own procurement price (ex-depot) and to purchase groundnuts at its depots from anyone – farmers, private traders, and the GCU – who might wish to sell a minimum of five tons of groundnuts directly ex-depot. The new marketing rules eliminated the price-support subsidy, but the export tax on groundnuts was suspended in order to cushion the impact on farmers.

Information from the 1989/90 marketing season indicates that the GCU purchase price of D1,470 per ton (D1,650 per ton at the GPMB depot) resulted in a 34 percent increase in the producer price (Jobe, 1990). However, the five-ton minimum purchase requirement appears to have deterred most farmers from taking advantage of the new option for direct sales to the GPMB, and most have continued to look to the GCU as the prime outlet for their produce. The low level of sales by farmers directly to the GPMB is attributed to a lack of scales

and sacks at the GPMB depots and to problems in measuring individual contributions when farmers needed to pool groundnuts to meet the minimum purchase requirement. The GCU's inefficiency in marketing caused many farmers to sell to private traders at less than the GCU price.

Agricultural Production and Investment

The 1985/86 price adjustment for groundnuts resulted in both a substantial increase in the real price of groundnuts (relative to the CPI) and in the groundnuts/cereal price ratio (Table 22). Poor rainfall distribution resulted in a decline in groundnut production in that year, however, whereas cereal production rose by 34 percent. Improved weather combined with a further rise in real incentives for groundnut production in 1986/87 resulted in a 46 percent increase in groundnut production and a decline in cereal production. The GPMB purchased over 70,000 tons of groundnuts in that year, an amount which easily exceeded the purchase target of 60,000 tons that had been set by the IMF. Groundnut production increased further to 120,000 tons in 1987/88, despite the decline in the real price; it fell in 1988/89 and then rose to 130,000 tons in the 1989/90 season, the highest level since 1982/83.

Because the groundnut price increases proved temporary, it is not clear to what extent the ERP promoted agricultural investment. During the 1984/85 and 1985/86 seasons, the GOTG raised groundnut producer prices both at planting time (June) and during the marketing season in order to reduce cross-border sales into Senegal. Although the 1986/87 price of D1,800 per ton was announced in advance of the planting season, the extent to which farmers would have perceived such a high price to be permanent and, therefore, would have used it as a basis to make long-term investment decisions, is hard to estimate. Moreover, as agricultural implements are imported, primarily from Senegal, their prices also rose with the depreciation of the dalasi. Farm implement price data from the GCU indicate price increases of 70 to 100 percent since the start of the ERP (Demissie, Brenneman, and Nash, 1989). But since farmers may have purchased implements with CFA francs earned through groundnut sales on the parallel market, the price increases for implements may not have been so large. Von Braun et al. (1990) have suggested that farmers invested more in draught animals than in new machinery between 1985 and 1987.²⁵

²⁵ Despite the high level of mechanization among Gambian farmers, the productivity of incremental capital in Gambian agriculture is high (von Braun et al., 1990). This is due to the fact that many farmers do not have complete sets of equipment and many have to borrow or rent.

Real Agricultural Incomes and the ERP

The extent to which the ERP turned the rural-urban terms of trade in favor of the agricultural sector is illustrated by the groundnut/daily wage price ratio shown in Table 22. As shown, by 1986/87 incentives for groundnut production relative to urban employment had more than doubled from the base level of 1978/79. Despite substantial price inflation in 1986/87, real per capita income from groundnut production rose by 61 percent over the level of the previous year.²⁶

Some of the income gain from groundnuts resulted from reallocating labor and land from cereal production and, thus, data in Table 22 show a 17 percent increase in real per capita earnings from all crops in 1986/87 and a 50 percent increase in crop income over the period 1983/84 to 1986/87 period. The latter should be compared to the 39 percent decline in real formal-sector earnings over the same period (Table 16). The groundnut subsidies thus appear to have insulated the agricultural sector from the most detrimental effects of the ERP.

The data on real per capita earnings in Table 22 does not contain information on livestock sales or off-farm earnings. In regard to livestock, the ERP appears to have been accompanied by a down period in the cow-calf production cycle, as GDP data indicate that real output in the sector has stagnated or declined since 1983/84. This stagnation contributed to a five-fold increase in retail beef prices from 1985 to 1988. McPherson (1987) attributed rising beef prices to herd reconstitution and to increased cash income from groundnuts, which would have reduced the need for cattle sales.

The ERP's effect on off-farm earnings is not clear. Von Braun et al. (1990) found that off-farm earnings in villages near the Jahally-Pacharr area increased between 1985/86 and 1987/88. However, most of this increase was in the lowland villages whose incomes were effected by a disruption on the irrigation project in the latter year. This may have forced these villagers to actively seek off-farm employment, as off-farm income in upland villages unaffected by the Jahally-Pacharr disruption remained the same in the period from 1985/86 to 1987/88 (von Braun et al., 1990).

Although rural-urban income disparities were reduced in the early years of

²⁶ Real income from crop production is calculated using the CPI. It could be argued that the CPI is an inappropriate indicator of price changes for the agricultural sector since it measures price changes in Banjul and its components are weighted using urban consumption patterns. However, using survey data from households located near the Jahally-Pacharr area, von Braun et al. (1990) estimated that consumer prices rose by 44 percent from February 1986 to February 1988. This is roughly the same amount by which the CPI increased during the same period.

Table 22 – The Gambia: Rural Income and Price Indicators, 1978/79 - 1988/89

	78/79	83/84	85/86	86/87	87/88	88/89
Price Indicators						
Groundnut/CPI (real 1980 dalasis per ton)	460.9	317.8	472.5	529.7	392.2	267.0
Groundnut/fertilizer ratio	4.1	2.8	2.1	2.6	1.8	1.3
Groundnut/cereals ratio	1.0	1.0	1.7	2.2	1.5	0.9
Groundnut/daily wage ratio (1978/79=100) ^a	100.0	83.9	...	242.0	197.6	90.5 ^b
Real GCU interest rate (percent per annum)	...	-1.1	-18.0	-22.0	11.6	9.2
Fertilizer (real 1980 dalasis per ton)						
SSP	116.0	113.0	197.6	217.8	219.6	198.2
NPK (15-15-15)	150.0	173.0	257.7	335.5	359.0	287.9
Income Indicators						
Production (1,000 tons)						
Groundnuts	133.4	113.8	75.8	110.4	120.0	98.4
Cereals	70.8	68.2	116.1	102.1	92.4	94.2
Marketing ^c (1,000 tons)						
Groundnuts	119.5	93.0	52.0	70.6	63.5	24.9
Real per capita earnings from crops ^d (1980 dalasis)	253.2	157.7	203.4	238.1	203.9	153.8
Groundnuts	193.3	105.1	104.4	168.4	134.2	72.1
Other	59.9	52.6	99.0	69.6	69.7	81.7

Source: unpublished government figures.

^a Ratio of groundnut producer price to average daily earnings of regular workers employed in the formal sector.

^b Estimated on the basis of 1988/89 groundnut producer price of D1,100 per ton and a 60 percent increase in the average daily wage.

^c Sales to the GPMB.

^d Income from production of groundnuts, cereals, and cotton less expenses for fertilizer and seeds.

the ERP, the full effect on the distribution of income within the agricultural sector and on rural poverty is not clear. As discussed previously, the poorest farmers rely the least on groundnut income for cash earnings. Thus, with the transfer of income to the agricultural sector through the groundnut price support policy, differences of income within the sector may have been reinforced. Moreover, since women spend proportionately more time growing food crops than groundnuts, one would expect that the increase in the groundnut price would have been more beneficial to men, who are relatively better-off. More information is needed to assess the impact of the decline in cereal production relative to groundnuts on nutrition and poverty in the rural areas.

With the lowering of groundnut prices and the adjustment in civil service wages and salaries and in the minimum wage, urban incomes will have made up much of their decline relative to agriculture in 1988/89. Rural incomes probably increased in 1989/90 with increased producer groundnut prices, but it is expected that the rural-urban income disparity will remain at roughly the same as the pre-ERP level.

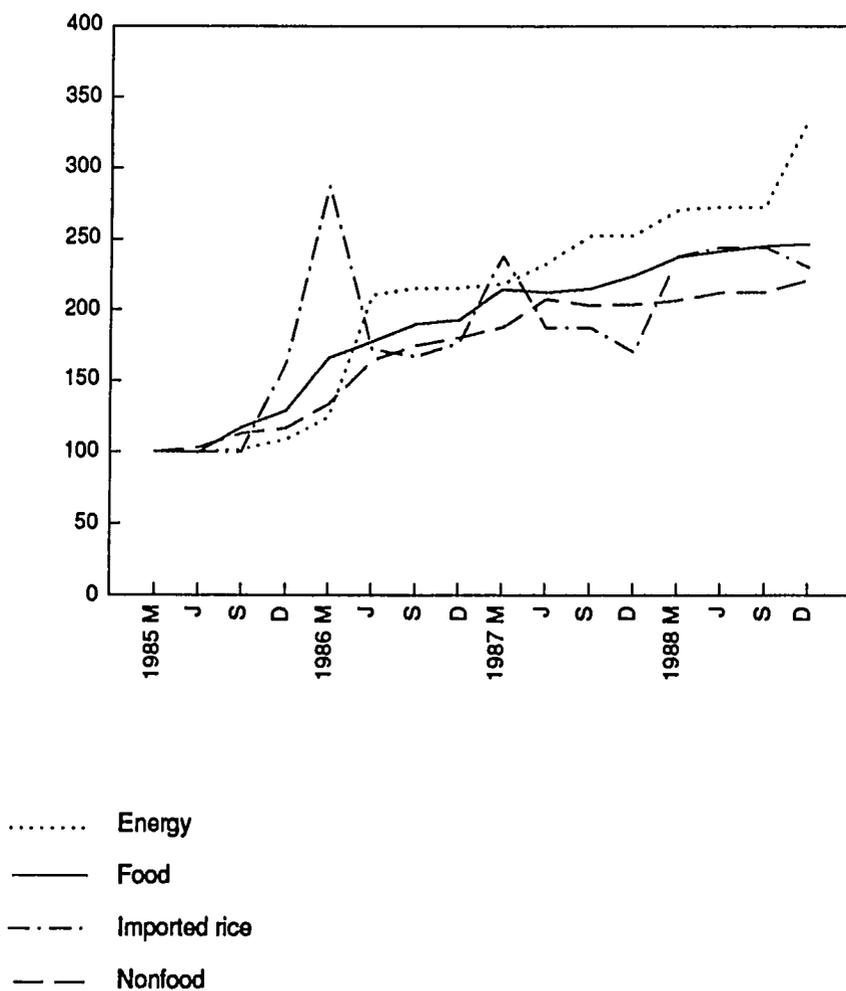
CONSUMER PRICES AND THE ERP

Since the ERP was implemented in 1985, consumer prices have more than doubled. This would be expected as the dalasi depreciation raised the prices of traded goods and most items in the CPI are either imported or exported. However, in addition to the dalasi depreciation, which, *ceteris paribus*, affected the prices of all traded goods proportionally, GOTG pricing policies under the ERP have promoted different increases in the prices of selected commodities and commodity groups. In particular, in mid-1985, rice marketing was liberalized and GOTG controls on the prices of foodstuffs, such as groundnut oil, beef, eggs, etc., were eliminated. To increase revenues, the GOTG also raised import tariffs on petroleum products and made adjustments in the prices of GOTG-supplied services, such as health services, electricity, water, and public transport. In addition, with the decontrol of the currency, all import duties were changed to their *ad valorem* tariff equivalents. This ensured that all international price movements would be fully passed through to domestic prices.

Evolution of Consumer Prices Since 1985

Price movements since January 1985 for major consumption items are shown in Figure 16. Food prices appear to have risen slightly more, on average, than nonfood prices over the period 1985 to 1988. Energy prices, which more than tripled, have exhibited the largest increase. The relatively large jump in the price of energy products, fuel and light, reflects continued increases in import tariffs on petroleum products ranging from 50 to 73 percent, as well as the pass-through

Figure 16 – The Gambia: Consumer Price Indices by Quarter for Selected Products, 1985 - 1988 (March 1985 = 100)



Source: Central Statistics Department (unpublished data).

of the dalasi depreciation and tariff changes to GOTG-administered prices, such as that of electricity. In addition, GOTG-determined prices for water rose by 60 percent (July 1986-January 1988) and bus fares increased by over 100 percent (April 1986-October 1988).

Without detailed consumption information for different income groups, it is not possible to ascertain how the pattern of price increases during the ERP has affected different income groups. However, to the extent that expenditure of the poorest income groups is more heavily weighted toward food than other expenditure, it could be said that the pattern of price increases since 1985 has affected lower income groups worse than higher income groups in The Gambia.

Prices for millet and sorghum, which are domestically produced, rose at a much lower rate than the price of imported rice. Thus, consumers in rural areas, where millet and sorghum and other domestically produced cereals are primarily consumed, may not have been as badly affected by food price increases as consumers in the urban areas.

The price series for the retail price of imported rice has varied the most among major commodities. This price series follows a seasonal pattern of price increases in the early months of the calendar year and price declines in the later months. It rose by 62 percent between July and December 1985 following the liberalization of rice marketing in June of that year. The retail rice price rose by an additional 77 percent from December 1985 to March 1986 following the liberalization of the dalasi in January. The retail rice price stabilized in late 1986, and then increased sharply in 1988 with the overall result that it more than doubled from 1985 to 1988. The seasonal pattern of retail rice price changes, however, appears to be operating more smoothly since late 1987.

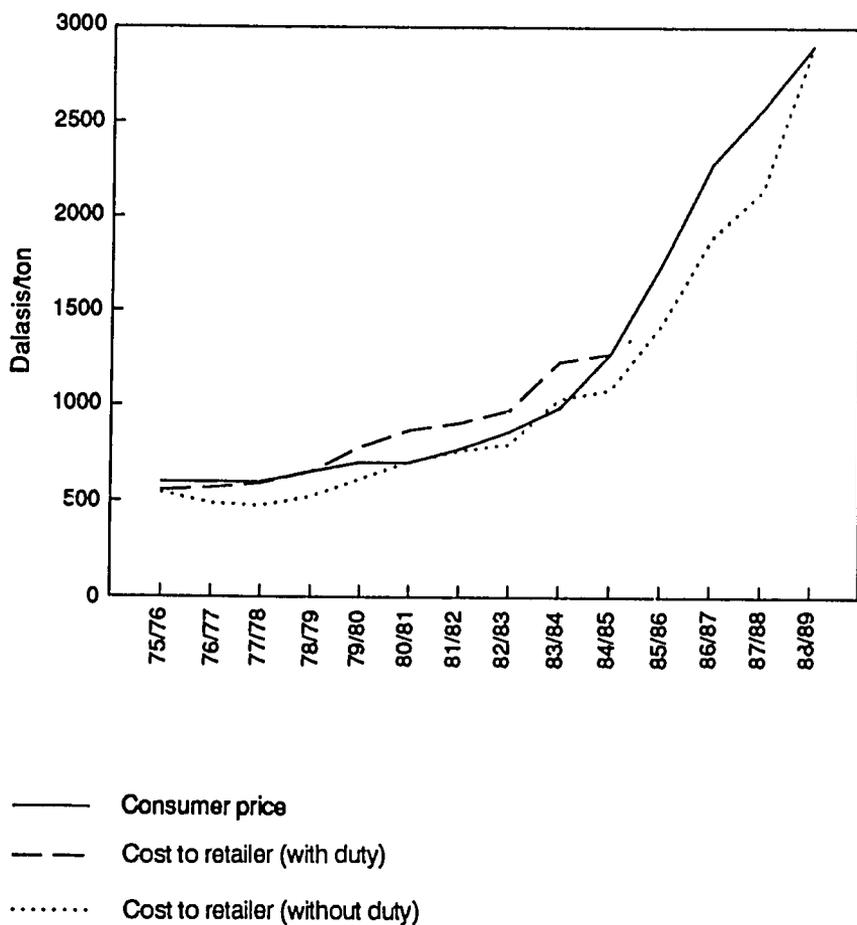
An important price category not included in Figure 16 covers the revised fee system at government hospitals and clinics, including the compulsory consultation fee for visits to Royal Victoria Hospital. This fee rose from D0.25 to D1.00 in mid-1985 and to D5.00 in 1988.²⁷ Because healthcare fees had been heavily subsidized, fees for hospital services appear to have increased more than anything else over the ERP period.

Rice Pricing Policy Under the ERP

Liberalization of the rice market was one of the major initiatives undertaken

²⁷ There are some exceptions to the revised fee system. Care for children under 5 years, and pre- and postnatal care for pregnant women (following payment of the initial D5 registration fee) are exempt from charges. Children 5 to 14 years pay D1 for each visit.

Figure 17 – The Gambia: Rice Consumer Price and Cost to Retailer, Varied by Duty, 1975-1989



Source: United States Agency for International Development (1985); John (1987); Central Statistics Department (unpublished data for 1988).

by the GOTG during the ERP. Due to the importance of rice in urban diets, the GOTG's pre-ERP policy was to stabilize the retail price of rice. Rice importation and wholesale distribution were the exclusive monopoly of the GPMB. Rice stabilization policy contributed to GPMB financial deficits because the GPMB's wholesale selling price was usually lower than its wholesale costs for handling rice, including a 23 percent rice import duty. However, rice consumers did not necessarily receive an economic benefit from stabilization policy (except in 1983/84) as the cost of the rice import duty was usually the sole factor contributing to the GPMB losses on its rice account. Because the rice duty was never fully passed through to the retail price, the whole rice stabilization policy amounted to a tax on the GPMB.

As shown in Figure 17, GOTG rice policy stabilized retail rice prices in Banjul above the cost price to the GPMB (excluding duty) but below the cost price including the import duty until the early 1980s. This policy was changed in January 1985 when the retail price was set to cover the full cost of imported rice, including the 26 percent import duty. The subsequent rise in retail rice prices since January 1985 reflects the dalasi depreciation in 1986, as well as the full pass-through of the import duty to consumers. (International rice prices declined from 1984 to 1986 but rose from 1987 to 1988.) The duty on imported rice was increased to 30 percent in 1986/87 but eliminated in 1988/89.

PUBLIC EXPENDITURE AND REVENUES

Total real public expenditure in The Gambia fell sharply in 1985/86. Since 1986/87 it has been higher than under the First Plan (1975-80) but slightly below the levels of the immediate pre-ERP period (1980-84) (Table 23).²⁸ Most of the decline has occurred in the development budget as real development expenditure from 1986/87 to 1988/89 has averaged about 80 percent of its level between 1980 and 1984, while real recurrent expenditure during the same period has actually been higher than its level between 1980 and 1984.

Public expenditure under the ERP shifted sharply in favor of government consumption rather than investment. This increase in consumption has been in the form of higher debt service, of transfers to parastatals for temporary agricultural subsidies and to undo past mismanagement, and of enforcement of the reforms instituted under the ERP (other recurrent expenditure). However,

²⁸ Real expenditure is defined as nominal expenditure deflated by the CPI. As such, changes in real expenditure levels cannot be equated to an equivalent change in the level of services supplied by the expenditure. Rather, they represent the level of expenditure in constant monetary terms.

Table 23 – The Gambia: Real Public Expenditure Shares, (1980 = 100), 1975/76 - 1988/89^a

	Average		1985/86	1986/87	1987/88 ^b	1988/89 ^c
	1975-79	1980-84				
Cash Expenditure (1,000 Dalasis ^d)						
Recurrent Expenditure						
Agriculture	11,337.5	8,906.3	4,607.8	2,759.6	3,468.7	3,173.6
Public works	11,690.0	11,300.0	4,826.9	3,010.0	3,929.1	3,429.2
Education and youth	10,039.4	15,093.0	10,391.7	7,301.6	7,428.7	9,158.0
Health and social welfare	8,213.8	9,898.3	6,302.8	5,269.0	5,422.5	5,611.3
Debt service ^e	3,056.0	8,385.0	8,577.3	20,129.5	28,750.3	35,725.5
Parastatals ^f	0.0	239.0	6,988.8	26,922.9	35,197.1	3,396.2
Other	37,388.7	45,756.5	21,851.4	27,418.2	34,452.9	43,701.4
Sub-total	81,725.4	99,578.1	63,546.7	92,810.8	118,649.3	104,195.2
Development Expenditure						
Agriculture	11,731.2	6,515.6	8,634.0	17,736.6	11,782.2	6,838.9
Public Utilities	5,446.9	3,514.3	5,670.1	4,811.6	1,327.6	7,931.6
Industry	894.8	2,517.7	0.0	2,722.5	0.0	62.5
Transport and commercial develop.	23,340.0	25,074.3	12,843.6	13,266.9	15,957.6	11,480.9
Tourism and trade	1,393.4	857.0	0.0	144.8	233.5	462.3
Social welfare	4,312.4	13,555.3	10,352.2	4,715.9	17,420.1	8,104.2
Education	...	9,431.1	644.3	817.5	457.5	1,564.8
Health	...	1,958.4	859.1	688.9	11,075.8	3,016.5
Housing and community develop.	...	2,165.8	8,848.8	3,209.5	5,886.8	3,522.9
General	2,753.2	3,465.1	2,921.0	1,709.5	2,478.7	2,952.4
Sub-total	49,872.1	55,499.4	40,421.0	45,107.8	49,199.7	37,832.6
Total Expenditure	131,597.5	155,077.5	103,967.7	137,918.6	167,848.9	142,027.8

Table 23 – Continued

Table 23 — Continued

	Average					
	1975-79	1980-84	1985/86	1986/87	1987/88 ^b	1988/89 ^c
	Percentage of Share Expenditure					
Recurrent expenditures						
Agriculture	13.7	9.2	7.3	3.0	2.9	3.0
Public works	14.6	11.3	7.6	3.2	3.3	3.3
Education and youth	12.2	15.5	16.3	8.0	6.3	8.8
Health and social welfare	10.0	10.2	9.9	5.6	4.6	5.4
Debt service	3.6	8.4	13.5	21.7	24.2	34.3
Parastatals	0	.2	11.0	29.0	29.7	3.2
Other	45.9	45.2	34.4	29.5	29.0	41.9
Total	100.0	100.0	100.0	100.0	100.0	100.0
Development expenditure						
Agriculture	23.5	11.6	21.4	39.2	23.9	18.1
Public utilities	10.9	6.6	14.0	10.7	2.7	21.0
Industry	1.8	4.5	0.0	6.0	0.0	0.2
Transport and commercial develop.	46.8	45.4	31.8	29.4	32.5	30.3
Tourism and trade	2.8	1.6	0.0	.5	0.5	1.2
Social welfare	8.6	24.3	25.6	10.4	35.4	21.4
Education	...	16.5	1.6	1.8	0.9	4.1
Health	...	3.8	2.1	1.5	22.5	8.0
Housing and community develop.	...	4.0	21.9	7.1	12.0	9.3
General	5.6	6.0	7.2	3.8	5.0	7.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: *Ministry of Finance and Trade (various years).*

- ^a *Gambian fiscal year July-June.*
- ^b *1987/88 data do not include an unplanned transfer to the GUC to repay its debt to the CBG.*
- ^c *Estimated.*
- ^d *Deflated by the CPI.*
- ^e *Debt service includes interest and amortization on both internal and foreign debts.*
- ^f *Budgetary transfers for operating costs and for retiring debts of parastatals.*

to the extent that the restructured banking system and some of the institutional reforms improve efficiency in the public sector and provide for long-term viability in the financial sector, then some of this increase in consumption will help sustain the economy in the future.

GOTG Recurrent Expenditure

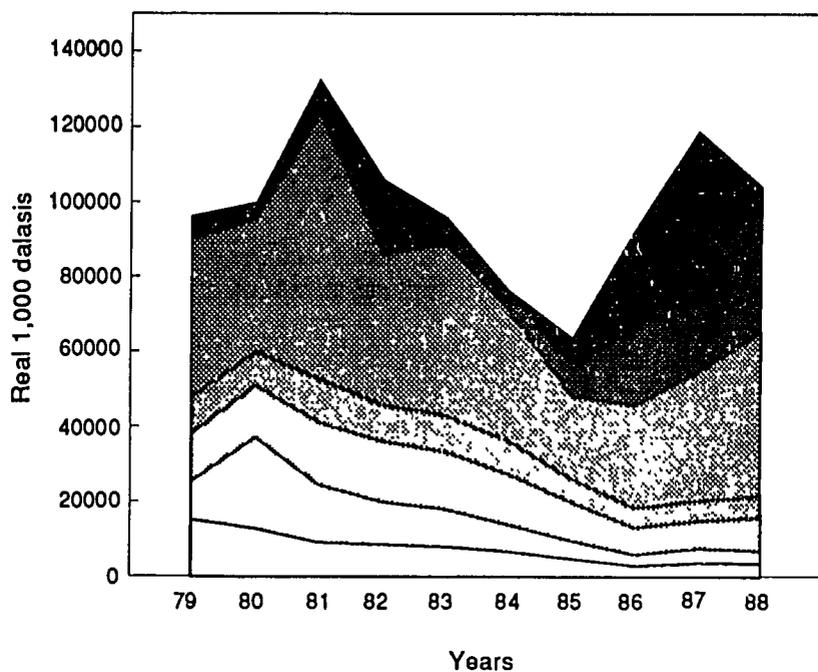
Although total recurrent expenditure has not fallen significantly under the ERP, there has been a distinct shift in the mixture of services provided through the recurrent budget (see Figure 18). Spending on transfer payments to pay operating costs and accumulated debt of parastatals increased from around 2 percent of recurrent expenditure between 1980 and 1984 to over 30 percent in 1987/88. Debt service increased from 8 percent of recurrent expenditure between 1980 and 1984 to an average of 29 percent in 1987/88 and 1988/89.²⁹ Excluding these two items from total recurrent expenditure, the remainder of the recurrent budget from 1986/87 to 1988/89 has been only 60 percent of its pre-ERP level. Expenditure on social services, agriculture, and public works has been the most significantly cut, and in real terms has been about half of the pre-ERP level.

The rapid growth in parastatal transfers shown in the recurrent budget in Table 23 represents direct payments to the GPMB and GCU to subsidize their current operating costs and the assumption by the GOTG of past debts owed by the GPMB to the GCDB and the CBG. Direct subsidies paid to the GPMB to cover its marketing costs directly benefitted groundnut farmers through the subsidy to producer prices, and the retirement of GPMB debt has reduced its overhead and allowed the board to offer higher purchase prices to farmers. Subsidies to the GCU for its operating costs benefitted farmers because cooperative members were able to obtain GCU credit, input, and marketing services below cost.

The write-off in 1987/88 of over D80 million of GPMB debt owed to the GCDB, the largest commercial bank in The Gambia, has also benefitted the banking system and thus urban residents. The purchase of this debt from the GCDB, which was insolvent by June 1987, was one of several measures instituted to improve the financial situation of the GCDB so that it could meet the credit and banking requirements established by the GOTG and the IMF, while continuing to be a source of loanable funds to the private sector. Although parastatal transfers declined sharply in 1988/89, the GOTG has made provision

²⁹ As reported by the GOTG, debt service includes both interest and amortization.

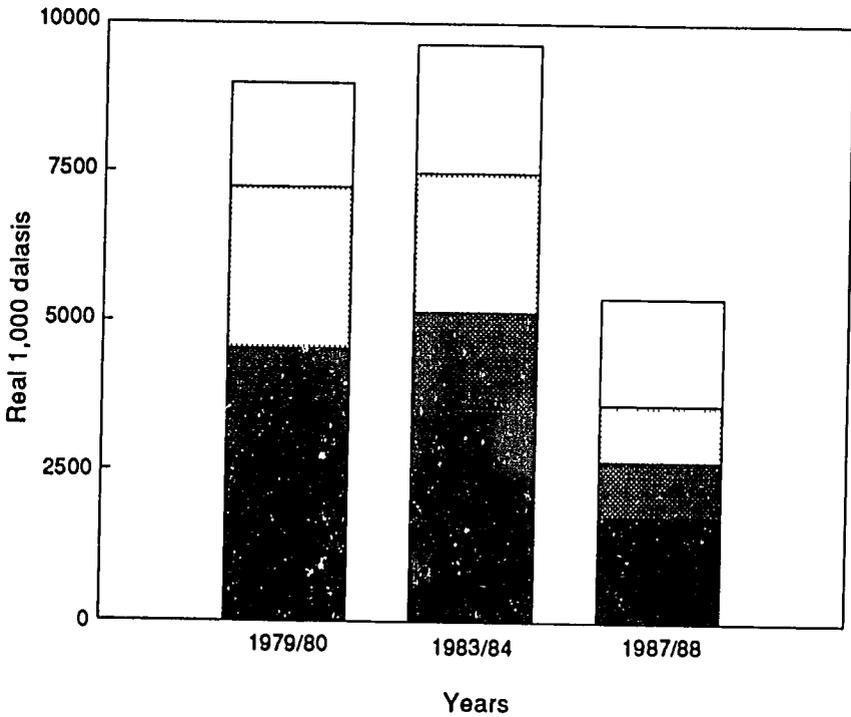
Figure 18 – The Gambia: Recurrent Expenditure, 1979 - 1988 (1980=100)



- Transfer to parastatals
- Debt service
- Other expenditure
- Health
- Education
- Public works
- Agriculture

Source: Ministry of Finance and Trade (various years).

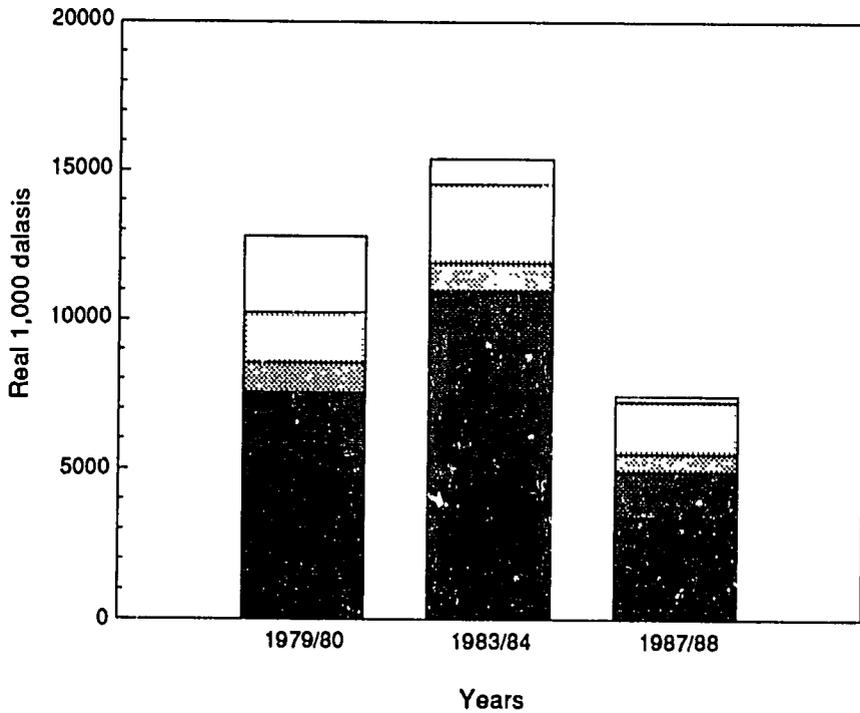
Figure 19 – The Gambia: Recurrent Expenditure on Social Welfare, Ministry of Health, the Environment, and Labor, by Category, 1979/80, 1983/84 and 1987/88 (1980=100)



- Labor, social welfare
- ▤ Other health
- ▨ Primary health
- Hospital services

Source: Ministry of Finance and Trade (various years).

Figure 20 – The Gambia: Ministry of Education, Youth, Sports and Culture Recurrent Expenditure by Category, 1979/80, 1983/84, and 1987/88 (1980=100)



- Youth, sports, culture
- Other education
- ▨ Teachers' education
- ▤ Secondary
- Primary

Source: Ministry of Finance and Trade (various years).

in its 1989/90 budget for an exceptional transfer of D111 million for the liquidation of debt owed to the CBG by the GPMB and GCU.

The effects of declining real expenditure for public health and education services, by category of service, are shown in Figures 19 and 20. In 1987/88 real health expenditure was approximately equal to the amount spent on hospital services alone in 1983/84. The decline in health expenditure has been felt equally in the primary healthcare system, as well as in the hospital and clinical services provided to the urban areas. Healthcare services in The Gambia have been highly subsidized and the decline in real public-health expenditure represents the inability of the GOTG to maintain the level of past healthcare subsidies under the ERP. Similarly, real education expenditure has declined at all levels of the education budget and expenditure on both primary and secondary education in 1987/88 was roughly 50 percent of the 1983/84 level (Ministry of Finance and Trade, various years).

Development Expenditure

The public investment program (PIP) introduced in 1986/87 imposes more stringent criteria for project selection. The data in Table 22 reveal the priorities given to public utilities, agriculture, and social welfare, particularly health and housing, during the ERP.

The GOTG plans to strengthen its healthcare and education systems through the development budget. The national health development project financed by the International Development Association (IDA) and the World Bank, introduced in 1987/88, will finance rehabilitation and expansion in health facilities, as well as procurement of drugs, medical supplies, furniture, and vehicles. To reduce healthcare subsidies and improve efficiency in the health sector, the GOTG established a revolving fund for financing medical service and recurrent drug costs in August 1988. The fund was capitalized from external grants, credits, and gifts, and from GOTG budgetary allocations for drugs and medical supplies (including healthcare fees). The GOTG is currently recovering 60 percent of the cost of outpatient prescriptions through revised healthcare fees and the revolving fund.

Similarly, in November 1988 the GOTG approved a new education policy that aims to increase primary school enrollments for both boys and girls to 75 percent by the year 2000. To achieve this, the IDA, the African Development Bank, and other donors are providing financial support to the education sector. Under the GOTG's education policy, the Ministry of Education will be restructured and strengthened and a cost recovery program will be instituted in the future.

Government Revenues

GOTG revenues are highly dependent on import duties and taxes, which accounted for over 60 percent of total revenues in 1987/88 (Figure 21). However, a large proportion of import duties are paid on goods destined for the reexport trade and thus the burden of these duties is primarily borne by foreign consumers. In the past, the GOTG has found that the reexport trade response to a tariff change is quite elastic and that it is difficult to raise revenues through an increase in import duty rates on reexport goods. By 1987/88 export taxes, primarily on groundnuts and groundnut products, provided less than 5 percent of government revenues. This is because farmers could avoid the export tax on groundnuts by producing untaxed cereals or by selling groundnuts across the border in Senegal.

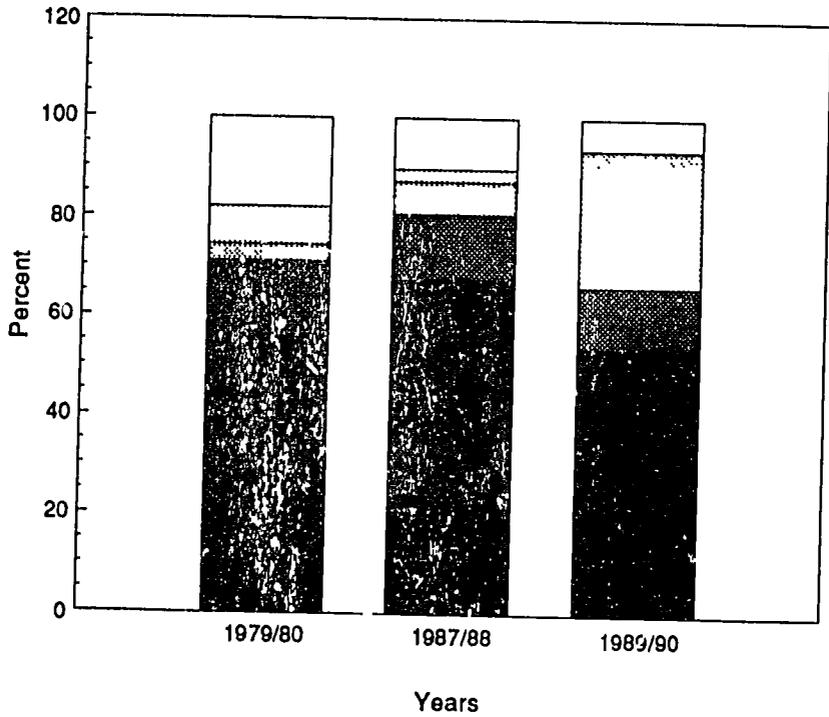
In the years before the ERP, and immediately after its introduction, the GOTG raised a number of import duties and taxes, including taxes on petroleum products and rice.³⁰ As part of the ERP, the GOTG lowered a number of import duties on products important to the reexport trade and improved customs enforcement. These measures increased the share of GOTG revenues provided by import duties. As shown in Figure 21, this share rose from about 55 percent of revenues in 1979/80 to 65 percent in 1987/88.

Tax reforms instituted since 1987/88 have attempted to raise GOTG revenues by broadening the base to which taxes are applied. For instance, in 1988/89, a national sales tax of 10 percent was introduced at the importer and manufacturer level that applies to both imports and domestically produced goods. The national sales tax has also been extended to cover domestic services in 1989/90.

The extent to which the sales tax will reduce the regressiveness of the Gambia's largely excise- and import-based tax system, however, is unclear. Although import taxes on a number of imported food items have been reduced, and the duty on rice has been eliminated, sales of these goods are now subject to the 10 percent sales tax. The extension of the sales tax to services, however, will increase the tax burden of upper income groups and foreigners, who are the major users of these services.

³⁰ The IMF (1986) has argued that changes in petroleum import tariffs are not likely to harm low-income consumers because the latter do not consume petroleum products. However, in The Gambia, price increases for petroleum products were accompanied by higher prices for firewood and for public transport, which are both heavily used by low-income consumers. These changes in the tax system were regressive and largely borne by Gambian consumers.

Figure 21 – The Gambia: Government Revenues by Source, 1979/80, 1987/88, and 1989/90



- Nontax revenue
- Export taxes
- Domestic goods, services
- Income taxes
- Import duties

Source: Ministry of Finance and Trade (various years).

FINANCIAL REFORM, CREDIT POLICY, AND INCOME DISTRIBUTION

Financial and Credit Policies

Before the ERP, all deposit and lending rates in The Gambia were fixed by the Central Bank, and this often resulted in negative real rates of interest. To provide for more rational credit allocation and to encourage savings, a flexible and market-influenced interest rate policy was adopted under the ERP. At the same time, on the advice of the IMF, ceilings on the banking system and on net credit to government were introduced, with the goal of reducing inflationary pressures while at the same time increasing the flow of credit to the private sector. As shown in Table 24, total bank credit sharply contracted from 1986 to 1989 under the IMF guidelines. At the same time, private-sector credit increased from 34 percent of total bank credit extended in June 1984 to over 90 percent in June 1989.

The nominal data in Table 24 mask the decline in real credit available to the economy under the ERP. Although domestic credit extended to the private sector increased by 56 percent from 1984 to 1989, in real terms it has declined by 55 percent. However, in real terms the credit extended to farmers through the GCU has declined by 94 percent.³¹ In addition to reduced access to credit by farmers, credit ceilings on bank lending for groundnut buying were instituted in 1987/88 to prevent extensive default of crop-financing loans. This was primarily directed at the GCU, which had incurred significant financial losses in groundnut marketing in the past.

After declining steadily from 1979/80 to 1986/87, real interest rates rose sharply in 1987/88 following the introduction of the flexible interest rate system in 1986/87 and the decrease in lower consumer price inflation in 1987/88 (Figure 22). Real interest rates on both bank deposits and commercial loans have been positive since 1987/88. Farmers have been cushioned somewhat from the GOTG's high interest-rate policies, as the rates charged for GCU credit are below the commercial rates charged by banks for loans to individuals in other sectors. This is due to the availability of the no-interest loan to the GCU under the ADP II.

Credit and Income Distribution

The IMF has noted that during periods of tight credit and rising interest rates,

³¹ GCU credit in real terms is computed by deflating the nominal amount issued by the price for SSP. Real credit to the private sector is obtained by using the CPI as a deflator.

Table 24 – The Gambia: Distribution of Domestic Bank Credit, in Nominal Terms,^a 1984-1989

	1984	1985	1986	1987	1988	1989
	Millions of Dalasis					
Government (net)	80.5	86.8	100.3	(64.7)	(37.3)	(115.2)
Public Entities	160.5	166.6	217.4	216.7	101.4	132.5
GPMB	111.3	95.4	132.8	156.0	56.0	75.1
Private Sector	143.0	159.0	185.6	174.2	192.3	224.5
Total Bank Credit	384.0	412.0	501.3	326.0	256.4	241.9

Source: World Bank (1988a); IMF (1989).

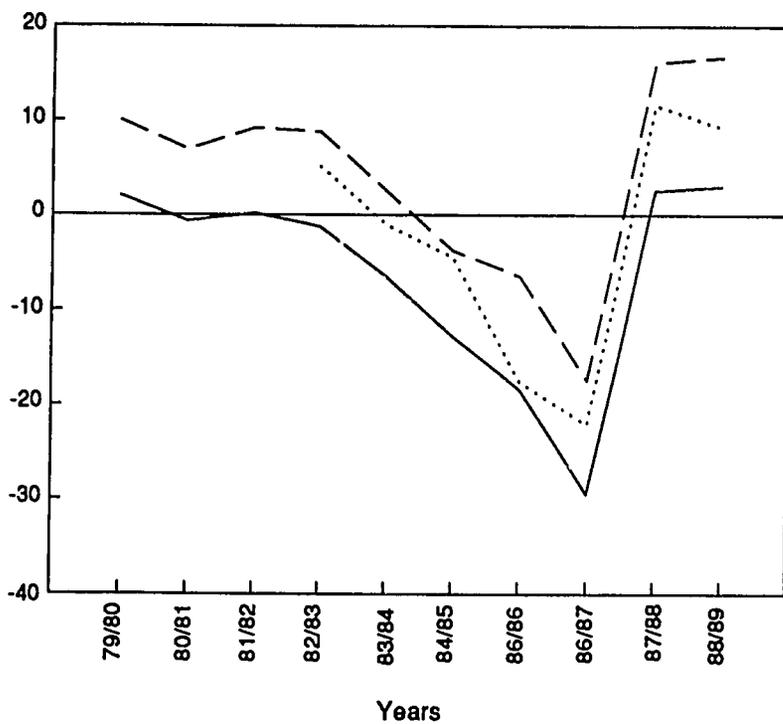
^a *Data are for June in the years shown.*

overall credit constraints may skew resources toward large well-established firms and away from smaller companies, toward urban consumers and producers and away from those in rural areas (IMF, 1986). Studies of informal credit in rural Gambia suggest that some of the above have happened. Credit constraints and higher interest rates may have had less ill effect on urban dwellers than on those living in rural areas, and in the rural areas, the better-off farmers may have suffered less.

The higher interest rates offered to depositors by banks and other financial institutions were probably of little benefit to rural Gambians most of whom save cash at home or in the form of nonmonetary assets and forego the interest they might earn in banks (Shipton, 1987 and 1989a). According to Shipton's survey of rural credit, only 3 percent of 138 rural informants stated that they had deposits in commercial banks; another 3 percent had post office savings accounts. Branch bank information confirmed that most farmer depositors hold amounts below about D250, that few of them are women, and that almost no farmers borrow from banks. According to Shipton, inaccessibility of banks has been a major barrier to institutional savings.

Information provided by Puetz and von Braun (1988) also suggests that poorer farmers were worst affected by credit ceilings imposed on bank lending for groundnut buying in 1987/88. With the imposition of the credit ceilings, cash shortages persisted at the GCU buying centers, where credit slips rather than cash were issued to farmers when they sold their groundnuts. The system of credit slips penalized farmers who sold to the GCU; there were reports of

Figure 22 – The Gambia: Trends in Real Interest Rates, 1979 - 1989



- — Commercial loan
- GCU loan
- Deposit

Source: International Monetary Fund (1987, 1988, 1989); World Bank (1985); table 21.

farmers waiting more than a month to receive cash payment for their groundnuts from the GCU, whereas private traders usually paid farmers within a few days of the groundnut sale (Langan, 1988). Puetz and von Braun found that the poorest farmers in their study area sold a greater percentage of their groundnuts (83 percent) to the GCU, compared with wealthier farmers, who sold 29 percent to the GCU. Thus poorer farmers were penalized relatively more. The GCU's credit problems extended into the 1989/90 season and there are reports that GCU cash shortages resulted in many farmers selling to private traders at below posted GCU buying prices (Jobe, 1990).

7. Conclusions and Suggestions for Further Research

Following its financial crisis of the mid-1980s, The Gambia implemented a number of wide ranging economic reforms that were designed to reduce its external and internal financial deficits to more sustainable levels. The policy reforms implemented under The Gambia's economic recovery program (ERP) included liberalization of exchange and interest rates, changes in agricultural marketing and pricing policies that raised the returns to groundnut production, reductions in budgetary subsidies on consumer goods and producer inputs, reduced government employment, and parastatal restructuring. These reforms have been successful in improving The Gambia's financial situation and the performance of the economy but they also resulted in sharp changes to real incomes and prices in both the rural and urban sectors.

In the first year of the ERP, 1985/86, the GOTG sharply reduced public expenditure, raised groundnut prices and interest rates, and floated the dalasi. These policies, combined with a decline in multilateral and bilateral aid flows and poor rainfall distribution that reduced the groundnut crop, resulted in stagnant GDP growth and substantial consumer price inflation. Starting in 1986/87, however, donor support of the ERP through adjustment-induced foreign financial inflows and a well-functioning foreign exchange market allowed the GOTG to increase real public expenditure over the earlier year and to stabilize the dalasi and the consumer price level. With good weather, real GDP grew at a rate of over 5 percent per year in both 1986/87 and 1987/88. Although the social costs of adjustment to the ERP in the urban sector were significant, the expanding economy gave some relief.

Since The Gambia undertook its adjustment program, the fiscal deficit has been reduced from 22 percent of GDP (pre-ERP) to 7 percent. The deficit has been reduced by limiting the growth of public expenditure, as well as by improvements in tax collection and changes in the tax system. Public expenditure fell sharply in the first year of the ERP, 1985/86. Overall, real public expenditure was maintained at the pre-ERP level starting in 1986/87, but there was a shift in expenditure patterns from investment to consumption. Real expenditure in the recurrent budget for health, education, agriculture, and public works declined while expenditure for debt service and financial transfers to parastatals increased.

The Gambians were also successful in depreciating the real value of the dalasi, but the depreciation has not been enough to eliminate The Gambia's current account deficit, which remains at roughly 20 percent of GDP. Increases in foreign exchange earnings were achieved through: larger groundnut exports and through increased earnings from tourism and the reexport trade, but The Gambia's imports remain high at roughly 60 percent of GDP. The Gambia's external debt has risen from under \$100 million in 1979 to over \$300 million in 1988; however, official medium- and long-term loans currently account for 80 percent of this debt in contrast to the pre-ERP period when they accounted for 58 percent of The Gambia's external debt.

Increased agricultural (groundnut) prices in the first two years of the ERP helped to stimulate export earnings from groundnuts and temporarily shifted the rural-urban terms of trade in favor of the agricultural sector. This shift helped to reduce the disparity in urban and rural incomes. The bulk of the poor in The Gambia are considered to live in the rural areas. By 1986/87, real incomes earned in the agricultural sector were 50 percent above their pre-ERP level while real formal-sector earnings in the urban areas had fallen on average by 39 percent. Groundnut subsidies paid to agricultural producers in the early years of the ERP largely spared this group from the worst effects of the ERP.

In the urban areas, the regular (daily-wage) formal-sector workers, whose earnings are about half of other formal-sector workers, and possibly those employed in the informal sector, appear to have been the worst affected by declining real incomes and consumer price inflation in the early years of the ERP. Movements in consumer prices during the period between 1985 and 1988 were particularly regressive, with food, energy, and basic healthcare costs exhibiting some of the largest increases. The price of imported rice, the urban staple grain, more than doubled.

The reduction and elimination of groundnut subsidies since 1987/88 and the increase in civil service salaries and the minimum wage in 1989 appear to have reversed much of the previous decline in real urban salaries in an absolute sense and relative to agricultural incomes. The rural-urban terms of trade, as measured by the ratio of the groundnut producer price to the wage rate for urban daily-wage formal-sector workers was, in 1988/89, at the same level as before the ERP.

The effect of the ERP on encouraging investment and efficiency in the agricultural sector and on alleviating poverty needs greater analysis. Groundnut producer price increases were temporary and thus did not encourage long-term investment planning. In addition, fertilizer use dropped sharply under the ERP. Moreover, farm-survey data suggest that the poorest farmers depend the least

on groundnuts for cash income and that among households using purchased inputs, the poorer households benefitted the most from past institutional input and credit subsidies. The impact of reduced cereal production on nutrition in the rural areas should also be further explored. In the next phase of this project, CFNPP plans to undertake a more thorough analysis of some of the issues raised in this paper. Using household-level data, CFNPP plans to analyze more closely the extent of poverty in The Gambia and to design a framework through which the effects of structural adjustment policies on households can be more thoroughly understood.

References

- Agricultural Marketing Improvement Strategies Project (AMIS), and Deloitte, Haskins, and Sells (DHS&S). 1989. *Gambia: Study of the Privatization of the Gambia Produce Marketing Board*. Prepared for United States Agency for International Development (USAID). Washington, DC: AMIS.
- Catholic Relief Service(CRS)/The Gambia Program. 1988. *The Nutritional Status of Children in the Gambia: A Review of the Anthropometric Evidence*. CRS/GM Health and Nutrition Program Technical Notes 01. Banjul: CRS/The Gambia Program.
- Central Statistics Department, Ministry of Economic Planning and Industrial Development (MEPID). 1987a. *Population and Housing Census 1983 General Report (Volume I: Administrative and Analytical Procedures)*. Banjul: MEPID.
- . 1987b. *Survey of Employment, Earnings and Hours of Work, December 1986*. Banjul: MEPID.
- . 1989. *Survey of Employment, Earnings and Hours of Work, December 1987*. Banjul: MEPID.
- Clarke, R.H. 1987. *A Study of Agricultural Credit Operations of the Cooperative Movement in The Gambia*. International Labor Organization Cooperative Development Project. Geneva: ILO.
- Demissie, Asafa, Lyle Brenneman, and Jeffrey Nash. 1989. Study of the Operations and Management of the Gambian Cooperative Union. Report prepared for The Government of The Gambia and the Harvard Institute for International Development. Mimeographed.
- Department of Planning (DOP), Ministry of Agriculture. Various years. Unpublished data series on crop production.
- . 1990a. *National Agricultural Sample Survey 1989/90*. Banjul: DOP/Ministry of Agriculture.
- . 1990b. *National Agricultural Sample Survey Report on Agricultural Production Practices in The Gambia, 1989/90*. Banjul: DOP/Ministry of Agriculture.
- Food and Agriculture Organization (FAO). 1983. *The Rice Industry in The Gambia*. Rome: FAO.
- . 1989. *Fertilizer 1989: Price Recommendations and Economics of Fertilizer Use*. Banjul: FAO Fertilizer Project.

- . Various years. *Fisheries Yearbook*. Rome: FAO.
- . Various years. *Production Yearbook*. Rome: FAO.
- . Various years. *Trade Yearbook*. Rome: FAO.
- Government of The Gambia (GOTG), Working Committee on Social Impact of Structural Adjustment. 1989a. Impact of Economic Recovery Program on Education Service. Banjul: GOTG. Mimeographed.
- . 1989b. Impact of Economic Recovery Program on Health Service. Banjul: GOTG. Mimeographed.
- Haydu, John, Manuel Alers-Montalvo, Jerry B. Eckert, Fasainy Dumbuya, Baboucar Gai, and Lamin Jabang. 1986. *Mixed Farming in the Gambia*. Mixed Farming and Resource Management Project Technical Report No. 10. Banjul: Ministry of Agriculture.
- Herlehy, Thomas J. 1988. Summary of The Gambia's Economic Recovery Program, June 1985 - June 1988. Unpublished USAID Memorandum.
- Hogan, Edward B. 1987. Producing and Marketing Groundnuts in The Gambia. Report prepared for USAID. Banjul: Mimeographed.
- International Monetary Fund (IMF). 1986. *Fund-Supported Programs, Fiscal Policy, and Income Distribution*. Occasional Paper 46. Washington, DC: IMF.
- . 1987. *The Gambia—Recent Economic Developments*. Washington, DC: IMF.
- . 1988. *The Gambia—Recent Economic Developments*. Washington, DC: IMF.
- . 1989. *Statistical Annex for Article IV Consultation*. Washington, DC: IMF.
- Jobe, Saihou M. 1990. Trip Report on 1990 Groundnut Marketing System. Banjul: USAID. Mimeographed.
- Johm, Ken. 1987. Rice Development Policy in the Gambia in the Context of Production and Consumption Trends. Paper presented at the IFPRI/PPMU workshop on policy issues for rice development in The Gambia. July. Banjul.
- Jones, Christine W. 1986. The Domestic Groundnut Marketing System in The Gambia. Report prepared for USAID. Banjul: Mimeographed.
- Khan, Mohsin S., and J. Saul Lizondo. 1987. "Devaluation, Fiscal Deficits, and the Real Exchange Rate." *The World Bank Economic Review*. January.
- Langan, Glenn E. 1987. An Assessment of Agricultural Input Marketing In The Gambia Within the Context of the Economic Recovery Program.

- Report prepared for USAID. Banjul: Mimeographed.
- . 1988. Groundnut Marketing in The Gambia, 1987/88. Report prepared for USAID. Banjul: Mimeographed.
- McPherson, Malcolm. 1987. *The Impact of Macro-Policy Changes on Agriculture*. Economic Notes, Statistics and Special Studies Unit, Ministry of Finance and Trade. Banjul: MOFT.
- McPherson, Malcolm, and Steven C. Radelet. 1989. Economic Reform in The Gambia: Policies, Politics, Foreign Aid, and Luck. Draft prepared for Harvard Institute for International Development. Cambridge, MA: Mimeographed.
- Ministry of Finance and Trade. Various years. *Estimates of Recurrent Revenue and Expenditure*. Banjul: MOFT.
- Planning Unit, Ministry of Health. 1990. *Situational Analysis of the Health Sector*. Banjul: Ministry of Health.
- Program, Planning and Monitoring Unit (PPMU), Ministry of Agriculture. 1987. *Fertilizer Sub-Sector Paper: Marketing and Price Policy Analysis*. Paper No. 11. Banjul: Ministry of Agriculture.
- Puetz, Detlev, and Joachim von Braun. 1988. Parallel Markets and the Rural Poor in a west african Setting. Paper prepared for Harvard Institute of International Development workshop on parallel markets, November 11-12.
- Ramamurthy, G.V. 1986. *Agricultural Credit Policy and Structure: The Gambia*. Report prepared for the Food and Agriculture Organization, Technical Cooperation Program. Rome: FAO.
- Sabally, Hon. Saihou Sulayman, M.P. 1989. *Budget Speech*. Ministry of Finance and Trade. Sessional Paper No. 1 of 1989. Banjul: GOTG.
- Samba, Kinday N'della. 1989. Nutritional Surveillance in The Gambia. Nutrition Unit of Department of Medical and Health. Banjul: Mimeographed.
- Sarris, Alexander H. 1990. A Macro-Micro Framework for Analysis of the Impact of Structural Adjustment on the Poor in Sub-Saharan Africa. CFNPP Monograph 5. Ithaca, NY: Cornell Food and Nutrition Policy Program.
- Scobic, Grant M. 1989. *Macroeconomic Adjustment and the Poor*. CFNPP Monograph 89-1. Ithaca, NY: Cornell Food and Nutrition Policy Program.
- Shipton, Parker. 1987. Borrowers and Lenders in The Gambia – Preliminary Report on a Study of “Informal” Financial Systems in Some Sahelian Farming Communities. USAID-financed study for the Min-

- istry of Finance and Trade. The Gambia. Banjul: Mimeographed.
- . 1989a. *Time and Money in the Western Sahel: The Cultural Economy of Interest and Usury in "Informal" Gambian Rural Finance*. Development Discussion Paper No. 303. Cambridge, MA: Harvard Institute for International Development.
- . 1989b. *The Rope and the Box: Gambian Saving Strategies and What They Imply for International Aid in the Sahel*. Paper prepared for the USAID/Ohio State University Seminar on Informal Financial Markets in Development. Washington, DC. October 18-20.
- Sumberg, J. and E. Gilbert. 1988. *Draft Animals and Crop Production in The Gambia*. Banjul: Department of Planning, Ministry of Agriculture.
- United Nations Childrens Fund (UNICEF). 1985. *Situational Analysis of Women and Children in The Gambia*. Banjul: UNICEF.
- . 1989. Household survey data. Banjul: Unpublished.
- United States Agency for International Development (USAID). 1985. *An Economic and Operational Analysis of The Gambia Produce Marketing Board*. Washington, DC: USAID.
- . 1986. *Program Assistance Approval Document: The Gambia PL-480 Title II Section 206*. Washington, DC: USAID.
- . 1987. *African Economic Policy Reform Program for The Gambia: Project Paper*. Washington, DC: USAID.
- . 1989. *Food Needs Assessment for The Gambia, 1989-90*. Banjul: USAID. Mimeographed.
- von Braun, Joachim, and Detlev Puetz. 1987. *An African Fertilizer Crisis: Origin and Economic Effects in The Gambia*. *Food Policy*. November.
- von Braun, Joachim, Detlev Puetz, and Patrick Webb. 1989. *Irrigation Technology and Commercialization of Rice in The Gambia: Effects on Income and Nutrition*. Research Report No. 75. Washington, DC: International Food Policy Research Institute.
- von Braun, Joachim, Ken Johm, Sambou Kinteh, and Detlev Puetz. 1990. *Structural Adjustment, Agriculture, and Nutrition: Policy Options in The Gambia*. Working Papers on Commercialization of Agriculture and Nutrition, No. 4. Washington, DC: International Food Policy Research Institute.
- World Bank. 1981. *The Gambia: Basic Needs in the Gambia*. Washington, DC: The World Bank.
- . 1984. *Staff Appraisal Report: The ADPII Project*. Washington, DC: The World Bank.
- . 1985. *The Gambia: Development Issues and Prospects*.

Washington, DC: The World Bank.

- . 1987a. *The Gambia: National Health Sector Development Project*. Washington, DC: The World Bank.
- . 1987b. *The Gambia: Policy Framework Paper 1987/88 to 1989/90*. Washington, DC: The World Bank.
- . 1988a. *Staff Appraisal Report: The Gambia Enterprise Development Project. Report No. 7034-GM*. Washington, DC: The World Bank.
- . 1988b. *The Gambia: Policy Framework Paper, 1988/89 to 1990/91*. Washington, DC: The World Bank.
- . 1989. *The Gambia: Second Structural Adjustment Program*. Washington, DC: The World Bank.
- . (database). *World Debt Tables*. Washington, DC: The World Bank.
- . (database). *Social Indicators*. Washington, DC: The World Bank.