The Agency for International Development Presents

Critical Issues
for American Investors in
THE GAMBIA

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EXECUTIVE SUMMARY

Featuring one of the oldest multiparty states in all of Africa and a remarkably open economy, The Gambia offers an attractive political and economic environment for foreign investors. Human rights and freedom of expression are respected and legally protected by the constitution. As in the U.S., the legal system is based on British common law. Taken together, these attributes provide an unusually stable and predictable environment for U.S. business people.

The Gambia actively encourages foreign investment and offers attractive incentives, including tax breaks, credits, and investment allowances, for investment projects that meet national development goals.

The country's macroeconomic situation has improved dramatically since 1985, due to successful implementation of a comprehensive structural adjustment program carried out under the auspices of the International Monetary Fund and the World Bank. By liberalizing economic policy and commercial regulations, and thereby opening the economy to private enterprise, the Government has eliminated many of the structural imbalances that earlier had constricted economic activity and restored conditions conducive to market-led economic growth.

The Gambian economy is based primarily on agriculture and services. Groundnut production and processing continue to dominate the agricultural sector, but for foreign investors, horticulture and commercial fishing are becoming increasingly important. Tourism constitutes the fastest growing sector of the economy, and foreign investors have joined local businesses and the Government in construction and operation of luxury hotels catering to visitors from Western Europe.

The Gambian government has made important strides in moving away from state control of the economy. Under the structural adjustment program, the Government is committed itself to a program of privatization of state-owned enterprises (SOEs) and a number of these enterprises have been sold or liquidated. For example, the Gambia Commercial and Development Bank was bought last year by a private banking concern, and the Gambia Produce Marketing Board is in the process of being privatized.

While the overall business and investment climate offers an interesting range of positive features and assets, growth of the private sector continues to be limited by a number of constraints. These include basic infrastructure deficiencies, an undeveloped financial sector, shallow local capital markets, a tiny domestic market, and administrative and bureaucratic inefficiencies.

An underdeveloped physical infrastructure is the most significant constraint to doing business in The Gambia. With the notable exception of the telecommunications system (which is excellent), basic services are in need of considerable upgrading. Although the roads in the capital city, Banjul, are now paved, the condition of other roads is generally poor. Electric power cuts occur with enough frequency that many businesses and hotels install back-up generators. The international airport outside Banjul is in need of further upgrading, and the pubic water supply is unreliable, even in the capital.

On the positive side, the Government is working to improve the physical infrastructure through a number of ongoing capital projects. These are financed principally by the international donor community, which now contributes roughly $100 million annually to the Gambian economy.

Trade and monetary policies, particularly in the areas of exchange rate controls, import tariffs and restrictions, and export requirements, are very favorable to investors. Ongoing economic reforms are addressing issues such as tariff reductions on imports and other investment incentives designed to facilitate business start-up and operations. Though the country's merchandise trade deficit has increased significantly in the past few years, large and continuing infusions of foreign aid and other official transfers have enabled the Government to realize a sizeable current account surplus in the same period.

All of The Gambia's international debt arrears have been eliminated, but the Government's economic program remains highly dependent on financial support from foreign development lending agencies. A strong consensus exists within the international donor community on the need to sustain and consolidate the market-oriented liberalization policies implemented under the economic reform program through continued support.

Although the country has a large pool of low-cost, unskilled labor, there is a shortage of trained, skilled managerial and administrative personnel. However, the Government has a liberal policy concerning the employment of foreigners for managerial and technical assignments.

The financial sector is small and underdeveloped, comprising four commercial banks and a handful of private foreign exchange bureaus. Bank lending is conservative, being concentrated in short-term trade financing, and has yet to substantially develop the market for medium- to long-term credit needs of most productive sector enterprises. The country's two principal commercial banks engage almost exclusively in foreign exchange transactions, trade finance, and in highly profitable short-term lending to the Government. Interest rate policies are that all rates shall be market-determined. Credit ceilings for banks have been eliminated and there are no other credit controls.

Inflationary pressures have subsided substantially since the mid-1980s as a result of the Government's tight monetary policies and its reduced borrowing on domestic credit markets. The annual rate of inflation fell to 8.8 percent in 1991, and even further in 1992, to about 5 percent.

Foreign aid and prudent fiscal policies have produced a clear improvement in the Government's overall financial position, reducing the need for public sector borrowing. Recent budgets reflect the Government's policy of shifting responsibility for public services onto the private sector.

The Government is committed to a pro-development taxation policy and tax rates have been reduced during the last few years. However, some features of the current tax code still contain disincentives for certain business activities. These include the incorporation of local business enterprises, the retention and reinvestment of corporate earnings, and certain financial transactions.

Intellectual property rights are protected. Legislation modeled on the basic principles designed by the World Intellectual Property Organization (WIPO) was enacted as the Industrial Property Act in 1989. With certain exceptions, the legislation contains most of the protections that U.S. businesspeople would normally expect.

MAKING THE INVESTMENT DECISION

Overview

The Gambia is a very small, densely populated country located on both sides of the Gambia River in West Africa. With a population of about 900,000, the country is roughly the size of Connecticut and forms an enclave surrounded by Senegal. It is one of the few English-speaking countries in predominantly French-speaking West Africa.

Since the Gambia became independent from the United Kingdom in 1965, the nation's history has been one of political stability characterized by an adherence to democratic principles. Presidential and parliamentary elections are held every five years, and opposition parties can and do compete for representation.

The Gambia has an open, market-based economy, with a fully liberalized foreign exchange regime, few import restrictions, and a reasonably stable currency. The country's liberal investment code permits the free flow of capital into and out of the country, including the right of full repatriation of profits, and places no restrictions on foreign equity participation. Structural economic reforms begun in 1985 have gone a long way toward eliminating structural imbalances and restoring business confidence.

These features combine to create an attractive business climate, particularly for companies interested in re-export trade, tourism, commercial fishing, horticulture, and agriculture.

Trends in the Economy and Business Climate

In 1985, after years of increasing state control over the economy and accumulating government debt, the Gambian government launched an ambitious program of structural adjustment. Known as the Economic Recovery Program (ERP), the effort was aimed primarily at opening the economy to competitive market forces, achieving fiscal balance in the public accounts, and reducing and redefining the role of the public sector.

Since inaugurating the program, the Government has abolished price controls and government monopolies, rationalized the foreign exchange regime, introduced a flexible exchange rate system, reduced the fiscal deficit, cut government employment, promoted the sale of some state-owned enterprises, improved tax policies and administration to encourage private investment, and implemented a more flexible interest rate policy.

Among the stabilization effort's most notable accomplishments have been:

- Real GDP growth averaging 3.4 percent per year since 1986–87;
- Agricultural reform, including de-control of groundnut prices, privatization of rice imports, and elimination of crop subsidies;
- Elimination of external debt-servicing arrears;
- Improvements in public finance, with budget deficits cut from 17 percent to 4 percent of GDP by 1991–92;
- Privatization of important government-owned enterprises, including The Gambia Commercial and Development Bank;
- A fully liberalized foreign exchange regime;
- Increase in foreign exchange reserves from an equivalent of one week of import requirements to 5 months in 1992;
- A stable local currency, with floating exchange rates;
- Reduction of the debt service ratio to a manageable 23 percent;
- An increase in private savings and investment and a moderation of inflation, now estimated at about 5 percent; and
- Substantial support for the economy by bilateral and multilateral donor groups, now investing approximately $100 million annually.

Although commitments to economic reform have been impressive, the pace of per capita income growth has been modest, both in relative and absolute terms, and tangible improvements in the living standards of the majority of the average citizens have been slow to materialize.

To guide and hasten the process of transition from stabilization to growth, the Government introduced a medium-term follow-on program to the initial economic reform effort, entitled the Program for Sustained Development (PSD). This program is a reconfirmation of the Government's commitment to liberal, market-based economic policies and a reiteration of its belief in the private sector as the most appropriate engine of economic growth. The current program acknowledges that accelerated economic growth requires increased private investment from both domestic and foreign sources, as well as the incorporation of more sophisticated technologies to increase productivity.

This set of principles and policy direction help ensure that The Gambia will remain hospitable to foreign investment.

How Investment Policy and Regulation Work

Regulatory policies overtly favor foreign investments. There are for example:

- No restrictions on capital repatriation

- No requirements for local management or equity
- No restrictions on royalty payments or compensation for the use of technology
- No stated preference for prestige projects
- No minimum investment requirements

Tax breaks and incentives that support the national development goals of maximizing exports and using local inputs are available for foreign investors.

When establishing a business, private investors generally follow a series of approval processes. These can be broken down into two general areas:

- Applications to meet normal business establishment requirements, such as obtaining, where pertinent, operating licenses, building permits, legal access to land, commercial registrations, and work permits for foreign professionals; and
- For projects meeting specific export and local content criteria, applications for tax concessions and other fiscal and non-fiscal incentives, in the form of a development certificate.

The Ministry of Trade, Industry, and Employment (MTIE) has ultimate responsibility for administering investment concessions.

To facilitate the investment process and reduce bureaucratic red tape, The National Investment Board (NIB) in the capital, Banjul, has established a "one-stop shop" to assist and advise potential domestic and foreign private investors. Implementation of this service concept, however, has been uneven, due mainly to a lack of clearly delineated legal and administrative authority for the NIB to obtain clearances, licenses, and approvals from other government ministries and agencies. However, the NIB is making a concerted effort to fine-tune the existing system and reduce turnaround time. Planned improvements include the introduction of standard application forms, simultaneous processing of investment applications by the relevant government ministries, and further development of liaison services.

Key Issues for American Investors

Prospective investors should consider the following features of The Gambia's economic environment:

✓ *stable democracy*

The Gambia's record of political stability and democratic principles is impressive. Regular presidential and parliamentary elections provide a stable and predictable political environment for conducting business.

✓ *open, market-based economy*

The nation's economy is one of the most liberal in Africa, with a fully convertible foreign exchange regime, few import restrictions, low import tariffs, no price controls, and a reasonably stable currency.

✓ *liberal investment regime*

A liberal investment code permits the free flow of capital into and out of the country, including the right of full repatriation of profits, and no restrictions on foreign equity participation.

✓ *low operating costs, including low wage rates*

Cost advantages are noteworthy, when compared with the surrounding Francophone states, particularly in terms of wage rates. (The Gambia is not a member of the CFA franc zone, whose members' overvalued currencies have generally made wage and other costs uncompetitively high.)

✓ *strong, sustained support from the international financial community*

Financial support from multilateral and bilateral donors has been critical in enabling The Gambia to realize positive results from its recent structural economic and other reforms. Donors have commended the Government on its discipline in implementing its structural adjustment program and have expressed confidence in the country's future progress. Flows of foreign economic assistance from all bilateral and multilateral sources, including the World Bank, the African Development Bank, USAID, and others, was $86 million in 1991 and was approximately $100 million in 1992.

✓ *strategic geographical location*

The Gambia has a strategic geographical location and a low tariff regime. These features permit local firms engaged in the import business to secure supplies from the cheapest sources and have already made Banjul an important transit trade and re-export center.

✓ *monetary and trade policies*

Government policies in areas such as exchange rate controls, import tariffs and quotas, and export requirements are generally favorable to investors. Ongoing policy reform measures are likely to continue to reduce tariff barriers.

✓ *excellent telecommunications services*

The local telecommunications company, GAMTEL, provides excellent international telecommunications services from Banjul. A major installation of new equipment was completed with assistance from France four years ago. The company is planning a major effort over the next several years to expand the telephone network to the Gambian interior.

✓ *comfortable working and living environment*

With its civil peace, stability, and rule of law, and a modern housing stock, The Gambia provides a comfortable and very pleasant working and living environment for foreign investors and their families.

Major Opportunities and Constraints

A list of general investment opportunities is provided in Chapter 3. For U.S. and other foreign firms, certain industry trends, opportunities, and constraints are worth highlighting:

Agriculture and Horticulture
Despite the volatility of world market prices for groundnuts, the potential exists for increased profitability through more efficient production, improved processing, and better marketing. Substantial privatization of the state-owned produce marketing board is scheduled for implementation in 1993 and should provide new business opportunities for private commodity dealers.

Outside of groundnut marketing, attractive agro-business investment opportunities exist in the production of vegetables and tropical fruits for specialty markets in Europe, and for local tourist hotels. Export-quality mangoes, papayas, avocados, green beans, eggplants, peppers, cauliflowers, and other fruits and vegetables are currently produced on an increasing number of privately owned farms.

Two important constraints to growth in this sector include insufficient cold storage capacity and limited cargo flights in and out of Banjul.

Fisheries
The foreign demand in export markets for Gambian flatfish and shrimp has consistently exceeded supply, and foreign and domestic investment in this sector has increased steadily since the mid-1980s. There is a growing demand for the higher-priced demersal fish in the local market and for export. The export demand for warm-water species has always exceeded supply.

Scandinavian, German, and U.S. interests are already involved in export-oriented fishing enterprises.

Key constraints include the absence of an exclusive modern fishing harbor and marine facilities to provide efficient berthing and offloading, along with maintenance services for both commercial and artisanal fishermen.

Tourism
The Gambia's proximity to Europe, beautiful beaches, and pleasant year-round climate make it an ideal location for winter tourists, a factor increasingly recognized by the tourism industry. There are already many modern tourist hotels, and the National Investment Board has received applications from credible foreign investors to construct new ones to alleviate the dearth of hotel beds in the Rotu beach area. Outside of beach site hotels, however, the downstream industry is underdeveloped. Opportunities exist to develop other entertainment outlets, tourist handicraft markets, and eco-tourism featuring upcountry and regional travel.

There is already considerable direct European investment in tourist hotels in The Gambia, and these may be joined in the near future by ITT-Sheraton.

Key constraints are unreliable water and power supplies, as rapid growth has placed increased strains on the public sector's capacity to provide essential services. Hotels are dependent on standby facilities to guarantee continuous services. The limited sewage disposal capacity in the major tourism center, the Kombos area, could become a key impediment to future growth. Some infrastructural deficiencies (for example, unreliable electric power supply) are less restricting for foreign developers because of the developers' financial capability to construct all-inclusive operations, and their technical capacity to manage self-contained, onsite infrastructure. Water supply shortages are a serious problem, however, at all hotels.

Donor groups, including the World Bank and the African Development Bank, are providing substantial financial and technical assistance to remedy these problems.

In addition to the sector-specific constraints mentioned above, foreign investors in The Gambia face the following, more general impediments.

Infrastructure Deficiencies
Outside of international telecommunications, The Gambia's poor infrastructure is perceived by local entrepreneurs and foreign investors as an increasingly negative feature of an otherwise favorable investment climate. Electricity and water distribution in some areas are unpredictable and many businesses have opted for self-sufficiency through on-site generators. Electric power failures and water shortages pose particular problems for the burgeoning tourism industry. Irregular and infrequent international air cargo service imposes constraints on horticultural export industries and general business expansion.

The Government and donor organizations are taking steps to address some of these problems.

Small Domestic Market

With a total population of more than 900,000, the Gambian domestic market is extremely small, and per capita purchasing power is weak (average per capita income is about $325). Productive private enterprises are export-oriented, principally vis-à-vis either the West African regional market, or European and Asian markets.

Shallow Capital Markets

There is limited competition in The Gambia's very small commercial banking sector. This, and a lack of interest in serving the medium- and longer-term credit needs of resource-based enterprises have combined with continued high levels of government borrowing to create high real interest rates that effectively limit capital access to a small, well-established cadre of import-export traders.

The remainder of the financial sector is undeveloped; there are no formal, non-bank financial institutions. Insurance companies also have not developed sufficient excess reserves to be able to make long-term investments. There are no secondary markets for financial instruments, stock exchanges, or private placement services for capital investment. Private investors seeking capital for the startup of a new business or the expansion of an existing one are likely to seek offshore financing.

Remedial actions are being taken, including USAID support, to address issues affecting financial sector development. These include a restructuring of the commercial banking sector.

Limitations of Human Resource Base

There is a shortage of trained, skilled personnel for private sector employment. The country does, however, have a liberal policy concerning the employment of foreigners for managerial and technical assignments.

Administrative Bottlenecks

Administrative inefficiencies that deter private investment include an archaic, manual registry system for both real and personal property, inadequate procedures and staff for the enforcement of claims, inadequate staff to supervise the insurance industry, and an overburdened and understaffed court system. These shortcomings create a climate of uncertainty and conservatism that reinforces the short-term orientation of savers, investors, and creditors. Donor-funded efforts to improve the situation are beginning to take effect.

Public Sector Involvement in the Economy

The Government has made substantial progress in its efforts to reduce the role of the public sector in the economy, through the privatization and divestment of state-owned enterprises. However, mismanagement of some of these continues to be an important impediment and drains public revenues that could otherwise be applied to needed public investments, such as water and power.

The public utilities company, which provides poor basic services, is being revamped. For example, management of the company is to be offered to private operators, an opportunity that has sparked interest among several European firms.

Management of the marketing of groundnuts—the second-most important source of foreign currency income after tourism—is improving. The Government engaged a private European company in 1991 to prepare the industry for full privatization and to open the export market to private businessmen. This transfer of all functions should be essentially completed in 1993.

On balance, The Gambia provides one of the most open and attractive environments for American investors in West Africa. The constraints cited are substantial, but most stem from red-tape issues that can be overcome much more easily than more serious, endemic problems found in many developing nations, such as political instability, economic mismanagement, and non-convertible currencies.

1. Political Background

One of the oldest multiparty states in all of Africa, The Gambia offers a remarkably stable and open political environment for foreign investors. Human rights and freedom of expression are widely respected and legally protected by the constitution. As in the United States, the legal system is based on British common law. Taken together, these attributes provide a stable, predictable business environment.

1.1 Government and Politics

The Gambia is the oldest multiparty democracy in West Africa. A former British colony, it was granted internal self-government in 1963, and independence in 1965 as a parliamentary democracy. In 1970, it became a multiparty republic, while maintaining its Commonwealth membership and linkages. With the exception of a coup attempt during 1981, the country has enjoyed political stability.

Since independence, the country has been governed by the People's Progressive Party under the leadership of Sir Dawda Jawara, who became The Gambia's first president in 1970. Jawara is very popular and is viewed by the populace as a founding father. General elections are held every five years to elect members of the country's parliament. This body consists of the House of Representatives, which is composed of a speaker, a deputy speaker, and 35 elected members.

The Gambia is led by an executive president. Its major political parties include the ruling People's Progressive Party (PPP), the Gambia People's Party (GPP), and the National Convention Party (NCP).

In April 1992, Sir Dawda Jawara was reelected for his fifth term as president. In parliamentary elections held at the same time, 26 members of Jawara's party were returned to power. The next presidential and legislative elections are due in 1997.

1.2 Human Rights

The Gambian constitution provides for basic human rights and rule of law. The Gambia is widely viewed as having one of the best human rights records in Africa.

1.3 Corruption

Corruption is not an institutionalized aspect of the political system, and only occasionally does one encounter extortion, bribery, or fraud. The best defense is an absolute refusal to cooperate, and a polite explanation that while one values friendship and would like to accommodate, the laws of the United States provide for severe punishment for activities that might be considered entirely appropriate in other countries. This strategy is usually successful.

1.4 Freedom of Expression

Freedom of the press is guaranteed by the constitution and no attempt has been made to infringe on this freedom. There are three radio stations and a variety of small weekly newspapers, ranging in political views from socialist to libertarian. A number of foreign journals and newspapers are available in Banjul.

Even though The Gambia is 95 percent Moslem, the constitution provides for freedom of religion, and these rights are enforced.

1.5 Legal System

The legal system is based on the British system of common law. In the area of contracts and commercial law, the Gambian legal code is very similar to that of the United States and the United Kingdom. Some areas, however, such as land tenure and ownership, are based on traditional African concepts.

In addition, the legal system governing business activities sometimes suffers from substantial inconsistencies and gaps. For example, virtually every type of equity or long-term debt finance instrument currently in use or potentially suitable for use in The Gambia is affected in some way by the lack of a complete, consistent, and up-to-date legislative framework for business activity. This is attributable in part to the wholesale inheritance of certain British parliamentary acts, some of which require updating. The pace at which such problems are being addressed generally reflects a lack of sufficient technical expertise rather than a failure to recognize the problem or to resist change. The Government recently consolidated the statutes enacted by the Gambian parliament and updated them technically. The Government has published a revised edition of the laws.

Remedial measures are under way. The Government is developing new legislation to provide a unified legal basis for the control of land development, set standards for land survey work, review the laws and regulations governing financial institutions, amend the Companies Act to facilitate the issuance of and trade in securities and further protect the rights of shareholders, enable the establishment of hire/purchase transactions and institutions, and establish a statutory body to govern accounting practices and auditing procedures.

USAID is continuing to support a five-year project to address many of the problems of the legal sector. These initiatives include drafting of reform legislative governing mortgages and revising The Gambia's Insolvency and Sheriff's Acts to improve the legal framework for debt recovery. The central bank is currently drafting amendments to the Central Bank

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Act and the Financial Institutions Act. It has also issued new licensing procedures to shorten the processing period for financial institutions and has decided to recruit an expatriate specialist to serve as insurance commissioner and to rewrite the insurance regulations.

1.6 International Relations

The Gambian government maintains particularly close relations with the United Kingdom, the United States, Senegal, and African members of the British Commonwealth. It is a member of the United Nations, the Organization of African Unity, the Economic Community of West African States (ECOWAS), the Non-Aligned Conference, and the British Commonwealth.

The Gambia has played a significant role in trying to bring the Liberian insurgency crisis under control, an effort that has greatly increased President Jawara's prestige in the region. Under his leadership, the ECOWAS organization has managed to contain the potential splits between its French- and English-speaking members and to survive francophone suspicions of Nigerian empire-building.

2. Economic Performance and Outlook

The macroeconomic situation has improved dramatically since 1985, due to successful implementation of a comprehensive structural adjustment program under the auspices of the IMF and the World Bank. By opening up the economy, this program has eliminated many of the structural imbalances that had hindered economic expansion and has generally established conditions conducive to sustainable economic growth.

2.1 Summary Table of Major Indicators

Summary Table of Major Indicators

	1987	1988	1990	1991	1992–96*
% real GDP growth	5.4	4.6	5.9	4.0	4.5
% real GDP per capita growth	3.9	1.9	1.5	N.A.	1.7
Consumption growth	18.5	10.0	11.0	N.A.	11.5
Savings as % of GDP	7.8	6.5	6.8	N.A.	7.0
Inflation rate	56.6	11.7	7.0	9.0	6.0

* Estimated

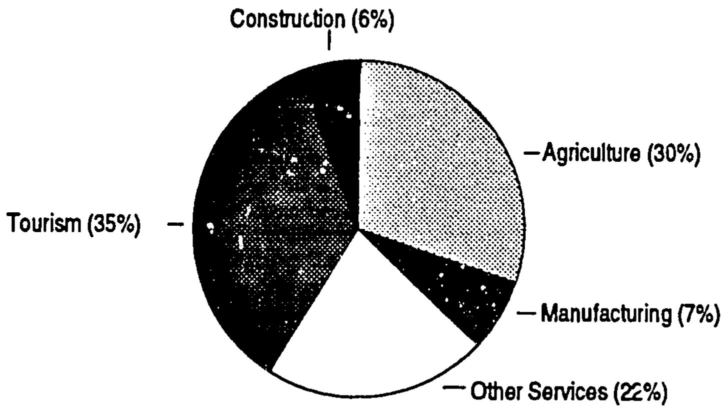
2.2 Structure of the Economy

Agriculture dominates the Gambian economy, accounting for about 30 percent of GDP, and more than 90 percent of domestically produced exports. It employs 75 percent of the work force Industry contributes about 12 percent to GDP, and consists mainly of agro-processing, light manufacturing, and assembly. Services constitute the remainder of GDP, with tourism, trade, and government operations accounting for the largest components.

Within each major sector, important subsectors stand out. For example, groundnuts and related products account for about 60 percent of total agricultural planting area, and approximately 80 percent of agricultural exports. The industrial sector consists chiefly of activities such as groundnut crushing, baking, brewing, and tanning, and the production of bricks, fruit juices, soaps, and plastics. In the services sector, tourism is the predominant contributor to GDP and is enjoying steady growth, employing about 6,000 workers during the main season, October to April.

2.3 Overall Performance and Related Economic Policies

Composition of The Gambia GDP
(1992)



From negative growth rates as high as 10 percent (in real terms) in the mid-1980s, The Gambian economy has turned around very significantly, thanks to the perseverance of the Government in implementing its economic reform program.

Annual GDP tends to fluctuate widely in direct response to the performance of the agricultural sector. Thus, the GDP growth rate of 5.9 percent in 1989–90 was due largely to greatly increased export earnings from groundnuts and groundnut products. The growth rate fell to 2.3 percent in 1990–91, but was expected to rebound in 1991–92, to 4.0 percent.

Monetary Policy and Inflation
The Government is continuing the conservative monetary policies established under the ERP. In 1990, monetary growth amounted to only 12 percent for M1 (currency in circulation and demand deposits), and only 7.4 percent for M2 (M1 plus savings and time deposits). However, an accelerating rate of growth in the money supply more recently has been a cause for concern for the central bank, because of its exacerbating effect on inflation. Total money supply (M2) expanded by 24 percent between March 1991 and March 1992, substantially above monetary targets. The Government has responded to this unfavorable development by tightening domestic liquidity conditions through stepped-up open market sales of treasury bills.

Inflation in the Gambian economy has been reduced significantly, from more than 46 percent in 1986–87, to 8.8 percent in 1991 and an estimated 5 percent in 1992.

2.4 Structural Performance

GDP of The Gambia, by Sector Origin, at Constant 1976–77 Prices
(dalasi millions)

	1987–88	1989–90	1990–91
Agriculture	120.39	127.46	109.67
groundnuts	42.97	46.53	26.69
other crops	45.75	47.05	45.71
livestock	21.55	23.39	24.24
fisheries, forestry	9.12	8.52	13.03
Industry	54.31	61.09	62.23
manufacturing	34.55	33.22	32.13
construction	19.76	27.87	30.10
Services	303.19	336.52	364.25
trade (includes re-export trade)	125.38	141.31	147.06
other (includes government)	177.81	185.21	217.19
GDP at factor cost	477.89	525.07	536.15

Source: Central Bank of The Gambia

As the above table illustrates, compared with 1987–88, the contribution of agriculture to GDP fell from 25 to 20 percent, in 1990–91, due largely to a very poor groundnut crop and falling world prices for groundnuts and groundnut products. Over this same period, the relative contribution of the services segment of the economy grew from 63 to 68 percent, helped along by growth in tourism. The contribution of construction, from 4 to 6 percent, is largely accounted for by the growing investment in improvement and expansion of physical infrastructure by the international donor community.

Recent economic policies in The Gambia have achieved some success in mobilizing savings, but the local financial sector, for a variety of reasons, has been reluctant to channel additional savings into longer-term productive investments.

Savings, Consumption, and Investment
(% of GDP)

	1985–86	1986–87	1987–88	1988–89	1990	1991
Domestic Savings	7.3	4.4	7.0	7.1	8.6	7.8
Consumption						
public	16.4	22.8	20.0	16.9	18.5	17.9
private	76.3	72.9	73.0	76.0	73.0	74.3
Gross Savings	15.1	16.3	23.5	20.7	N.A.	N.A.
Domestic Investment	15.8	20.4	18.5	17.9	19.3	19.0
public	10.6	14.9	14.1	10.7	N.A.	N.A.
private	5.2	5.4	4.4	7.2	N.A.	N.A.

The flow of domestic savings increased markedly between 1984–85 and 1989–90, largely at the expense of private consumption, which declined. The turnaround from dissavings to a positive savings rate has generally been attributed to the Economic Reform Program, particularly the deliberate policy of positive real interest rates for savers and borrowers. Gross savings (domestic savings, plus foreign grants and private transfers) doubled during the same period.

Though private investment increased from 3.0 percent to 7.2 percent of GDP, the data indicate that the level of private investment has not been responsive to the increased level of private savings. Most public investment has been funded through foreign aid.

2.5 Economic Prospects, 1993–98

Over the next five years, The Gambia can look forward to increasing revenues from its growing tourism industry and continued high levels of capital inflows from the donor community. The latter now average $70 million annually.

According to the World Bank and the IMF, real GDP is expected to grow by an average of 4.5 percent per year during 1991–96 and the annual average rate of inflation is expected to average 6 percent per year. Continued aid flows, which The Gambia's political stability and generally sound economic management will certainly guarantee, should facilitate meeting these targets.

Given its small size and its narrow export and production base, the Gambian economy remains vulnerable, however, to volatility in world prices for groundnuts and groundnut oil, poor weather conditions for its principal crops, and the economic policies of its neighboring trading partners.

To guide the process of transition from structural adjustment to sustainable growth, the Program for Sustained Development (PSD) continues policies based on a commitment to a liberal, market-based economy and a belief that the private sector is the most desirable source of investment and commercial development. In general, policies are designed to make the transition from a program of economic recovery to one of broad-based, market-driven growth. The Government has committed itself to specific steps to encourage private investment, including the consolidation of macroeconomic reforms; a continued reduction of the size and scope of the public sector through the privatization of state-owned enterprises; improved administration and provision of social services; and increased capital investment in infrastructure.

2.6 Implications for American Investors

- Macroeconomic performance in The Gambia has been generally positive for the past several years, characterized by a marked shift away from state dominance in the formal economy toward market-determined growth.
- The Government and the international donor community are working together to reform the country's financial sector and its tax code, to continue privatization of state-owned enterprises, and take other steps that will stimulate private sector growth.
- Growth of the productive sectors of the economy will continue to be constrained by the limitations of the domestic financial sector, but interesting opportunities exist in The Gambia for investors with access to offshore financing.

3. Sectoral Analysis of the Economy and Investment Opportunities

In 1991-92, tourism replaced groundnut exports as the largest source of foreign exchange. Groundnut production and processing will continue to dominate the Gambian agricultural sector, but horticulture and fisheries are becoming increasingly important. Tourism constitutes the fastest-growing sector of the economy and has benefited from significant new investments over the past several years. Manufacturing activity is extremely limited.

3.1 Agriculture

Groundnuts are the country's most important cash crop. As previously noted, groundnuts and groundnut products account for over 60 percent of The Gambia's domestically produced exports.

The agricultural sector in 1992 had a normal year following a dismal performance in 1991, when groundnut production was down by one-third, the worst in a decade. In 1991-92, production of groundnuts increased by 10 percent; cotton, by 30 percent; and coarse grains, by over 30 percent. However, this was due largely to expansion in the areas under cultivation.

Over the past 4 to 6 years, the Government has made significant progress in transferring responsibility for the groundnut industry from the public to the private sector. Export taxes on groundnut products have been removed, domestic marketing has been deregulated, and the state-owned Gambia Produce Marketing Board's (GPMB) legal monopoly on export of groundnut products was rescinded in early 1990. Sale of the Board's groundnut processing facilities to the private sector is scheduled to be completed in 1993. Full privatization of the GPMB's is viewed as a critical component of the effort activities to achieve sustainable economic growth, by ensuring that the limited capital and human resources in The Gambia are allocated to their most efficient and productive uses.

Despite the volatility of world market prices for groundnuts, the potential exists for increased profitability through more efficient production, improved processing, and more sophisticated marketing efforts. The main constraints on commercial agriculture include: inefficiencies created by the historic dominance of state-owned enterprises in input supply, crop procurement, processing and export marketing; the lack of a coherent strategy and financial commitment to facilitate crop diversification or to engender efficient private sector development of agricultural production and marketing; and low levels of soil fertility. Diversification into alternative oilseeds, such as sesame or sunflower, is both feasible and potentially more profitable.

3.2 Horticulture

The Gambia has made efforts in recent years to supplement its groundnut production by diversifying into horticultural products. The combination of adequate ground water, good growing conditions, and proximity and duty-free access to European markets has made the export of high-value horticultural products a highly profitable economic activity. Attractive investment opportunities exist in the production of vegetables and tropical fruits, not only for specialty markets in Europe, but for the provision of local tourist hotels as well. Export-quality mangoes, papayas, avocados, green beans, eggplants, peppers, cauliflowers, and other fruits and vegetables are increasingly produced.

Horticultural production and distribution is almost entirely under the control of the private sector. At least 10 private companies are currently in operation, and the industry is fast becoming an important generator of foreign exchange and employment.

Almost all investment in commercial horticulture has occurred in the last six years, and approximately 1,000 hectares are currently in production.

While per-ton value varies from crop to crop, a medium- to large-scale operation working 200 hectares is capable of generating as much as $5.0 million in gross annual revenue.

Constraints
The major constraints on the growth of horticulture in The Gambia are related to transport and marketing. Chief among these are the cost and dependability of air shipment (there is now a weekly air charter cargo flight to Europe) and the availability of cold storage. Knowledge of quality-control standards and consumption patterns in the European and North American markets is also lacking. Contract farming between the smaller farms and larger exporters, including foreign companies, could alleviate some of these problems.

A number of private firms are undertaking feasibility studies of charter air cargo service and a cold-storage facility is being constructed at the Banjul airport. Foreign investment through joint venture arrangements between local producers and foreign agribusiness enterprises could be mutually profitable.

3.3 Fisheries

Fisheries activities are expanding, as exports have grown in value from $20.1 million in 1988-89, $23.1 million in 1989-90, and approximately 26 million in 1991-92.

Ocean and river fish and shrimp are harvested by a growing number of small and medium-sized private enterprises, both for domestic consumption and for export to European and other markets. Artisanal fishing occurs along the length of the Gambian

River and close to the shoreline, while commercial ocean fishing is practiced mostly by larger, ocean-going trawlers of mixed Gambian, foreign, and joint ownership. Industrial fishing is conducted offshore, mostly by foreign vessels. Offshore fishing takes place in the Gambian Exclusive Economic Zone (EEZ). The Gambia has exclusive control over the licensing of fishing rights in this area, as authorized by its ratification of the Law of the Sea Treaty in the mid-1980s.

Shrimp, squid, sole, and varieties of whitefish are the principal export products. Demand in export markets for Gambian flatfish and shrimp has consistently exceeded supply, and foreign and domestic investment in this sector has increased steadily since the mid-1980s. Meanwhile, there is a growing demand for the higher-priced demersal fish in the local market and for export. Export demand for warm-water species has always exceeded supply. The Government has actively encouraged the development of artisanal fisheries and shrimp farming. To facilitate growth, it has abolished supplementary licensing requirements for the fish-processing industry.

Several commercial fishing companies land their catch for local processing prior to export. Nearly all of the country's fish-processing facilities are operated by a dozen private companies, with three firms handling up to 80 percent of the landed catch. These are the National Partnership Enterprises (NPE), Pelican Seafood, and Lyefish Company. Principal markets are Europe and Japan. Most vessels that fish offshore process their catch at sea and transport it directly to foreign markets.

The structure of fish marketing is closely related to processing conditions. In artisanal fishing, fish are either smoked and dried for export to neighboring countries and for upcountry consumption, or sold fresh. Local tourist hotels are an increasing market for locally caught fresh fish.

Two companies have recently made sizable investments in the sector. One firm, NPE, has expanded its cold-storage and shrimp- and fish-processing facilities and is expanding its fleet with additional concessional financing arranged through the Danish Government. An American fisheries company, Vinaport, has established a partnership with Pelican Seafood. Under an arrangement that includes financing through the International Finance Corporation (IFC) via a local bank, Vinaport has agreed to increase the company's ocean fishing capacity by providing three additional trawlers. Other available investment funds will be used to expand the company's storage and processing facilities.

Constraints

Key industry constraints include the absence of an exclusive modern fishing harbor and marine facilities to provide efficient berthing, offloading, and maintenance services for both commercial and artisanal fishermen. The limited capacity of the Gambian Marine Unit to control the illegal exploitation of local waters by foreign trawlers is another problem.

3.4 Tourism

Since the 1970s, The Gambia has benefitted from a tremendous boom in tourism. An average of over 100,000 tourists now visit each year and in 1991–92, tourism replaced groundnuts as the country's largest source of foreign exchange earnings. Foreign exchange earnings from this sector now amount to around $25 million per year.

The Gambia has been quick to recognize its potential as a winter beach resort, and private investors have moved accordingly to expand the hotel capacity to accommodate foreign tourists in increasingly large numbers. The Gambia's 16 tourist-quality hotels, with approximately 5,000 beds available, usually operate at full capacity during the winter season. Future growth can only be sustained by increasing the number of guest rooms. Construction was completed in 1991 on the most recent addition, a 120-room five-star beach hotel, financed by European interests. ITT-Sheraton and other U.S. and European companies are conducting feasibility studies for more hotels and other tourist amenities.

Constraints

Rapid growth in the sector has placed severe strains on the public utility's capacity to provide essential services. To derive maximum benefit from tourism, it will be necessary to improve and expand the existing infrastructure. Investments in water, sewerage, and electricity supplies are particularly critical, as are improvements to the airport. International financial agencies are providing substantial resources for utilities development.

Apart from luxury beach hotels, the downstream industry is underdeveloped. Opportunities exist to develop other entertainment outlets, tourist handicraft markets, eco-tourism upcountry, and regional travel.

3.5 Manufacturing

Manufacturing in The Gambia is limited, in both scale and the range of output. Product lines are principally bakery goods, beverages, processed fish, paints, insecticides, soap, construction materials, and garments. In general, industrial production and manufacturing is constrained by the small size and limited buying power of the domestic market; the difficulty of obtaining medium- and long-term financing on the domestic market; an open, nonprotectionist trade policy that obliges local products to compete with low-cost imports; and high startup and operational costs.

3.6 Implications for American Investors

- Horticulture and fisheries show solid growth potential and attractive investment opportunities for American business.
- New opportunities in groundnut production, processing, and marketing will be created through the full privatization of the oilseeds industry.

- Growth in the tourism sector is likely to slow until sufficient improvements are made in basic infrastructure. International donor organizations, however, are providing substantial funding to improve water and electric power services.

4. Relative Role of the Government and the Private Sector in the Economy

The Gambian Government continues to make important strides in moving away from its extensive involvement in the economy toward encouraging and promoting private participation. A state-owned development bank was one recent "sell-off." There are also plans to privatize management of the public utility company (GUC) and the telecommunications company (GAMTEL).

4.1 Strength and Role of the Public Sector

The Gambian government is making substantial progress in reducing the role of the public sector in the economy. Under a privatization program, it has successfully sold off, liquidated, or closed down a significant number of public enterprises in the tourism, fisheries, financial, agribusiness, and retail marketing sectors. The Gambia Commercial and Development Bank (GCDB) was recently privatized and the Gambia Produce Marketing Board (GPMB) is being prepared for final privatization.

Program agreements with both the World Bank and USAID preclude the creation of new parastatals and include commitments by the Government to discourage public sector involvement in economic activities of potential interest to private investors.

Further investment opportunities in privatized parastatal organizations remain. These include the Gambian Utilities Company (GUC) and the Public Works Department (road maintenance). Through donor-funded efforts to improve water availability and other services, the Government plans to turn over management of the GUC to a private contractor.

The Government's role in the economy will also be limited by budgetary constraints. While some limited rural and agricultural development activities may continue to receive direct, subsidized funding from external donor agencies, most private sector development will be dependent on financing from private domestic or external sources.

4.2 Strength and Role of the Private Sector

Based on Gambian government figures for GDP for 1990–91, broken down by sector, a rough estimate of the participation level of the private sector in the economy as a whole is about 66 percent. Accurate estimates are impossible, however, in view of the high volume of re-export trade in the economy—which may account for as much as two-thirds of The Gambia's annual exports—some of which is not captured by official figures.

Under the 1985 economic adjustment program, Gambian participation in productive, export-oriented businesses has increased substantially because of the growing strength of the local private sector. In horticulture, seven of the 10 export operations are joint ventures or are solely owned by Gambians. Also, nearly all fish processing facilities are owned and operated by the private sector. Three tourist hotels that were originally built by foreign investors for the Government are now wholly or partially owned by private interests.

Former state-owned enterprises that have been successfully taken over by the private sector include an insurance company, a tourist hotel, and a sawmill and lumber company. The private sector has expressed interest in opportunities expected to be created by the full privatization of the Gambia Produce Marketing Board.

A number of private sector business organizations are positioning themselves to contribute to development. These include the Gambia Chamber of Commerce and Industry (GCCI), the Gambia Women's Finance Association (GWFA), and the Association of Gambian Entrepreneurs (AGE).

5. INVESTMENT CLIMATE

The overall business and investment climate in The Gambia offers investors a range of attractive features. Future growth may be impeded by constraints such as basic infrastructure deficiencies, an undeveloped financial sector, shallow capital markets, limitations in the skills level of the human resource base, and some administrative inefficiencies in the Government.

5.1 Recent Investment Performance

There are no aggregate measures of investment profitability or performance for The Gambia, but the recent increase in foreign investment, particularly in the tourism sector, is an indicator that private investments are performing well, with most businesspersons optimistic about the future.

5.2 Experience of Private Investors to Date

Direct foreign private investment comes principally from European and Asian sources, and it focuses on a few sectors. Other than hotels, banks, and a few capital-intensive fishing and farming enterprises, most foreign investments have tended to involve amounts of less than $1 million, reflecting in part the small size of the local economy, and in part, a need to minimize overall risk. Despite their relatively small size, foreign investments generally involve substantial equity participation reflecting the high level of involvement by foreign investors in both short-term operating and long-term management decisions.

5.3 Investment Outlook

Positive Aspects of Investment Climate
The investment outlook will continue to be shaped by a wide range of positive features, including:

- Continued political stability, which will provide a predictable environment for conducting business;
- An open, market-based economy, with a fully liberalized foreign exchange regime, few import restrictions, no price controls, and a broadly stable currency;
- A liberal investment policy that permits the free flow of capital into and out of the country, including the right of full repatriation of profits, with no restrictions on foreign equity participation;

- Production and operating cost advantages compared to The Gambia's francophone neighbors;
- Strong support from the international financial and donor community, which has consistently rewarded the Government for its fiscal and monetary discipline and for its unwavering implementation of structural adjustment reforms with continued high levels of assistance;
- A strategic geographical location, which has made Banjul an important transit trade and re-export center;
- A liberal trade regime, with policies in areas such as exchange rate controls, import tariffs and quotas, and export requirements, that are very favorable to investors;
- An excellent telecommunications system that provides first-rate international and internal connections;
- An English-speaking population in business and government; and
- A comfortable working and living environment for expatriate families.

Business Problems and Constraints
While the overall investment climate is quite positive—particularly in comparison to other countries in the region—the Government recognizes that there are a number of significant problems and constraints that must be overcome to improve investment potential and promote business growth. These include:

- Some remaining deficiencies in basic infrastructure, for example, potential water shortages and transportation problems;
- Shallow capital markets, limited competition in the commercial banking sector, and underdevelopment of non-bank financial institutions;
- A shortage of skilled labor to fill technical and managerial positions;
- The small size and limited buying power of the domestic market; and
- Administrative bottlenecks and bureaucratic delays.

The World Bank, the African Development Bank, and USAID are working to eliminate or reduce some of these problems. For instance, reduction of bureaucratic and other delays in the processing of investment applications is the focus of a major USAID project to strengthen the National Investment Board and promote growth of productive private enterprises. Other programs are operating to deepen the financial sector and provide a framework for development of appropriate non-bank financial institutions. These include strengthening bank supervision and regulation and improving the legal framework for debt recovery.

5.4 Regional and International Economic Affiliations

Because it is not a member of the West African Monetary Union (the CFA franc zone), The Gambia provides significant cost advantages, including labor costs, to dollar-based companies. This is because the CFA franc, to which the currencies of most of its neighboring countries are tied, is significantly overvalued. The Gambia is a member of the Economic Community of West African States (ECOWAS), the General Agreement on Tariffs and Trade (GATT), and the Lomé Convention.

As a signatory to the Lomé Convention, The Gambia has a highly favorable trade relationship with the European Community, in that all products whose raw materials are sourced in The Gambia, and all processed or manufactured goods from The Gambia which meet the Convention's definition of origination, are allowed to enter the EC duty-free.

6. Regulation of Foreign Investment

Under the revised Development Act, the Government encourages foreign investment and provides attractive incentives including tax breaks, credits, and investment allowances for projects that meet national development goals.

6.1 Government Policy

Foreign investment is actively encouraged, and the country's investment regulations contain a range of incentives especially in sectors considered strategically important to the overall development of the Gambian economy.

The Development Act of 1988 defines these priority areas for economic development. The various related incentives and tax concessions for foreign investors are provided within the framework of this Act.

Generally, a well-conceived business venture that supports national development goals should encounter few obstacles to being approved or receiving incentive tax credits. There is no stated preference, moreover, for "prestige" projects or large-scale units with high employment thresholds and minimum investment authorizations.

6.2 Incentives for Investors

Under the Development Act, investments in commercial agriculture, horticulture, commercial fishing, livestock husbandry, mining, and tourism qualify as development projects, and are therefore eligible for a number of attractive incentives and tax breaks for foreign investors. Eligible investment projects are also required to support national development goals such as maximizing exports and using local inputs. The Development Act of 1988 grants:

- Tax holidays of up to 2 years on corporate profits;
- Tax holidays on dividends;
- The duty-free entry of capital goods and inputs; and
- The free repatriation of capital and dividends.

In general, certification as a *bona fide* development project and related tax holidays is awarded to businesses by the Ministry of Economic Planning and Industrial Development. Tax concessions vary according to the degree to which a business satisfies national development goals.

As part of their operations, companies that provide training in management or other skills with an approved institution can receive an income tax offset of 200 percent of the cost of training, including the wages and salaries of the staff attending the course. Where the training is provided in-house and the course is approved by the Directorate of Vocational Training and the Department of Labor, tax relief is provided for 200 percent of the cost of the training, including the salaries of the trainers, and including preparation time of up to 20 percent of the total cost. Expatriate personnel involved in training efforts are exempted from the payroll tax when their employment stipulates that they will be replaced by the Gambians they are training.

For investment projects that provide new or improved infrastructure in areas where existing roads, and so forth are inadequate, a capital allowance of 200 percent of the normal rate is provided. This concession is only available, however, if the improvements or additions are also available for use by other businesses.

For investment projects utilizing local inputs, tax credit certificates are offered amounting to 10 percent of the value of these inputs. This includes the cost of the employment of Gambian nationals, the cost of raw materials and intermediate inputs sourced locally, the cost of services sourced locally, pre-tax profit accruing to local equity holders, and interest on dalasi loans. This concession is available in each of the first five years of production and in a brand-new operation's capital and construction phase.

Gambian tax credit certificates can be used in settlement or partial settlement of income-tax liabilities or in settlement or partial settlement of customs duties. During the first period for which a tax credit certificate is provided, customs duties are deferred until the amount of credit has been determined. Thereafter, duties may be paid based on the level of the previous period's tax credit. Tax credit certificates are transferable.

In addition to the concessions available through the Gambian tax system, an investment project designated as a "priority" investment (as determined by Government policy) is also eligible for non-fiscal benefits in the following areas:

- Preferential treatment in the allocation of leases for land for project sites;
- Preferential access to advisory services available from government institutions and non-government organizations;
- Support in obtaining permits to employ foreign personnel;
- Support in gaining access to domestic material resources and services; and
- Support in obtaining licenses and permits where needed.

6.3 Limitations on Foreign Investment

The Government does not formally limit foreign investment. There are no limitations on capital repatriation, no requirements for local management, and no restrictions on royalty payments or on compensation for the use of technology.

6.4 Acquiring Real Estate

Arable land may be purchased directly from its owners with government approval, which is generally the neighboring township. Land used strictly for industry and manufacturing is likewise available, both on government-sponsored industrial estates (such as Kanifing, located near Serrekunda, approximately midway between the port and the airport of Banjul) and along the Gambia River. This land is leased directly from the Government through the Ministry of Local Government and Lands for periods of up to ninety-nine years. Leases are easily renewed.

6.5 Establishing a Business

Gambian company law, contained in the Companies Act of 1955, follows closely the U.K. Companies Act of 1948. For any company registered under this Act as a limited liability company, the liability of its members is limited to the amount unpaid on their shares. The Act governs the formation of companies, share capital, liquidations and receiverships, the responsibilities of officers and directors, accounts, and management and administration. The Act also has provisions concerning branches of companies incorporated outside The Gambia.

Types of Business
A wide range of organizational and legal formats are available to the foreign investor, including sole proprietorships, partnerships, cooperatives, statutory bodies, limited liability companies, and state-sponsored corporations. The most popular one for foreign investors is the limited liability company (public or private).

In practice, there is little difference between a public and a private limited company in The Gambia. The former must have at least seven members (but six can be nominees of a parent company), and the latter must have at least two. By their articles, private companies are restricted in their right to transfer their shares. The number of shareholders in a privately-held company is limited to 50 (excluding employees), and any invitation to the public to subscribe to shares or debentures is prohibited.

Necessary Paperwork
To incorporate a company, the following documents must be filed with the Registrar General:

(1) A memorandum of association, which includes the company's name, its objectives, authorized share capital, and a statement that the liability of the members is limited.

(2) Articles of association, which regulate the internal affairs of a company.

Both of these documents must be signed by the subscribers.

Before completing incorporation formalities and issuing the company's first business registration certificate, the Registrar General requires immigration clearance for resident expatriate shareholders and seeks evidence through the National Investment Board (NIB) that a foreign investment is supported by adequate finance.

Other Requirements
Each company must have at least one director or, in the case of public companies, two directors. (Nothing in the statutes requires either Gambian directors or shareholders.) Each must appoint a secretary and establish a standard system of accounts, including money received and disbursed, sales and purchases of goods, and assets and liabilities. Accounts are filed annually with the Registrar of Companies, are attached to the annual return, and are open to inspection by the public.

Investors generally must submit to two approval processes before establishing new ventures: 1) application for tax concessions and other fiscal and non-fiscal incentives granted under the Development Act, in the form of a development certificate; and 2) applications to meet normal business development requirements, such as operating licenses, building permits, legal formalities for access to land, commercial registrations, and work permits for expatriate professionals.

Potential Stumbling Blocks
As in other countries of the developing world, private investors unfamiliar with existing conditions may complain of excessive local bureaucratic inefficiencies and cumbersome approval processes. Private investors may find the applications process for tax concessions granted under The Development Act to be frustratingly slow.

6.6 Local Content Requirements

There are no local content requirements, though development certificates and related fiscal and nonfiscal benefits and concessions are granted to operations that utilize locally produced inputs.

6.7 Regulation of Competition

There are no significant impediments to competition remaining. Interest rates and prices throughout the economy are market-determined. Licensing requirements in the fisheries, tourism, and financial sectors, although technically barriers to entry, are not meant as protectionist measures, but rather, as a vehicle for protecting the natural resource base and applying minimum standards to strategic sectors of the economy. The Gambia has one of the most open, nonprotectionist market economies in all of Africa.

6.8 Investment Protection

Individual human rights, as well as protection against non-commercial risks such as nationalization, are guaranteed by the Gambian constitution. The Gambia also provides full access to its court system (which is based on the British model) to foreign investors and expatriate residents to seek redress for alleged violation of property rights.

The Gambia is a member of the International Center for Investment Disputes (ICSID), established under the auspices of the World Bank, which provides a forum for conciliation and the arbitration of investment disputes between states and foreign investors. In addition, the Government has an Arbitration Act that is essentially an old U.K. law allowing parties to submit disputes to arbitration. The procedures are governed by the Supreme Court, which can appoint an arbitrator (if the parties fail to agree on a choice) and enforce an arbitral award. Other international arbitral awards, such as those granted under the International Chamber of Commerce Rules, will be enforced in local courts under common law principles.

6.9 Legal and Regulatory Implications for American Investors

- Gambian investment regulations provide a range of attractive tax concessions and other incentives to foreign investors.
- National development goals are sufficiently broad so as to provide wide investment opportunities.
- Although Gambian law guarantees impartial treatment for both foreign- and domestically-owned enterprises, a local partner that knows the bureaucracy can be useful in gaining approval for an investment.

7. Commercial Regulation: Other Critical Issues

The Gambian currency has been allowed to float freely against other currencies since 1986, and has remained relatively stable against the dollar since then. In the realm of remittances of in-country earnings abroad and other aspects of foreign exchange dealings, The Gambia has one of the most liberal regimes in West Africa.

7.1 Exchange Rate Policy

The Gambia has a fluctuating exchange rate system, with rates determined on a weekly basis by the Central Bank, commercial banks, and the country's foreign exchange bureaus. Foreign exchange is readily available from commercial banks, allowing investors to remit funds and transfer them out of the country without approval of the Central Bank. Commercial banks, which have been appointed as authorized foreign exchange dealers, are free to conduct transactions, both among themselves and with corporate customers, at an exchange rate agreed upon by the parties to the transactions. The Central Bank conducts a fixing session on the last working day of each week, with the participation of the commercial banks. The exchange rate for customs valuation purposes during the following week is set separately in relation to the interbank market rate. There are no taxes or subsidies on purchases or sales of foreign exchange.

Exchange control policy is determined by the Ministry of Finance and Economic Affairs and is administered daily by the Central Bank of The Gambia's Exchange Control Department.

7.2 Currency Outlook

Historical Average Exchange Rate
(D/$)

1987	1988	1989	1990	1991	1992
7.07	6.71	7.58	7.88	8.80	10.00 (est)

Source: International Financial Statistics, IMF, 1992

The national currency, the dalasi, has floated freely against other major foreign currencies since January 1986. Since early 1990, it has remained broadly stable, fluctuating within a narrow range. It is expected to remain relatively stable against the dollar for the foreseeable future.

7.3 Trade and Payments System

Authorized dealers are free to make payments for all imports upon producing documentation issued by the Customs and Excise Department. Advance payment for imports may be made freely when authorized dealers are satisfied as to the *bona fide* nature of the transaction. Dealers are required to report payments they have authorized to the Exchange Control Department of the Central Bank for statistical purposes.

Export proceeds must be received through a commercial bank within six months from the date of export in a convertible foreign currency and sold to commercial banks or through transfers from a designated external account.

7.4 Licensing Requirements

The import of certain goods is prohibited from all sources for social, health, or security reasons. All other imports are freely permitted under open general licenses.

The export of forestry products is subject to prior authorization by the Forestry Department. The export of all other goods can generally be made without individual licenses, if settlement is made in accordance with procedures laid down by the Central Bank.

7.5 Invisibles

Payments to non-residents for current transactions are not restricted, provided that commercial banks are satisfied that the payment is due. Commercial banks may sell foreign exchange for travel purposes and for making interest and profit remittances without prior approval. Visitors to The Gambia do not have to declare foreign currency in their possession.

There is no restriction on the import of foreign currency notes, but importing Gambian currency notes is prohibited.

7.6 Capital Transactions

Capital transfers for direct equity investment are not restricted, but should be reported to the Exchange Control Department of the Central Bank. Prior approval by the Central Bank is required in order for residents to accept loans in foreign currency from any source. Such applications are considered on their own merits and with consideration for the benefits likely to accrue to the economy.

Overdraft facilities may be provided by commercial banks to members of diplomatic and international missions in The Gambia up to reasonable amounts. Loans and advances by the commercial banks to nonresident companies are subject to the authorization of the Central Bank. Foreign exchange working balances held by the commercial banks are subject to limits set by the Central Bank; amounts held in excess of these limits must be sold in the interbank market or offered to the Central Bank. These limits must be observed on a daily basis, and the amount held must be reported weekly to the Central Bank.

There are no restrictions on profit remittances or on payments for current and capital international transactions.

7.7 Employment of Expatriates

The Gambia pursues a liberal policy concerning the employment of foreigners for managerial and technical assignments. Depending on the requirements of the company, as judged by the Allocation Committee, an enterprise is allotted an expatriate quota for specific posts for a stipulated period. The authorization is extendable beyond the initial period when a company has been unable to train or recruit a Gambian to fill a position held by an expatriate.

When permission has been secured to employ an expatriate, a residence permit should be obtained from the Immigration Office, Ministry of the Interior.

Immediate family members are covered by the entry permit of the employed expatriate, but they are not permitted to undertake employment without prior permission. However, the employment of foreign personnel for a shorter duration (approximately three months) is permitted on the basis of a "temporary quota" granted by the Principal Immigration Officer. This procedure is adopted in the case of specialists required to install machinery or equipment.

7.8 Price Controls

Except for the Government setting the pump price of petroleum products and participating in the setting of the GPMB's purchase prices for groundnuts and cotton, all prices in The Gambia are market-determined.

8. INFRASTRUCTURE

The condition of much of the infrastructure is probably the most significant constraint to doing business in The Gambia. With the notable exception of the telecommunications system (which is first-rate), basic services are in need of improvement. Roads outside the capital are generally unpaved and in bad condition, electric power cuts occur, the airport is in need of serious upgrading, and the water supply is unreliable. On the positive side, the Government is utilizing foreign donor resources in a sustained program to improve infrastructure and delivery of basic services.

8.1 Transport

Port Facilities
The Banjul port is managed by the Gambia Ports Authority (GPA) under a performance contract with the Government. The port has two wharves, with the capacity to service boats up to 600 feet long. Although the facilities require maintenance, they are fairly efficient, except for congestion in June caused by a combination of groundnut exports and the normal upsurge in imports that precedes the rainy season. Adequate container equipment is available, but there are no arrangements for roll-on/roll-off (ro-ro) vessels or cargo.

In mid-1992, GPA announced an infrastructural expansion program for the port facilities, worth $28 million, designed to increase their handling capacities from four to seven ships. This reportedly includes the building of a new container freight station, as well as a container storage area.

Air Transport
The international airport, located approximately 22 miles from the capital of Banjul, has very good runways and can accommodate large commercial passenger and cargo planes. It is operated by Air Gambia, which is 60 percent owned by the Government.

Air passenger transport, particularly during the low tourist season (May–October) is limited, with only two to three direct scheduled flights to and from Europe per week. Connecting flights to Europe and the United States are available through Dakar. During the tourist season there are frequent charter flights from northern Europe. Regular air cargo service has until recently been limited to space available on passenger flights. However, private horticulture and floriculture producers are now organizing dedicated charter flights to improve the flow of exportables to target markets in Europe.

The airport is being upgraded under a $2 million program funded by the African Development Bank.

River Transport
River transport, once a key feature of The Gambia's historical pattern of trade with other West African states, has shown a steady downward trend over the past several years Traffic on the river today is moribund, despite the fact that the transport of bulk materials by river boat is still considered to be more efficient and cost-effective than transport by truck. Opportunities thus exist for private investment to revitalize river transport, particularly in conjunction with full privatization and liberalization of the groundnut industry, which has historically constituted the bulk (up to 100,000 tons per annum) of river cargo.

No large passenger or freight vessels operate scheduled river service. There is ferry transport of cars and trucks at five locations along the river.

Railroads
There are no railways in The Gambia.

Roads
Two well-surfaced highways extend into Senegal but only 280 out of 1,860 miles of the Gambian national road system are paved.

Most roads in Banjul proper are recently paved. Road conditions are fair between the port in Banjul, the industrial park in Kanifing, the hotel sector in Kotu, and the airport at Yundum. There is also a good road running along the south side of the Gambia River from Banjul to Basse Santa Su at the eastern end of the country. Generally, however, roads to the interior are rudimentary, but passable. There are no paved roads on the northern side of the Gambia River, other than the main commuter/trade link between Banjul and Dakar, though the aim of the Government is eventually to upgrade these roads as well.

Feasibility studies are being funded by a number of donor agencies for road construction or improvement projects throughout the country.

8.2 Energy and Water Supplies

The Gambia Utilities Company (GUC) has five generators with an aggregate productive capacity of 22 megawatts of electricity—enough to provide a continuous supply to the greater Banjul area encompassing the capital, the industrial park, hotel resorts, urban localities, and the main commercial agricultural districts. Company operations have deteriorated considerably over the past several years. Load shedding and power interruptions are common, and businesses and residences are dependent on standby generators. Billing by the GUC is often delayed.

The Government has sought technical assistance from European and Japanese donors for equipment maintenance and financial management. Technical advisors are currently working to improve the billing system, and discussions are under way with a number of European firms for a private lease arrangement for the GUC's management.

The water supply and distribution system is in a similar state of disrepair. An inadequate supply from the central sources has forced many service sector businesses to overuse borehole wells and businesses often install standby generators and water tanks to ensure adequate supplies.

The World Bank, the African Development Bank, the Islamic Development Bank, and the European Investment Bank are involved in multifaceted, long-term projects to rehabilitate generating stations, extend the power network, increase water supplies, and establish a prudent water management program.

A seismic survey of the western part of The Gambia conducted by Petro Canada in 1991 demonstrated no indication of petroleum reserves.

8.3 Communications

The state-owned monopoly, GAMTEL, provides excellent international telecommunications services from Banjul, including telex and facsimile transmission. A major installation of new equipment was completed with assistance from France in 1988. Also, the installation of a new UHF radio telephone network has greatly improved telecommunications within the country, and the number of telephones in service in The Gambia has expanded accordingly.

8.4 Private Business Services

Major American accounting firms are represented through local associated firms in The Gambia. Legal services are quite good and have a firm grasp of Western, and especially British, contract law. Other important business support services, however, such as market profiles, technology information services, labor relations, and financial management and planning are difficult to obtain in the formal business community. In addition, there is no functioning central information or documentation center where investors or local importers can obtain foreign trade and technology information.

The Gambia does not have an extensive mail delivery or collection system. Businesses hire a mailbox or private mailbag at a post office and collect their mail each morning. Similarly, outgoing mail should be taken to a post office for onward transmission. Most offices employ a messenger for this purpose and to deliver local post by hand.

9. Foreign Trade and Balance of Payments

Though The Gambia's trade deficit has increased significantly in the past few years, large infusions of foreign aid, averaging $70 million annually, have resulted in a sizable current account surplus.

9.1 Summary of Major Indicators

Exports, Imports, and Trade Balance
($ million)

	1989	1990	1991
Exports (f.o.b.)	120	142	147
Imports (f.o.b.)	159	189	197
Merchandise Trade Deficit	39	47	50

Source: IMF

9.2 Recent Performance

The Gambia's merchandise trade deficit has increased significantly in recent years, rising from $71.7 million in 1986 to $135 million in 1990. Large infusions of foreign aid, however, and other official transfers have resulted in a sizable current account surplus. In 1988, the surplus reached over $26 million. By 1989, however, it had dropped to $15 million. Excluding official transfers, the current account for 1989 showed a deficit of $3.2 million. Since 1985, The Gambia has built up its foreign-exchange reserves to over $42 million, again largely as a result of large infusions of foreign aid.

9.3 Exports

International commodity prices and the size of the annual groundnut crop are key to The Gambia's export earnings. Groundnuts and processed groundnut products account for over 80 percent of the country's total export earnings. The greater part of the balance consists of fish and processed fish products. Although the absolute volume of groundnut and fish exports declined between 1985 and 1989, the total value of exports increased, largely as a result of strong world market prices. Meanwhile, the horticulture industry, introduced in The Gambia in 1985, currently accounts for approximately 5 percent of total exports.

The main source of improvement in exports in recent years is to be found in the country's re-export trade. Re-exports (particularly of rice, flour, sugar, tobacco, tea, textiles and

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garments) account for up to two-thirds of total Gambian exports, with about 40 percent of imports finding their way across the border to Senegal. The powerful vested interests involved in the re-export trade on both sides of the border are thought to be partly responsible for the slowness of the development of a customs and economic union under the now defunct Senegambia Confederation. Meanwhile, new tax cuts on essential consumer imports are expected to benefit further the re-export trade in the year ahead. A 10 percent transshipment charge has been imposed on goods for re-export, but the exemption from local duties and sales tax has been maintained.

9.4 Imports

Total imports increased from approximately $105 million in 1985 to $170 million in 1989. A substantial share of these imports (about 40 percent) is used to support The Gambia's re-export trade. Many imports, therefore, find their way across the border to Senegal.

Food remains The Gambia's largest import item, accounting for 36.7 percent of the total in 1988-89, followed by manufactures and machinery and transportation equipment, each representing approximately 20 percent of total imports.

9.5 Direction of Trade

Most of The Gambia's imports come from Western Europe, with the U.K. supplying the largest share. Other important import suppliers include West Germany, France, and China.

Nine-tenths of The Gambia's non-entrepôt exports flow to Japan and Europe. Export trade with the U.S. is undeveloped and accounts for only one percent.

This pattern of both imports and exports has been relatively consistent over the past 6 years.

10. External Debt and Aid

All of The Gambia's debt arrears have been eliminated, but the Government's economic program remains highly dependent on financial support from foreign aid donors. A strong consensus exists among donors about the need to sustain and consolidate the market-oriented liberalization policies implemented under the ERP through continued, substantial assistance levels.

10.1 External Debt

The Gambia has a sizable foreign debt. In 1990, its total outstanding debt amounted to $352 million. Eighty-six percent of this debt, however, is composed of concessional lending, with low interest rates, long maturities, and favorable grace periods. Meanwhile, the country's debt service ratio has declined significantly in recent years, from 50 percent in 1987 to 22 percent in 1989. It rose in 1990, however to 26 percent, and fell again to 15 percent in 1991.

By mid-1990, all of The Gambia's debt arrears had been eliminated. Foreign exchange reserves amounted to almost 5 months of imports at the end of June 1992, and the dalasi has become relatively stable. The country has net positive foreign assets since 1990.

Paris Club
On the basis of commitments at the end of 1989 and after relief of $25 million accorded by the Paris Club of official creditors for the twelve months from September 1986, the servicing of public and publicly guaranteed debt is projected at $19 to 28 million per year during 1989–92.

London Club
In January 1988, the London Club of creditors signed a $19.5 million refinancing agreement with The Gambia covering the period from the signing date to December 1995. The debt—originally contracted in the late 1970s and early 1980s—is mainly short-term, although some medium-term funds are also involved.

10.2 Foreign Aid and Adjustment Programs

The Government's economic program is highly dependent on continued financial support from foreign aid donors. Donor support has been critical in enabling The Gambia to realize positive economic results from the ERP. Financing requirements for the three most recent fiscal years (from 1988–89 to 1990–91) of the program were estimated at $258.6 million, of which $168.8 million came from bilateral and multilateral project grant and loan commitments.

Some of this financing was provided under the IMF's first Enhanced Structural Adjustment Facility (ESAF) of $26.7 million. An additional $31.5 million was provided by the second ESAF, including co-financing from the African Development Bank. Moreover, $7.4 million was provided under the Special Program for Debt Distressed Low-Income Countries in Sub-Saharan Africa (SPA). Finally, under Lomé IV, The Gambia was to receive D189 million in grants and a further D36 million in risk capital and soft loans, compared with total allocations under Lomé I, II, and III of D102 million, D126 million, and D198 million, respectively.

Relations among the various bilateral and multilateral donors and development agencies operating in The Gambia are characterized by a high level of consultation and cooperation. The effective coordination of technical, material, and financial resources has been a critical element in the successful implementation of the ERP. A strong consensus exists, particularly regarding the need to sustain and consolidate the market-oriented liberalization policies implemented under the ERP. A Policy Framework Paper (PFP) is produced annually by the Gambian government, in consultation with the IMF and World Bank, and the document serves as a basis for coordinating various donor activities in a commonly shared framework.

This commonality of donor viewpoints has been reflected in the observance of broad World Bank and IMF-led conditionality, focusing on private sector solutions, administrative improvements specifically geared to investors, and continued technical assistance to strengthen government management in key areas. Along these lines, The Gambian government and the IMF have agreed on a set of economic management policies as conditions for continued support. Notably, the Government:

- Will continue to reduce the fiscal deficit, restrain the growth of domestic credit, and abstain from borrowing externally and guaranteeing external debt;
- Will appropriate funds to retire the debts of state-owned enterprises in preparation for the private sale of these companies; and
- Will not direct credit to specific sectors of the economy or subsidize borrowers through the use of below-market interest rates.

In 1991–92, The Gambia realized successful completion of its Enhanced Structural Adjustment Facility (ESAF) arrangements with the IMF. Both the IMF and World Bank have commended the Gambian government on its discipline in implementing the structural adjustment program. This has, in turn, secured the continuation of donor confidence in the country's future progress.

10.3 Implications for American Investors

- The Gambia's external debt is relatively large, but it remains manageable because of its concessionary nature.
- Foreign exchange shocks are unlikely, particularly given The Gambia's strong donor support.

11. LABOR

The Gambia has a large pool of low-cost, unskilled labor. However, there is a shortage of trained, skilled personnel for private sector employment. The Gambia has a liberal policy concerning the employment of expatriates for managerial and technical assignments.

11.1 Structure of Labor Market

The public sector provides about 45 percent of total formal sector employment. However, due to the restructuring of the economy under the ERP, growth in formal sector employment has been concentrated in the private sector. Formal employment in every major industry with the exception of construction has at least doubled since 1985. Private-sector earnings were estimated to have risen by 38.7 percent in the year to June 1990. The largest formal employers are the distributive trades, hotels and restaurants (largely in the tourist industry), community and social services, and manufacturing.

11.2 Labor Supply and Wages

Unskilled labor is in large supply and inexpensive. Some 40 percent of the population is of working age but the national literacy rate is low—approximately 27 percent.

Although the Government has sharply increased expenditures on education in the past several years, recent studies have identified the lack of qualified personnel as an important constraint to private sector development. Public sector employment has traditionally been the employment of choice in The Gambia, leaving a dearth of qualified persons with experience and skills in managing private enterprises. There is an urgent need for qualified and competent managerial, professional, and technical personnel.

The Gambia has a high level of unemployment—approximately 30 percent—particularly among unskilled and semiskilled workers. Since so many workers are unskilled, underemployment *per se* is not a critical issue, but the generally poor job market means that many workers take whatever employment they can, irrespective of their training.

The minimum daily wage is very low, about D12 (slightly more than $1.00 a day). Skilled workers such as carpenters, plumbers, and experienced foremen earn between D18 and D30 per day. Informal sector activities currently generate between D8 and D35 per day, with unskilled laborers representing the lower end of the wage scale and traders the higher end.

11.3 Incomes Policy and Labor Practices

Labor legislation protects the rights and welfare of workers. There is a minimum wage (see above), and this policy was recently reviewed with respect to cost-of-living increases. The length of the workweek and workday is controlled, with annual leave and hiring and termination procedures specified at the moment of hire. A compulsory national pension plan (a type of social security) is in place and amounts to 19 percent of each employee's annual salary.

Laws do permit piecework pay after or on top of the minimum wage.

Under the current labor code (the Labor Administration Act, which governs wage rates in both the public and private sectors), pay may only be correlated with output above and beyond the minimum wage (piecework). Remuneration systems tied to levels above legally mandated minimums have been found to have a positive effect on productivity.

Normally, employers will pay their employees' medical costs and transport costs, either in the form of an allowance or by reimbursement. It is also common for employers to make loans available to employees, especially to finance housing construction.

11.4 Labor Unions

Labor and trade unions exist, but are not very active. Most laborers by and large are not unionized. There are labor unions for all economic sectors, but the most active are among dock workers and in the transport sector. The unions are coordinated by the Gambia Workers' Confederation, which was formed in 1985. The Confederation is not militant, but is becoming increasingly active in negotiations on pay and employment conditions for its members.

12. Financial Sector

The Gambia's financial sector is underdeveloped, comprising four commercial banks and a handful of private foreign exchange bureaus. Non-bank financial institutions have yet to develop to address the medium- to long-term credit needs of most productive sector enterprises. The country's two principal commercial banks engage almost exclusively in foreign exchange transactions, trade finance, and in highly profitable short-term lending to the Government. The Governments's interest rate policy is that all rates shall be market–determined. Credit ceilings for banks have been eliminated and there are no other credit controls.

12.1 Overview

The Gambia's formal financial sector is focused almost exclusively on providing credit and other services to institutions and individuals located in urban areas. The structure of this urban-oriented system is dominated by four private commercial banks and one relatively large non-bank financial institution, the parastatal Social Security and Housing Finance Corporation (SSHFC). (See Appendix B.) In addition, there are two very small non-bank financial institutions (the moribund General Post Office Savings Bank, or GPOSB, and a fledgling foreign-exchange bureau) and a small insurance sector (consisting of three private firms and a parastatal that is about to be offered to the public). Except for the GPOSB, the other nine institutions are served by three accounting firms resident in external audits. All these institutions composing the formal financial sector are regulated to varying degrees by the Central Bank of The Gambia.

The shallowness of the Gambian financial sector constitutes a major obstacle to private sector investment from domestic sources. An entrepreneur seeking capital for a startup or the expansion of an existing business will be unlikely to obtain it through the formal financial system. Virtually all of the liquidity in the financial sector resides in the country's three healthy commercial banks and the SSHFC, and none of these organizations is actively engaged in development or term lending at more than a token level.

These banks engage almost exclusively in foreign exchange transactions, and in highly profitable short-term lending to the Government (through the purchase of mostly short-term debentures), and to a small group of well-established commercial trade clients (through overdraft facilities and the financing of trade bills). The lack of competition in loan markets has led to persistently high lending spreads and very high real interest rates.

There are no building societies, no market for new issues of stock, no venture capital funds, no credit unions or non-agricultural cooperatives, no leasing organizations, and no private pension funds. Insurance companies have not developed sufficient excess reserves to be able to make long-term investments. There are no secondary markets for financial instruments, stock exchanges, or private placement services for capital investment.

Agriculture and the distributive trade are the largest users of bank credit in The Gambia. The distribution of commercial bank credit by activity has remained largely unchanged since the mid-1980s, though substantial growth has occurred in tourism and other categories (for example, consumer loans and advances). By and large, expansion in the use of credit by the private sector has been dampened by restrictive monetary policies under the ERP.

12.2 Banks

Effectively, Gambians are currently served by only four banks: the Standard Chartered Bank Gambia, Ltd. (SCB), Meridien Bank, Continent Bank, and the International Bank for Commerce and Industry (BICI), all locally incorporated, although with majority shareholding by overseas interests (except for Continent Bank). The second of these, Meridien, is a newly arrived member of the financial community, having bought up the former Gambia Commercial and Development Bank last year as part of the latter's privatization by the Gambian government.

Commercial bank profitability is high by international standards, but this is balanced by a relatively small base, reflecting the size of the Gambian economy. The traditional commercial banking practices of the banks reflect their history, which emphasizes working capital and overdraft financing, rather than development or project financing.

Commercial Banks Loans/Advances, by Major Economic Sectors
(D'000)

Sectors	March 1991	December 1991	March 1992
Agriculture	21,264	22,301	26,590
Fishing	23,422	22,892	23,280
Building and Construction	15,603	9,617	12,346
Transportation	5,756	4,604	2,596
Distributive Trade	70,255	112,472	112,633
Tourism	40,047	41,356	43,951
Personal Loans	40,569	51,362	47,324
All Other	48,490	46,129	44,307
Total	**265,406**	**310,733**	**313,027**

Source: Central Bank of The Gambia

The regulation and supervision of the banking system is the responsibility of the Central Bank of The Gambia, a role it undertakes through its Banking Supervision Department. As The Central Bank Act of 1971 broadly defines the Central Bank's authority to prescribe interest rates, aggregate credit ceilings, exposure limits to borrowers, maximum loan maturities, and security requirements. In addition, the Act establishes the Central Bank's general authority to set bank financial reporting, cash reserves, and liquidity ratio requirements. In the last year, the Central Bank Act and the country's Financial Institutions Act have been substantially revised in order to strengthen bank supervision and regulation.

The commercial banking system, while sound and profitable, is not entrepreneurial and provides few long-term resources to fund investments. With only four banks (and one of these in litigation with the Central Bank), competition is slight, and the quality of service is poor. The lack of financial outlets for long-term contractual savers blocks investments by these savers in agriculture and industry. In sum, The Gambia's financial system now plays a limited role in intermediating maturities and risks, as well as in the intersectoral mediation of funds.

Inadequate competition in the banking system, especially in lending and related retail services, is demonstrated by the abnormally high profitability of the commercial banks and very high interest rate spreads. High real interest rates in turn deprive otherwise viable projects of debt financing, and generally depress economic activity in all sectors.

Range of Interest Rates for Gambian Commercial Banks
(% per annum, end of period)

	March 1991	September 1991	March 1992
Lending Rates			
Agriculture (crop finance)	22.0 - 26.5	22.0 - 26.5	22.0 - 26.5
Manufacturing	22.0 - 26.5	22.0 - 26.5	22.0 - 26.5
Building	20.0 - 26.5	20.0 - 26.5	20.0 - 26.5
Trading	22.5 - 29.0	22.5 - 29.0	22.5 - 30.0
Deposit Rates			
Short-term deposit	9.5 - 12.5	9.5 - 12.5	9.5 - 12.5
Savings bank	12.5	12.5	12.5
Time deposits			
6-month	12.5 - 13.5	12.5 - 13.5	12.5 - 13.5
12-month and over	13.5 - 15.5	13.5 - 15.5	13.5 - 15.5

Source: Central Bank of The Gambia

One important macroeconomic effect of the dearth of competition in the financial sector is the existing commercial banks' lack of interest in encouraging new deposit-taking. This has two results: (1) it constrains the development of a banking "culture" among a wider circle of Gambians who lack access to banking facilities (lack of access here can mean physical distance from bank branches, as well as implicit and explicit signals that customers are not welcome); and (2) it fails to mobilize new and as-yet untapped sources of national savings needed for productive investment when the current and unusually high levels of liquidity are gone.

Nevertheless, more and more Gambians are keeping their disposable income in deposit accounts. This is evidenced by the fact that, although the country's money supply grew rapidly in the 1985–90 period (24 percent a year), the proportion of the money supply accounted for by notes and coins fell dramatically, from 89 percent to 54 percent.

12.3 Non-Bank Financial Institutions

Other than the SSHFC, the GPOSB, and a fledgling foreign exchange bureau, The Gambia has no formal non-bank deposit-taking or lending non-bank financial institutions. Consequently, small businesses and entrepreneurs that are not sufficiently collateralized must rely on equity capital or borrowing through informal loan markets (usually at very high interest rates) for working capital.

12.4 Institutional Investors

There are no effective institutional investors in The Gambia.

12.5 Capital/Equity Markets

Capital markets are largely undeveloped in The Gambia.

Formal equity markets have yet to appear. Impediments to the formation of equity markets include a lack of legal and regulatory structure, low levels of public awareness and acceptance of trading opportunities, procedural and tax disincentives, a reluctance on the part of joint stock companies to support the organized trading of shares, and generally poor experience with the handling of stock issues to date.

No stock trading companies or exchanges exist. Those individuals who have expressed interest in starting trading companies have not received encouragement from the Government or from the companies that have issued stock to the public.

12.6 Other Aspects of Government Regulation

Credit ceilings for banks were eliminated in 1991. Except for the minimum rate on three-month time deposits, which is set five percentage points below the treasury bill rate, all other deposit and lending rates are market-determined. The treasury bill rate is determined at bi-weekly auctions.

12.7 Implications for American Investors

- The shallowness of the financial sector in The Gambia is an important constraint to private-sector investment. An investor seeking capital for a start-up or expansion project should count on obtaining it overseas.
- The commercial banking system provides few long-term resources to fund investments. With only three banks, competition is slight, and the quality of service is poor.
- The lack of competition in loan markets has led to persistently high lending spreads and very high real interest rates. Restrictive monetary policies have further increased the cost of borrowing for investors.

13. Public Finance

Ample foreign aid and prudent fiscal policies have produced a clear improvement in the Government's overall financial position in recent years, reducing the need for public sector borrowing. Recent budgets reflect in part the Government's policy under economic reform of shifting responsibility for public services onto the private sector.

13.1 Overview of the Fiscal Situation

In the past few years, the Government has been able to point to a clear improvement in its overall financial position, reducing the need for domestic borrowing. This is attributable partly to the inflow of external grants and partly to the strict limits set by the Central Bank of The Gambia on domestic credit. According to figures of the IMF, total domestic credit has fallen steadily since 1985. According to the Central Bank of The Gambia, total domestic credit fell over 70 percent between March 1991 and March 1992; from D48.29 million to D14.01 million. During this same period, bank advances to the private sector have increased gradually. In the period between March 1991 and March 1992, the banking system's total claims on the Gambian private sector rose from D265.8 million to D311 million (Central Bank of The Gambia figures).

The budget deficit was once again reduced in 1990-91 as part of the Government's continued program of prudent monetary and fiscal policy. The projected deficit (excluding foreign grants) for 1991–92 was 4 percent of GDP, compared with 10.7 percent of GDP in 1989–90. The reduction of the deficit was achieved by a combination of strict control over recurrent expenditures and a continuing improvement in revenue collection. Expenditure on salaries and wages increased by only 10 percent during the 1990–91 fiscal year and, for the first time, no transfers or loans were made to parastatals. The 1991–92 budget aimed to reduce the overall fiscal deficit even further, limiting it to 2.8 percent of GDP.

13.2 Public Expenditures

The 1991-92 budget reflected the Government's policy of shifting responsibility for public services onto the private sector, wherever feasible. Total development expenditure for 1991–92 was set at D226 million ($26 million), representing a 17.4-percent increase over the 1990–91 approved total of D195 million. Spending on public utilities was cut significantly, from 26.7 percent to 7.8 percent of the development budget. There was no government expenditure on industry for that fiscal year. Transportation and communications, however, received a 10-percent increase in their budgetary allocations. Meanwhile, health spending was actually cut, from 8.8 percent to 5.1 percent, while education, representing 10.9 percent, was unchanged from the 1990–91 budget.

In presenting the 1992–93 budget late last year, The Gambia's finance minister noted, while maintaining the fiscal prudence of previous years, that the budgetary allocation for education was raised 22.1 percent—clear evidence of the Government's awareness of the need to improve the skills level among the majority of Gambians.

The Gambian Government is also aware that it needs to improve revenue collection. Revenues from personal and corporate taxes have declined by 10 percent in real terms since 1987, and the Government has announced measures to penalize nonpayers. Based on the results of a study carried out, the Government may also consider broadening the personal and corporate income tax base.

In addition, poor collection practices and past reluctance to raise fees when there has been a clear necessity to do so has caused collection of government-imposed service charges to fall by 53 percent since 1987. In the presentation of its 1992–93 budget, the Government announced its intention to improve the collection process for service fees and other sources of revenue, and to raise charges selectively, where necessary.

13.3 Government Revenues

The overall pattern of government finance has changed very little over the past ten years. Since the late 1970s, direct taxes have accounted for only about 10 percent of government revenue, indirect taxes (principally on imports and exports) for 45 percent, and official transfers (mainly aid funds) for about 40 percent. Most capital expenditure has been financed by external grants, loans, and other receipts, such as those under the EC Stabex scheme. Along these lines, under the 1992–93 budget, 63 percent of the projected D226 million ($24.1 million) in development spending is expected to come from external loans, 24 percent from grants, and only 13 percent from local sources.

With recent reforms in the tax system, government revenues are increasing, both absolutely and as a percent of GDP. Increased revenues, combined with increased donor resource flows, have led to significant investment in the rehabilitation of infrastructure that deteriorated badly during the late 1970s and early 1980s.

14. TAXATION

In the initial years of the Economic Reform Program, the Government committed itself to a rationalization of The Gambia's tax structure, to improve economic incentives and enhance efficiency and equity in the economy. Most tax rates have been reduced, and the Government continues its commitment to a pro-development tax policy. However, various features of the current tax code still contain disincentives for certain business activities, including the incorporation of local business enterprises, the retention and reinvestment of corporate earnings, and certain financial transactions.

14.1 Overview of Taxation Policy

The Gambia has both direct and indirect taxes. Direct taxes include an income tax, a capital gains tax, a national development levy, and a payroll tax. Indirect taxes include a national sales tax, customs and excise duties, and capital and stamp duties.

Generally, the Gambian tax system consists of:

- Import duties and other taxes on international trade;
- A sales tax on certain services, manufactured goods, and imports;
- Income taxes on companies and individuals, including a capital gains tax and development levy; and
- Other taxes on goods and services, including stamp duties.

Various features of the tax code taken together still create biases against foreign investment in The Gambia, the incorporation of local business enterprises, and the retention and reinvestment of corporate earnings, as well as certain financial transactions, such as the leasing of facilities and equipment, the buying and trading of shares, and the use of legal mortgages to secure loans. The code also contains biases in favor of the repatriation of profits to foreign investors, and the insurance of Gambian assets with foreign insurers.

Further, a number of taxes on financial transactions discourage equity investments and the growth of non-bank financial institutions without raising substantial revenues. Examples of the latter include the capital gains tax on the sale of securities (which, in some cases, can have an effective rate in excess of 100 percent), the stamp tax on legal and equitable mortgages, the sales tax on insurance premiums, the stamp tax on transfers of financial instruments, and the duty on industrial and commercial leases.

However, tax laws and their administration do not constitute a serious impediment to investors. There are few onerous taxes on company operations or capital transactions, and the tax system does not strongly favor debt over equity financing. While some fine-tuning of the laws might eventually help foster the expansion of the financial sector, the most pressing problems appear to be with the administration of existing tax laws.

Tax *policies* are typical of most African countries, and consist of four types:

(1) Income taxes levied by the Income Tax Department. In the case of corporate entities, these amount to 50 percent of net profits or three percent of gross revenue (whichever is higher). By mid-1993, the turnover tax will be abolished, and the corporate tax rate will be reduced to 35 percent.

(2) Property taxes levied by townships. In most cases, these are low.

(3) Customs duties levied by the Customs Department. Prevailing duties average 18 percent. They are to be replaced by a federal sales tax of 10 percent in the near future.

(4) Federal taxes, such as the national development levy administered by the Ministry of Finance and Trade. The national development levy is scheduled to be ratified by Parliament in the next few months. It will amount to 10 percent of the monthly salary of all employees.

The Government is committed to improving the enabling environment for private investment and private enterprises and under a recently executed program agreement with USAID, will begin implementing a comprehensive overhaul of the overall tax system in March 1993 as it affects investment decisions and development of new or expanded enterprises.

14.2 Principal Taxes

Corporate Income

The company income tax is currently assessed at a rate of 50 percent of net profits, or 3 percent of turnover (gross receipts), whichever is higher (but see item (1) above). The Central Revenue Department has the names of all registered companies, and companies must have a certificate of tax payment before they can renew their business licenses. Evasion is reportedly widespread, especially among the trading companies that form such a large part of the non-agricultural economy. Only 150 companies voluntarily filed tax returns in 1988–89.

Dividends

Although dividends received by individuals and companies are subject to income tax, they are generally not double-taxed. Taxes paid by a company remitting dividends are fully credited to the recipient of the dividends. In practice, few individuals file for the credit, most likely because they wish to avoid revealing any information on their income or wealth to the tax authorities or because filing a separate form is burdensome.

Interest
Companies are allowed to deduct interest expenses when computing net profits. Interest from sources outside The Gambia is included in income, however.

For individuals, interest income is treated as part of ordinary income and is taxed accordingly.

Royalties and Fees
Royalties payable to non-residents are not subject to any specific withholding tax.

Sales
The national sales tax of 10 percent is a tax on the sales price of goods manufactured domestically or imported, and on certain services provided in The Gambia. The tax is payable when the goods are delivered, when the service is sold, or when the goods are taken out of bond. There is no sales tax on goods produced for export, sold through a duty-free outlet, exported by the purchaser, or purchased by the Government.

Businesses liable for the sales tax and that have an annual turnover in excess of D100,000 are required to register with the Customs and Excise Department.

Capital Gains
For companies, tax is charged on the capital gains arising from the transfer of an asset at the rate of 25 percent, or on 10 percent of the selling price, whichever is higher.

For an individual, the capital gains tax is 15 percent of the gain or five percent of the sales price, whichever is greater. Capital losses may be used to offset capital gains only during the year in which the loss was incurred and cannot be used for other purposes.

Customs Duties and Import Taxes
Import taxes of The Gambia are low, especially compared to those of many other developing countries. All merchandise imports are subject to a national sales tax of 10 percent of the c.i.f. value; imports by the Government, diplomatic missions, and charitable organizations are exempt from this tax. Goods in transit are also exempt.

Customs duties are charged at varying rates on a wide range of imported goods. In general, however, the average tariff rate *ad valorem* is approximately 18 percent.

Import duties alone account for over half of total tax revenues collected. Much of this is collected on goods for the re-export market. This market is thriving in response to the higher duties imposed in Senegal and other neighboring countries.

Personal Income
The individual income tax is assessed on all the following forms of income: employment and partnership income, rents, interest, dividends, and certain pensions and annuities. The tax rates are progressive, beginning at 10 percent and rising in 5-percent increments

to a top rate of 35 percent. The only allowable deductions are a standard deduction of D5,000 per taxpayer. Mortgage interest payments are not deductible for individuals.

Voluntary compliance among local citizens is weak. Only 5,000 individual income tax returns were voluntarily filed in 1989–90, out of a formal sector labor force of some 400,000. This level of compliance is perhaps not surprising, because over 80 percent of the labor force is engaged in agriculture, where taxable incomes are low and difficult to trace. Wage earners who do not voluntarily file a return are assessed taxes based on employer reports of wage payments.

Development Levy
Individuals and companies are also subject to a development levy. This tax on income is computed slightly differently for individuals and companies. Individuals pay a 10 percent tax on income earned in the month of July. For a company, the tax is 10 percent of the company's average monthly income. In effect, for salaried employees and for companies, the tax amounts to a 0.833 percent surcharge on yearly income.

Payroll Tax
An annual payroll tax of D5,000 is payable by the employer for each non-Gambian employee of executive, managerial, professional, or technical rank or above. The tax period runs on the calendar year. The full amount of tax is payable however short a period the employee is employed in any year. Exemptions from payroll tax, other than on the grounds of insufficient seniority, are limited to clergymen, missionaries, diplomats and employees of the President. Payroll tax is also not deductible for income tax purposes.

Stamp Duties
Stamp duties are levied on transfers of property, including equity shares, bonds, mortgages, life insurance policies, and lease agreements. The rate of tax on equity share and bond transactions is 2 percent. The rate is 0.2 percent on life-insurance policies, 0.4 percent on lease purchase agreements, 14.25 percent on residential leases, and 40 percent on industrial and commercial leases.

Lease Tax
The 40 percent duty on industrial and commercial leases is a major deterrent to the leasing of fixed assets. Because leasing is an alternative to purchasing (using equity or debt financing), the duty reduces the financing options available to investors.

14.3 Determining Taxable Income

In computing net profits, companies are allowed to deduct expenses, depreciation, interest, and a portion of home office expenses if the company is headquartered outside The Gambia. Included in income are dividend and interest income and remittances from sources outside The Gambia.

Companies can choose any financial year they wish, but once fixed, there can, in certain circumstances, be adverse tax effects if the tax year is changed for any reason.

Losses can only be carried forward and set off against future profits from any trade or business for six years. Losses include unabsorbed capital allowances.

14.4 Depreciation

Capital allowances can be claimed on fixed assets used in the business and deducted from the adjusted profits. The taxpayer can claim an initial allowance on the cost of assets purchased in the period assessed. Thereafter, annual allowances can be claimed using the reducing-balance method. Balancing charges are raised or balancing allowances granted on the sale or disposal of assets on the amount by which the proceeds of sale or disposal (cost if lower than proceeds) exceed or fall short of tax residual value.

Advances can be claimed on assets used but not owned by the business if the full burden of wear and tear falls on the user.

In the case of buildings purchased "secondhand," no initial allowance is granted. Annual allowances are based on the purchase price. This does not apply to the purchase of "secondhand" plant, on which a company can claim initial and annual allowances on the price it pays for such plant.

14.5 Tax Treaties

Double-taxation agreements with the following countries are in force: the United Kingdom, Sierra Leone, Nigeria, Sweden, Denmark, Norway, and Switzerland. The treaty with the U.S. has expired and has yet to be renewed.

14.6 Appeals

Appeals of tax matters may be pursued through the legal system.

14.7 Implications for American Investors

- The tax system is generally moderate and workable for U.S. investors.
- There are few onerous taxes on company operations or capital transactions, and the tax system does not strongly favor debt over equity financing.
- The 40 percent tax on industrial and commercial leases does reduce options for financing, buildings, and land use required for productive operations.

15. Intellectual Property Protection

The Gambia generally protects intellectual property rights. Legislation modelled on the basic principles designed by the World Intellectual Property Organization (WIPO) was enacted as the Industrial Property Act in 1989. With certain exceptions, the legislation contains most of the protections expected.

15.1 Patents

The Industrial Property Act contains most of the protections an American investor would expect. To receive protection, applications must be filed with the Registrar General in Banjul. Failure to register any license contract concerning patents, utility model certificates, or industrial designs can render it invalid. Patents granted by ARIPO are recognized in The Gambia, as are industrial designs that are registered with the organization. Although The Gambia is not a member of the International Union for the Protection of Industrial Property ("Paris Union"), protection under local law and regional agreements appears sufficient for the American investor.

15.2 Trademarks

Trademarks are governed under local law and must be registered with the Registrar General in Banjul. Failure to register a trademark may render it invalid.

15.3 Copyrights

The Gambia is not a signatory to the Universal Copyright Convention and the protection of copyrights is governed by local law. The U.S. investor is advised that this remains an underdeveloped and evolving area of Gambian law.

15.4 Redress

The laws of The Gambia are based on British common law. Contracts and other binding agreements concerning intellectual property can be enforced by the legal system through lawsuits, but given the underdeveloped nature of the court system, this may prove to be time-consuming.

15.5 Implications for American Investors

- The American investor may initially have some difficulty in enforcing agreements concerning intellectual property. However, as the Gambian government gains experience in dealing with these issues, these problems should subside.
- It is important that the U.S. investor follow the local laws very closely. Failure to comply fully may result in reduced protection.
- The laws of The Gambia are based on British common law, and contracts and other binding agreements concerning intellectual property are therefore enforced by familiar legal codes.

Appendix A

Useful Information for Businesspeople

Credit Cards

Some hotels accept Access and Visa; Mastercard is much less accepted. A network is being developed.

Climate

The Gambia has one of West Africa's more pleasant climates. It is subtropical, with a hot, rainy season from June to October, and a cooler, dry season from November to May. Temperatures range from a low of 48 degrees Fahrenheit (9 degrees Celsius) in January to a high of 110 degrees Fahrenheit (43 degrees Celsius) in October. Because of the cooling effect of the ocean, temperatures are lower along the coast than in the interior.

Corruption

In The Gambia, one encounters attempts at bribery or extortion only occasionally. Under these circumstances, the best defense is an absolute refusal to cooperate, explaining gently that while one values friendship and would like to accommodate, the laws of the United States provide severe punishments for activities that might be considered entirely appropriate in other countries. This strategy is usually successful.

Freedom of Expression

In The Gambia, freedom of the press is guaranteed by the constitution, and no attempt is made to infringe on this right.

Holidays

The following official holidays are observed in The Gambia:

New Year's Day	January 1
Senegambia Day	February 1
Independence Anniversary	February 18
Worker's Day	May 1

Id-el-Fidir (2 days)	variable
Id-el-Kabir (2 days)	variable
Good Friday	variable
Yawmu Ashura	variable
Maulud El Nabi	variable
St. Mary's Day	August 15
December 25	Christmas Day

Hotels

Especially if you are planning to stay in Banjul during the tourist season (November-May), book well in advance. There are about 20 hotels of Western standards in Banjul and on the coast.

Language

English is the official language of government, education, and business, but local languages are widely spoken, and some French is spoken as well. Wolof is commonly used in urban areas.

Postal Service

As in most African countries, businesses take delivery of mail by renting post office boxes from the Post Office. Address-based deliveries are customarily made by private messenger.

Taxis

Taxis are available at designated taxi parks and hotels in Banjul. It is important to agree with the driver in advance on the exact fare, even though fares are set by the Government.

Appendix B

USEFUL ADDRESSES

U.S. Embassy
P.M.B. #19
Kairaba Avenue
Fajara (East)
Banjul
Telephone: (220) 42856/92858
Fax: (220) 28066

Banks

Central Bank of The Gambia
Buckle Street
Banjul
Telephone: (220) 27633/28313

International Bank for Commerce and Industry
Wellington Street
Banjul
Telephone: (220) 28163/28145

Meridien Bank B.I.A.O.
Buckle Street
Banjul
Telephone: (220) 28651

Standard Bank (Gambia) Ltd.
Buckle Street
Banjul
Telephone: (220) 28681/28682

Business Services

KPMG Peat Marwick
34 Wellington Street
P.O. Box 431
Banjul
Telephone: (220) 26173/28140
Telex: 2232 mehr bjl gv

Government Investment Promotion Agencies

Industrial Development Unit
Ministry of Economic Planning and Industrial Development
Buckle Street
Banjul
Telephone: (220) 28229/26600/26389

National Investment Board (NIB)
71 Hagen Street
Banjul
Telephone: (220) 28332
Telex: 2230 NIB GV
Cable: GAMNIB

Insurance Companies

Capital Insurance Company Ltd.
Buckle Street
Banjul
Telephone: (220) 27480/28544

Gambia National Insurance Corporation
6 Leman Street
Banjul
Telephone: (220) 27340

Senegambia Insurance Company Ltd.
7 Cameron Street
Banjul
Telephone: (220) 28866/28867

Other Useful Addresses

Gambia Chamber of Commerce and Industry
1-2 Buckle Street
Banjul
Telephone: (220) 28865

Appendix C

TRAVEL REQUIREMENTS AND CURRENCY REGULATIONS

Entry into The Gambia

U.S. nationals entering The Gambia are required to have not only a valid passport, but also a visa. Visas can be obtained from a Gambian diplomatic mission or consulate abroad. The Gambian diplomatic mission in the United States is its embassy in Washington, D.C.:

Embassy of The Gambia
1155 15th Street, N.W.
Suite 1000
Washington, D.C. 20005
Telephone: (202) 785-1399
Fax: (202) 785-1430

A visa can also be obtained from British consular offices in countries in which there is no Gambian diplomatic or consular representation.

Business visitors unable to obtain a visa prior to their departure for The Gambia may advise the National Investment Board in advance (see Appendix B), indicating the particulars of their passport or other travel documents, and proposed length of stay. Arrangements will be made to facilitate entry into the country.

Health Requirements

Individuals arriving from abroad are required to have a certificate for yellow fever. Those arriving from areas with recent cholera outbreaks or where cholera is endemic are required to have a certificate for cholera vaccination.

A polio vaccination is also advisable for visitors, as is malaria prophylaxis for several weeks before and after, as well as during a stay in The Gambia.

Currency Regulations

There are no restrictions on import of foreign or local currency, though a declaration form must be filled out on arrival.

Appendix D

Lomé Convention Preferential Trade Arrangements

The Lomé Convention is a cooperation agreement between the European Community (EC) and the African, Caribbean and Pacific Group of States (ACP). The former has twelve member states and the latter comprise of sixty-six. This convention was concluded in order to promote and expedite the economic, cultural and social development of the ACP States through trade, financial and technical assistance.

Under this convention, the chapter on Trade Cooperation has as its object to promote trade between the ACP States and the Community by improving the conditions of access for their products to the community market.

The pertinent clause reads:

2. *Products originating in the ACP States shall be imported into the community free of Customs duties and charges having equivalent effect.*

   The following products shall be considered as products originating in an ACP State.

   (a) Products wholly obtained in one or more ACP State.

   (b) Products obtained in one or more ACP States in the manufacture of which products other than those referred to in (a) are used, provided that the said products have undergone sufficient working or processing.

Sufficient working or processing means that the goods obtained receive a classification under a different tariff heading from that covering each of the products worked or processed. The incorporation of non-originating materials and parts in a given product obtained shall only make such products lose their originating status if the value of the said materials and parts incorporated exceeds 5 percent of the value of the finished product.

When products wholly obtained in the EC or in their overseas territories or ACP States undergo working or processing in one or more ACP States, they shall be considered as having been wholly produced in that or those ACP States, provided that the products have been transported directly.

Eligible products shall be accompanied by evidence of originating status, the movement certificate EURI.

However, products which fall under a common organization of the treaty establishing the European Community or are subject on import into the Community, to specific rules introduced as a result of the implementation of the Common Agricultural Policy (CAP) may be excluded or subject to quantitative restrictions or the safeguard clause.

The following products shall be considered as wholly obtained either in one or more ACP States or in the Community.

(a) Mineral products extracted from their soil or from their seabed;
(b) Vegetable products harvested therein;
(c) Live animals born and raised therein;
(d) Products from live animals raised therein;
(e) Products obtained by hunting or fishing conducted therein;
(f) Products of sea fishing and other products taken from the sea by their vessels;
(g) Products made abroad their factory ship exclusively from products referred to in subparagraph (f);
(h) Used articles collected there fit only for the recovery of raw materials;
(i) Waste and scrap resulting from manufacturing operations conducted therein;
(j) Goods produced there exclusively from the products specified in subparagraphs (a) to (i).

For the purpose of para.2(b) the following shall always be considered as insufficient working or processing, whether or not there is a change of tariff heading:

(a) Operations to ensure the preservation of merchandise in good condition during transport and storage;
(b) Simple operations consisting of removal of dust, sifting or screening, sorting, classifying, matching, washing, painting, cutting-up;
(c) (i) Changes of packaging and breaking up and assembly of consignments;
    (ii) Simple placing of bottles, flasks, bags, cases, boxes, fixing on cards or boards.
(d) Affixing marks, labels and other like distinguishing signs on products or their packaging.
(e) (i) Simple mixing of products of the same kind where one or more components of the mixture do not meet the conditions as originating product.
    (ii) Simple mixing of products of different kinds unless one or more components of the mixture do not meet the conditions as originating product.
(f) Simple assembly of parts of articles to constitute a complete article;

(g) A combination of tow or more operations specified in subparagraph (a) to (f)
(h) Slaughter of animals.

In defining the concept of originating products, Prot col I of the Lomé III Convention gives a list of working or processing operations carried out on non-originating materials which result in a change of tariff heading without conferring the status of "originating products" on the products resulting from such operations.

The Lomé Convention has a provision for financial assistance in trade promotion so that exporters from any ACP country may participate in trade fairs and exhibitions.

Appendix E

DEVELOPMENT ACT, 1988

[reproduced from best available copy]

Development Act, 1988

THE GAMBIA

No. 4 of 1988

Assented to by The President,

this Tenth day of May, 1988

LS **D.K. JAWARA,**
President

AN ACT to make provision for granting Investment Incentives to Investors and for other matters connected therewith

Enactment. **ENACTED by the Parliament of The Gambia.**

PART I - PRELIMINARY

Short title **1. THIS ACT may be cited as the Development Act, 1988. (No. 4 of 1988).**

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23rd May, 1988

ISSN 0796-028
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Development Act, 1988

Arrangement of Sections

SECTIONS PART I - PRELIMINARY

PART VI - MISCELLANEOUS

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Interpretation

2. In this Act, unless the context other requires

"approved development project" means a development project in respect of which a development certificate has been issued under section II of this Act;

"Comptroller" means the Comptroller of Customs and Excise;

"construction date" means the date on which construction, alteration or expansion of a development project commences and specified as such by the Minister in the development certificate;

"development certificate" means a certificate issued by the Minister under section II of this Act for an approved development project;

"development project" means any enterprise concerned with any of the economic activities specified in section 3 of this Act;

"domestic value added" means the excess of gross output value of a development project over all imported materials and services absorbed, and valued where adequate for the purpose of economic appraisal in world market prices;

"exemption" means exemption from customs duty;

"incentive" means any fiscal exemption, tax relief or other assistance provided under section 5 and 6 of this Act;

"Minister" means the Minister responsible for the administration of this Act;

"production date" means the date on which a development project commences production or the provision of services in marketable quantities and specified as such by the Minister in the development certificate;

"tax holiday period" means in respect of any development period, the period, not exceeding five years from the production date, during which a tax credit certificate has been granted; and

"tax credit certificate" means the certificate which may be granted under section 5(1) of this Act.

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PART II - DEVELOPMENT PROJECTS AND DEVELOPMENT INCENTIVES

Application of this Act to development projects

3. This Act shall apply to development projects engaged in any of the following activities:

(a) the manufacturing industry
(b) agriculture, livestock, fishing, and forestry
(c) mining and quarrying
(d) tourism

Requirements for development projects to qualify under this Act

4. (1) For any development project to qualify for the purposes of this Act, it shall have an investment potential sufficient to make a significant contribution towards economic diversification and the promotion of economic growth generally.

(2) Subject to subsection (1) of this section, a development project shall have the following objectives:

(a) the achievement of net foreign exchange earnings or savings;

(b) the generation of substantial domestic value added;

(c) the promotion of maximum employment and adequate training for Gambians;

(d) the maximum utilization of resources and services of Gambian origin;

(e) the formation of a national productive capital; and

(f) the spatial decentralization of development projects.

(3) The Minister may by Regulations, provide guidelines for the purposes of this section.

Incentives for investment

5. (1) Subject to the provisions of this Act and in accordance with the terms and conditions of the development certificate, a development project may be granted an incentive in the form of a tax credit certificate for the following purposes:

(a) a total or partial exemption of customs duties on the following items:

(i) the approved capital equipment, plant, building material, machinery and appliances to be used in establishing the project; or

(ii) the approved quantity of semi-finished products, spare parts and other supplies to be used in the production operations.

(b) a total or partial exemption from payment of company tax or turnover tax.

(2) A tax credit certificate shall indicate the amount of money the Government shall forego from the holder of a development certificate as a fiscal incentive.

(3) The basis for calculating such an amount shall be determined by Regulations made under this Act.

(4) The duration and validity of any exemption granted under paragraph (a) (ii) and (b) of subsection (1) of this section shall be effective for as long as there is an unused amount outstanding on the tax credit certificate specified in the development certificate, but such duration and validity shall be limited to a period of not more than two years from the production date.

(5) The holder of a development certificate may at the end of the tax holiday period, set off any remaining unused tax credits against future tax or customs duty liabilities until the amount granted is completely used up.

Development Assistance

6. (1) Subject to any other law in force, the Minister may provide the holder of a development certificate with such assistance and facilities as are essential to enable him to carry out his development project including the following:

(a) preferential treatment for the allocation of land for the project site and the provision of infrastructural facilities;

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(b) access to advisory services available from government institutions and related external organizations.

Assessment for exemption and granting of tax holiday

7. (1) The Minister shall, in considering tax credit certificates, have regard to the capacity of the development project to fulfill the aims and objectives specified in section 4 of this Act.

(2) The Minister shall not grant any incentive which may create privileges not enjoyed by persons in a competitive position or create monopoly within the economy.

PART III - DEVELOPMENT CERTIFICATES

Application and procedures

8. (1) Any person who desires to engage in a development project and to obtain benefits conferred by this Act, may apply in writing to the Minister for a development certificate.

(2) No application under this section shall be entertained, unless the application is made on behalf of a company incorporated and registered in The Gambia.

(3) The application for a development certificate under this Act shall give particulars of:

(a) The development project including the type of products and services proposed, scale of operation, sources of material, inputs and annual quantities required, and an estimate of local and export markets;

(b) an estimation of the proposed site, specifying the area of land required, layout and floor area of buildings, and the cost of construction and site improvement;

(c) a list of plant, machinery and equipment for the development project and a cost estimate for each item;

(d) the location of the proposed project site and the date on which it was or will be acquired;

(e) the approximate construction date and the production date;

(f) the number of Gambian nationals to be employed, the

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category of their employment and if expatriates are to be employed, their number and the reason for their employment; and

(g) a detailed forecast of income statement and cash flow of the development project.

Publication of application in the Gazette

9. Where the Minister is satisfied that:

(a) the intended development project relates to the activities specified in section 3 of this Act;

(b) the application has complied with the provisions of section 8 of this Act;

(c) the intended development project is designed ultimately to promote the objectives specified in section 4 of this Act;

(d) the applicant is adequately financed;

(e) the applicant has an adequate number of trained personnel in his employment or is in a position to obtain the services of such personnel;

(f) the applicant has access to the necessary technical information;

(g) the applicant is able to obtain adequate raw material; and

(h) the applicant possesses or will possess the necessary place of business,

he shall cause the fact that he is about to consider the granting of a development certificate under section II of this Act to be published, by notice, in the Gazette.

Objections to development certificate

10. (1) The notice referred to under section 9 of this Act, shall contain such particulars of the development product or products the Minister may think necessary in order that any person interested in the development project concerned may object to the proposed granting of the development certificate.

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(2) The notice shall state a period not being less than thirty days within which any objection to the proposed certificate shall be made.

(3) Every objection, to the proposed granting of a development certificate, received by the Minister within the time stated in the notice or within such extended time as the Minister may allow, shall be notified to the original applicant for a development certificate and such objection together with any further representations submitted by the original applicant shall be considered by the Minister before any development certificate is granted.

(4) The provisions of section 9 and 10 of this Act shall apply mutatis mutandis, in the case of an application to amend a development certificate.

Approval and issue of development certificate

11. (1) In the absence of justifiable objections to the proposed development certificate and after consultation with the appropriate Government agencies, the Minister shall approve the application and grant the development certificate.

(2) The certificate granted by the Minister under this Act shall specify:

(a) the type of benefit conferred and incentive granted;

(b) the effective date, which may be a date before the issue of the certificate but not before the date of application;

(c) the duration and limitation of such incentives and benefits;

(d) the construction date;

(e) the production date;

(f) the production services of the development project;

(g) the location of the place of business of the development project;

(h) any development assistance and facility to be offered under section 6 of this Act; and

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(i) any specific conditions, obligations or limitations imposed on the applicant by the Minister.

(3) In addition to the particulars mentioned in subsection (2) of this section, the Minister may provide in the development certificate a detailed list specifying the quantity and value of all imports approved for exemption from customs duty and for which the tax credit Certificate may be used in payment thereof.

Variation of date

12. (1) The Minister may, on a special request from an applicant and after due consideration of the reasons for so requesting, amend the construction and production dates specified in a development certificate.

(2) The construction and production dates may be amended only after the effective date of the certificate and before such construction or production dates.

(3) No such amendment as may be made under subsection (2) of this section shall operate so as to extend the period of the tax holiday.

Assignment of development certificate

13. No development certificate issued under subsection (1) of section II of this Act shall be assigned to any other person without the prior consent of the Minister.

Alteration or expansion of a develop-project

14. (1) The holder of a development certificate who wishes to expand his development project after the effective date of such certificate may apply in writing to the Minister for an extension of the incentives to cover the proposed new investment.

(2) The Minister may, subject to the provisions of this Act, extend the incentives to cover the proposed new investment.

Vital information

15. (1) Any person to whom a development certificate has been issued under this Act shall, as soon as is reasonably practicable, provide to Minister the Minister with evidence that the development project described in his application has in compliance with the terms and conditions stated in the development certificate, been substantially executed.

(2) The holder of a development certificate under this Act shall:

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(a) not later than thirty days after construction commences, inform the Minister of the actual date of construction;

(b) permit such audits and investigations as are necessary to ascertain compliance with the terms and conditions of the development certificate;

(c) submit to the Minister at the end of every financial year, financial statements and cost accounts in respect of the development project, and;

(d) provide the Minister or any other person authorized by him, with such information on the progress of the development project as he may, from time to time, require.

Maintenance of Records

16. The holder of any development certificate who has been granted exemption under this Act, shall maintain a record of all articles and materials in respect of which such exemption has been granted and such record shall state;

(a) the date on which each article or material was landed in The Gambia, or if purchased in The Gambia, the date of purchase of such article or material;

(b) the value of each article or material imported into or purchased in The Gambia; and

(c) the total value of all such articles and materials up to and including the date of submission of such record.

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Enforcement and implementation of conditions

17. (1) The Minister may serve a notice to the holder of a development certificate requiring such holder to comply with the terms and conditions of the development certificate if he is satisfied that such certificate holder has:

(a) failed in any way to implement the development project in accordance with the terms and conditions of his certificate;

(b) misused any incentives or benefits granted to him under this Act; or

(c) failed to comply with any of the provisions of this Act.

(2) Where the holder of a development certificate fails to comply with the notice referred to under subsection (1) of this section, the Minister may withdraw any incentive or benefits granted or cancel the development certificate.

Provision position

18. The Minister may, on the cancellation of a development for certificate under this Act, require the holder of such development certificate to pay to the Accountant General such compensation as he may, after consultation with the Minister of Finance, determine.

PART IV - CUSTOMS DUTY

Record of Customs duty paid

19. The Comptroller shall record and collect the customs duties on approved imported goods in accordance with regulations made under this Act.

Obligations of holder of development certificate

20. The Comptroller may require the holder of development certificate:

(a) to keep such records and submit such returns, in such form and containing such particulars as he may, from time to time, determine;

(b) to pay the duty due on approved imported goods in accordance with the procedure prescribed by regulations made under this Act; and

(c) to permit the Comptroller or any person authorized by him at all reasonable times to have access to any premises under his control and to inspect such records and examine such articles and materials which the comptroller may believe to be therein and to satisfy himself of the accuracy of particulars in relation to such articles and materials contained in such records.

Offense

21. (1) Any person who fails to comply with section 20 of this Act commits an offense and on conviction thereof, shall, be liable to a fine not exceeding D20,000.

(2) If the person who commits the offense is a company, every director of that company shall be held guilty of the offense unless any such director can explain to the satisfaction of the court that he was unaware of the commission of the offense.

PART V - INCOME TAX

Application of Income Tax

22. Notwithstanding the provision of this Act, the granting of a development certificate does not confer any special status to the holder with respect to the Income Tax Act.

Monitoring of Income Tax

23. The provision of Part X of the Income Tax Act shall apply to the holder of a development certificate in respect of information, returns, books of accounts and other requirements necessary to compute tax liability and tax credits earned by the holder of the development certificate.

Application of Part XIV of Cap 96

24. The provisions of Part XIV of the Income Tax shall apply to any false return delivered or any false account kept or prepared, as if such return had been made or such false account had been kept or prepared with reference to income tax on profits or gains chargeable under the Income Tax Act.

External Monitoring

25. The Auditor General shall, at the request of the Ministry of Economic Planning and Industrial Development, be empowered to audit books of any holder of a development certificate with respect to the calculation of tax credit, customs duty and excise payments or income tax.

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PART VI - MISCELLANEOUS

Training

26. The holder of any development certificate shall:

(a) Within six months from the production date, establish a scheme for the training of persons who are citizens of The Gambia in the fields of administration, technology, management and other skills, with a view to imparting knowledge and skills to such persons; and

(b) On the advice of the Commissioner of Labour provide such facilities as are considered necessary for the benefit and welfare of employees of the development project.

Settlement of disputes

27. (1) Where a dispute arises between a holder of a development certificate and the Government with respect to any development project, such dispute shall be settled amicably between the certificate holder and the Government.

(2) Where the certificate holder and the Government fail to reach any amicable settlement, the dispute shall be referred to arbitration in accordance with:

(a) any bilateral or multilateral agreement on investment protection to which the Government and the country of which the holder of the development certificate is a national, are members;

(b) the International Convention for Settlement of Investment Disputes between States and Nationals of other States and under the auspices of the International Centre thereunder established; or

(c) any agreement between the Government and the holder of the development certificate.

Regulations

28. The Minister may make Regulations and rules for the better carrying out of the purposes and objectives of this Act.

Repeal of Act No. 15 of 1973

29. The Development Act, 1973 is hereby repealed.

Savings

30. (1) Notwithstanding the repeal of the Development Act, 1973, all orders made or certificates and benefits granted under that Act and which have effect when this Act comes into force, shall continue to have effect as if made or granted under this Act.

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Savings (cont.) (2) Nothing contained in this Act shall be construed as adversely affecting any rights, privileges or obligations existing in respect of a development certificate previously granted.

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PASSED in the House of Representatives the Twenty-fifth day of February, in the year of Our Lord One Thousand Nine Hundred and Eighty-Eight.

E. O. BRIGHT
Clerk of the House of Representatives

THIS PRINTED IMPRESSION has been carefully compared by me with the Bill which has passed the House of Representatives, and found by me to be true and correct copy of the said Bill.

E. O. BRIGHT
Clerk of the House of Representatives