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Vienna, 26-30 November 1973

INDUSTRIAL DEVELOPMENT STRATEGY AND POLICIES:
THE EXPERIENCE OF GAMBIA, 1950 - 72 ^{1/}

by

Sulayman M. B. Fye *

* Mr. Sulayman M. B. Fye is the Chief Economist
of the Office of the President in Gambia

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de développement industriel dans les petits pays
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RESUME

STRATEGIE ET POLITIQUES DE DEVELOPPEMENT INDUSTRIEL

L'expérience de la Gambie, 1950-1972^{1/}

par
Sulayman M.B. Fye*

^{1/} Ce document est un résumé établi par le Secrétariat de l'ONUDI à partir de l'étude présentée par M. Sulayman M.B. Fye. Les opinions exprimées sont celles de l'auteur et ne reflètent pas nécessairement les vues du Secrétariat de l'ONUDI.

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1. La Gambie est le plus petit pays de l'Afrique de l'Ouest par sa superficie et par sa population (environ 500 000 habitants). Son PIB par habitant est d'environ 100 dollars des Etats-Unis. Près de 85 % de sa population vivent de l'agriculture et de la pêche et 10 % environ savent lire et écrire. Près de 95 % de ses recettes d'exportation connues proviennent de l'arachide et des produits dérivés.
2. La Gambie a accédé à l'indépendance en 1965 et est devenue une république en avril 1970.

Réalisations industrielles

3. La valeur ajoutée dans le secteur manufacturier est passée de 1,2 million de dalasis en 1950 à 1,5 million en 1960 puis à 2 millions en 1970 pour atteindre 2,8 millions en 1972. Cette valeur ajoutée provient pour une large part du traitement de l'arachide; une liste des autres industries importantes est donnée dans une annexe au présent document. En 1972, la part du secteur manufacturier a été de 3 % dans le PIB et de 4 % dans la production intérieure. Si l'on s'en tient à la classification de la BIRD, la Gambie est un pays "non industrialisé" puisque son secteur manufacturier représente moins de 20 % de la production intérieure.
4. D'après une enquête effectuée en 1973, 14 entreprises locales, représentant au total 2 300 emplois, occupent plus de 100 personnes et 34 autres qui fournissent au total 1 200 emplois, occupent entre 10 et 99 personnes. Toutefois, une part importante de ces emplois sont saisonniers ou à temps partiel.

Stratégie de l'industrialisation

5. C'est surtout l'étroitesse du marché intérieur qui freine le développement de l'industrie locale et fait que de nombreuses entreprises manufacturières ne peuvent pas produire toute l'année ou à pleine capacité. L'insuffisance du réseau routier entrave la distribution, et l'utilisation du fleuve Gambie pour le transport des marchandises n'a pas permis de remédier à la situation. Seules quelques villes sont alimentées en électricité et en eau courante. Un domaine industriel de 20,8 hectares a été créé près de Banjul, la capitale de la Gambie.

6. Le pays a peu de ressources naturelles en dehors de son sol et du fleuve Gambie. On prospecte actuellement des gisements de sables ilménitiques, de kaolin et de pétrole. Les principales agro-industries sont, dans l'ordre, le traitement de l'arachide, la pêche et le traitement de la viande. D'autres pourraient être créées.
7. Le manque de main-d'oeuvre qualifiée constitue un obstacle plus grave encore au développement économique du pays. L'effectif du seul Centre de formation professionnelle du pays, qui a été créé en 1961, est de 60 élèves. Toutefois, le taux de scolarisation dans l'enseignement primaire et secondaire s'accroît.
8. Dans les années 50 et 60, peu d'entrepreneurs disposaient de capitaux propres et les banques commerciales n'accordaient des prêts qu'avec difficulté. Certaines entreprises manufacturières créées au cours de la période considérée ont fait faillite parce que le projet avait été mal conçu et/ou parce qu'elles ne disposaient pas du personnel de gestion nécessaire. De nombreux gambiens préfèrent donc investir dans le commerce de détail (qui demande moins de capitaux) ou dans l'immobilier (ce qui comporte moins de risques).
9. Pour la création de nouvelles industries, les pouvoirs publics comptent surtout sur l'initiative privée. La majeure partie des capitaux d'investissement, au demeurant limités, doivent en effet être consacrés au financement des dépenses d'infrastructure et d'équipement. Dans le secteur manufacturier, l'Etat s'est donc contenté de reprendre deux fabriques d'huile d'arachide afin d'aider à rationaliser cette industrie clef, et de fournir une aide indirecte aux entrepreneurs locaux en créant, en 1959, une caisse de prêts aux ressources limitées et, plus récemment, une banque de développement.
10. La Gambie recherche les capitaux étrangers qui se sont surtout orientés ces dernières années vers les industries du tourisme et de la pêche. L'Etat a pris une participation dans certaines des principales entreprises créées au moyen de ces capitaux.
11. De l'avis de l'auteur, pour assurer une expansion rapide de l'industrie et favoriser ainsi la diversification de l'économie, la création d'emplois et l'augmentation des recettes d'exportations, il faudra :
 - a) Accélérer le développement de l'agriculture et les zones rurales afin d'augmenter le pouvoir d'achat de la population;
 - b) Améliorer considérablement l'infrastructure, en particulier les transports, afin de freiner l'exode rural;

- c) Intensifier les efforts en vue de former de futurs chefs d'entreprise et des cadres de gestion;
- d) Effectuer des études de préfaisabilité pour de nouveaux projets et accroître les échanges interindustriels en incitant les entreprises à s'approvisionner davantage sur le marché intérieur;
- e) Créer une institution dotée de tous les moyens nécessaires pour promouvoir le développement de l'industrie suivant une politique bien définie.

Politiques et mesures d'industrialisation

12. La protection tarifaire n'a pas joué jusqu'à présent un rôle important dans la promotion des industries nouvelles, les droits d'entrée sont une source appréciable de revenus. Un taux uniforme est appliqué aux produits finis et aux matières premières et demi-produits entrant dans leur fabrication.

13. En vertu du **Development Act** (loi sur le développement) de 1964, les machines, les équipements et les matériaux de construction utilisés pour la création d'industries nouvelles peuvent être importés en franchise. Cette loi prévoyait également une exemption permanente pour les importations de matières premières. Toutefois, en vertu du **Development Act** de 1973, cette exemption n'est plus accordée que pour une période de huit ans.

14. Le **Development Act** de 1964 accordait aux entreprises une trêve fiscale de cinq ans au maximum. En vertu du **Development Act** de 1973, cette trêve fiscale est étendue à huit ans pour les industries orientées vers l'exportation et les entreprises ou les hôtels établis dans des zones rurales et utilisant des matières premières ou des produits locaux. Le **Development Act** de 1973 contient une liste très détaillée des industries et des activités visées par ces mesures d'encouragement.

15. Le **Development Act** de 1973 accorde également un certain nombre de garanties aux investisseurs étrangers. En outre, des conventions relatives aux doubles impositions ont été signées avec un certain nombre de pays industrialisés. Les entreprises locales peuvent employer du personnel étranger, mais les règlements destinés à favoriser la formation du personnel local appelé à le remplacer ont été rendus plus stricts.

16. Les petites sociétés, c'est-à-dire celles dont le revenu ne dépasse pas 15 000 dalasis par an, sont exonérées de l'impôt sur les bénéfices dont le taux est de 40 %, pendant les deux premières années et dégreévées des deux tiers de leurs impôts pendant les deux années suivantes et d'un tiers pendant les cinquième et sixième années.

Institutions et industrialisation

17. Les questions relatives au développement industriel, qui étaient du ressort du Ministère des finances avant 1970, sont désormais de la compétence de la Division de la planification économique du Cabinet du Président. Cette Division peut, si elle le juge opportun, consulter le Comité central de planification qui est composé des secrétaires permanents de tous les ministères.

18. La Division de la planification économique évalue les projets du secteur privé susceptibles de bénéficier de mesures d'encouragement en tenant compte à la fois de leur intérêt commercial et des avantages qu'ils présentent pour le pays. Avec l'assistance de l'ONUDI, elle étudie à l'heure actuelle la possibilité de mettre en oeuvre plusieurs projets importants.

19. Jusqu'à ces derniers temps, les seules sources de financement pour les nouveaux projets étaient la Gambia Co-operative Union (surtout pour les projets intéressant les zones rurales), les banques commerciales et une caisse de prêts aux moyens limités. En 1972 a été créée une banque de commerce et de développement qui accordera des prêts à long terme pour les projets industriels viables et qui devrait jouer un rôle important dans l'industrialisation du pays.

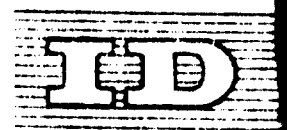
20. Les projets de mise en valeur du littoral ont favorisé la création de plusieurs hôtels (1 500 lits au total). Toutefois, le domaine industriel de 20,8 hectares créé à Kanifing, à 13 km de Banjul, est sous-utilisé. On envisage de mettre en place un organisme qui serait chargé d'administrer ce domaine et d'aider les petites entreprises. On étudie en outre la possibilité de créer une zone franche industrielle afin de promouvoir les industries orientées vers l'exportation.

ANNEXELISTE DES PRINCIPALES ENTREPRISES CREEES DEPUIS 1950
(Hôtels non compris)

<u>Production et raison sociale de l'entreprise</u>	<u>Date de création</u>	<u>Capital investi (1970)</u> (millions de dalasis)	<u>Ventes annuelles (1970)</u> (millions de dalasis)	<u>Coût des matières importées</u> (millions de dalasis)	<u>Protection tarifaire</u>
1. Huile - Denton Refinery Ltd.	1959	3 860 000	1 000 000	-	Nulle
2. Huile - Toufic Massry Oil Mill Ltd.	1954	990 000	512 000	-	Nulle
3. Articles d'habillement - Glamour Enterprises (Gambia) Ltd.	1965	100 000	30 000	360 000	Exonération des droits d'entrée sur les matières premières
4. Savons et produits de parfumerie - UAC Seaward Factory	1965	30 000	25 000	-	Exonération des droits d'entrée sur les matières premières
5. Traitement du poisson - Seagull Fisheries Ltd.	1969	1 440 000	-	-	Exonération des droits d'entrée sur les machines
6. Traitement du poisson - Gambia Fisheries Ltd.	1970	2 000 000	982 000	-	Exonération des droits d'entrée sur les machines
7. Chaussures - Chellarams Industries Ltd.	1971	120 000	5 400	-	Exonération des droits d'entrée sur les matières premières
8. Boissons non alcoolisées - Chellarams Company Ltd.	1964	200 000	134 400	-	Exonération des droits d'entrée sur les matières premières de 1964 à 1969



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ESTRATEGIA Y POLITICAS DE DESARROLLO INDUSTRIAL:
LA EXPERIENCIA DE GAMBIA, 1950-1972

por

Sulayman M.B. Tye*

RESUMEN^{1/}

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*/ El Sr. Sulayman M.B. Tye es Economista Jefe de la Presidencia del Gobierno de Gambia.

1/ El presente resumen ha sido preparado por la Secretaría de la ONUDI basándose en el trabajo presentado por el autor. Las opiniones que éste expresa no reflejan necesariamente las de la Secretaría de la ONUDI. El presente resumen no ha sido revisado por la Secretaría de la ONUDI.

id.73-7407

1. Gambia es el país más pequeño de África occidental en cuanto a superficie y población (unos 500.000 habitantes). El PIB por habitante es unos 100 \$EE.UU. Aproximadamente el 85% de la población depende, para su sustento, de la agricultura y de la pesca. Alrededor del 10% de los habitantes saben leer y escribir. Alrededor del 95% de los ingresos de exportación registrados corresponden a exportaciones de maní.

2. Gambia consiguió su independencia en 1935 y se proclamó República en abril de 1970.

Logros de la industrialización

3. El valor agregado en el sector manufacturero aumentó de 1,2 millones de dólares en 1950 a 1,5 millones en 1960, 2,0 millones en 1970 y 2,8 millones en 1972. La elaboración del maní es la industria que más contribuye; en el Anexo A se ofrece una lista de otras industrias importantes. En 1972, el sector manufacturero contribuyó en un 3% al PIB y en un 4% a la producción total. Por lo tanto, Gambia es un país "no industrial" según la clasificación del BIRF, ya que la manufactura contribuye en menos de un 20% a la producción de bienes.

4. Un censo de 1973 indicaba que existían 14 empresas que empleaban más de 100 personas y que, en total, proporcionaban empleo a 2.300; y 82 empresas que empleaban entre 10 y 99 personas, con un total de 1.200 puestos de trabajo. Gran parte de estos puestos eran estacionales o a tiempo parcial.

Estrategia de la industrialización

5. La estrechez del mercado nacional impone una restricción importante a la industrialización; muchas de las empresas manufactureras que se han establecido no han podido funcionar durante todo el año o a plena capacidad. El sistema viario es inadecuado, por lo que la distribución es difícil, y el transporte remontando la corriente del río Gambia no ha resultado una alternativa satisfactoria. Por el momento, sólo se dispone de energía eléctrica y de agua en unas pocas poblaciones. Hay un parque industrial, de 21 hectáreas, cerca de Banjul, la capital.

6. Gambia tiene pocos recursos naturales, aparte de su tierra y del río Gambia. Se están investigando yacimientos de ilmenita, caolín y petróleo. Hasta el momento, la producción de maní, la pesca y la ganadería (en este orden) son las principales industrias basadas en los recursos del país; existe potencial para otras agroindustrias.

7. Una restricción más importante para el desarrollo económico ha sido la falta de mano de obra capacitada. El único centro de formación profesional, establecido en 1961, tiene puestos para 60 estudiantes; y se están estudiando las enseñanzas primaria y secundaria.
8. Pocos empresarios tenían ahorros propios en el período de 1950 a 1970, y era difícil recibir préstamos de bancos comerciales. Algunas empresas manufactureras que se establecieron fracasaron por haberse formulado incorrectamente los proyectos y/o por falta de conocimientos de gestión. Por lo tanto, muchos gobiernos prefieren todavía invertir en el comercio al por menor, que requiere menos capital, o en bienes inmuebles (que presentan menos riesgo).
9. El Gobierno cuenta principalmente con la iniciativa privada para establecer nuevas industrias. Los fondos disponibles para inversiones de capital han sido escasos y la mayoría de ellos siguen siendo necesarios para proyectos de infraestructura y otros proyectos de desarrollo. La inversión del Gobierno en el sector manufacturero se ha limitado, por lo tanto, a asumir la administración de dos fábricas de aceite de maní (para impulsar la racionalización de esta industria clave) y a prestar apoyo indirecto a los empresarios de Gambia (primeramente, por medio de un pequeño fondo de préstamos establecido en 1959 y, más recientemente, creando un banco de desarrollo).
10. Gambia acepta inversiones extranjeras, que en los últimos años se han visto atraídas por las industrias del turismo y de la pesca; el Gobierno participa en el capital de algunas de las principales empresas.
11. El autor llega a la conclusión de que el logro de una industrialización rápida -para diversificar la economía, crear oportunidades de empleo y aumentar los ingresos de exportaciones- requeriría lo siguiente:
 - a) el rápido desarrollo de la agricultura y de las zonas rurales, para elevar el poder adquisitivo nacional;
 - b) la introducción de nuevas e importantes mejoras de la infraestructura, especialmente en el sistema de transporte, para contener el éxodo hacia las zonas urbanas;
 - c) la intensificación de los esfuerzos encaminados a fomentar y desarrollar las aptitudes empresariales y de gestión;
 - d) la realización de estudios de previabilidad sobre nuevos proyectos y la creación de vínculos interindustriales recurriendo más a los suministros nacionales;
 - e) el establecimiento de una institución fuerte y poderosa que rompa la marcha hacia la industrialización siguiendo un rumbo bien definido.

Políticas y medidas industriales

12. Hasta el momento, la protección aduanera no ha conyuvado gran cosa a la promoción de nuevas industrias. Los derechos de importación han sido una fuente importante de ingresos; se han aplicado tipos uniformes a los productos acabados y a las materias primas y productos semiacabados utilizados en la manufactura de los primeros.

13. En la Ley de Desarrollo de 1964 se preveían exenciones de los derechos de importación para la maquinaria, equipo y material de construcción empleados en establecer nuevas industrias aprobadas. También se concedían exenciones para las subsiguientes importaciones de materias primas; la Ley de Desarrollo de 1973 conserva esta disposición, pero la limita a un período máximo de ocho años.

14. La Ley de Desarrollo de 1964 ofrecía una exoneración de impuestos por un máximo de cinco años. Por la Ley de 1973 es posible ampliar este período a ocho años en el caso de industrias orientadas hacia la exportación e industrias u hoteles ubicados en zonas rurales y que utilicen materias primas locales. En la Ley de 1973 se enumeran con gran detalle las industrias y actividades que se pretende promover con estos incentivos.

15. La Ley de 1973 proporciona garantías específicas para los inversionistas extranjeros, para los que también han supuesto una ayuda los acuerdos firmados con cierto número de países industrializados a fin de evitar la doble imposición. Está permitido contratar personal extranjero, pero se han reforzado las disposiciones encaminadas a promover la capacitación de nacionales del país a fin de que vayan reemplazando al personal extranjero.

16. Las empresas pequeñas (cuyos ingresos no sobrepasan los 15.000 dólares anuales) están exentas de impuestos sobre los beneficios (40%) durante dos años; además, gozan de una reducción de dos tercios de los impuestos en los años **tercero y cuarto**; de un tercio en los años quinto y sexto.

Las instituciones y la industrialización

17. Antes de 1970, las cuestiones de industrialización incumbían al Ministerio de Hacienda. En los últimos años, competen a la División de Planificación Económica de la Presidencia del Gobierno. Esta División puede solicitar el asesoramiento del Comité Central de Planificación, formado por los secretarios permanentes de todos los ministerios.

18. Los proyectos del sector privado a los que se conceden incentivos son evaluados por la División de Planificación Económica, que considera los correspondientes costos y beneficios desde los puntos de vista comercial y nacional. La División, con ayuda de la ONUDI, está examinando la viabilidad de varios proyectos nuevos importantes.
19. Hasta hace poco, las únicas fuentes de recursos financieros disponibles para nuevos proyectos eran la Unión Cooperativa de Gambia (principalmente para proyectos rurales), los bancos comerciales y un pequeño fondo para préstamos. En 1972 se estableció el Banco Comercial y de Desarrollo, que proporcionará recursos financieros, mediante créditos a largo plazo, para proyectos industriales bien fundados; se espera que este Banco contribuya en gran medida a la futura industrialización de Gambia.
20. El desarrollo planeado de las zonas de playa ha originado la edificación de hoteles, que ofrecen 1.500 camas. Sin embargo, un parque industrial de 21 hectáreas establecido en Kanifing, a 13 km de Banjul, la capital, está actualmente infrutilizado. Se está estudiando la posibilidad de establecer una organización para dirigir este parque y prestar asistencia a la pequeña industria. Se examina asimismo la posibilidad de establecer una zona franca manufacturera para promover las industrias orientadas hacia la exportación.

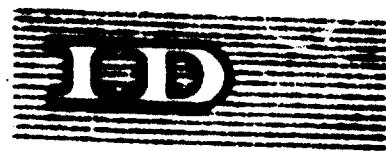
Cuadro 1

Lista de ocho industrias principales establecidas a partir de 1950
(Nota. No se incluyen los hoteles)

<u>Productos que fabrica la empresa</u>	<u>Fecha en que fue establecida</u>	<u>Capital invertido (1970)</u> Moneda local (millones)	<u>Ventas anuales (1970)</u> Moneda local (millones)	<u>Costo de los suministros importados (1970)</u> Moneda local (millones)	<u>Protección aduanera (porcentaje)</u>
1) Aceite Denton Refinery Ltd.	1959	D3.860.000	D1.000.000	No se dispone de datos	Nula
2) Aceite Toufic Massry Oil Mill Ltd.	1954	D 390.000	D 512.000	No se dispone de datos	Nula
3) Prendas de vestir Glamour Enterprises (Gambia) Ltd.	1966	D 100.000	D 30.000	D360.000	Exención de derechos para las materias primas
4) Jabón y artículos de perfumería - UAC Seaward Factory	1965	D 80.000	D 25.000	No se dispone de datos	Exención de derechos para las materias primas
5) Elaboración de pescado Seagull Fisheries Ltd.	1969	D1.440.000	-	No se dispone de datos	Exención de derechos para las materias primas
6) Elaboración de pescado Gambia Fisheries Ltd.	1970	D2.000.000	D 382.000	No se dispone de datos	Exención de derechos para las materias primas
7) Calzado Chellarans Industries Ltd.	1971	D 120.000	D 5.400	No se dispone de datos	Exención de derechos para las materias primas
8) Refrescos no alcohólicos Chellarans Company Ltd.	1964	D 200.000	D 134.400	No se dispone de datos	Exención de derechos para las materias primas 1964-1969.



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INDUSTRIAL DEVELOPMENT STRATEGY AND POLICIES:
THE EXPERIENCE OF GAMBIA, 1950-72

Sulayman M.B. Fye*

Summary 1/

- * Mr. Sulayman M.B. Fye is the Chief Economist of the Office of the President of the Gambia.
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id.73-7405

1. The Gambia is the smallest nation in West Africa in terms of area and population (about 500,000). GDP per capita is about US \$100. About 85 per cent of the population derive their livelihood from agriculture and fishing. About 10 per cent of the population is literate. About 95 per cent of recorded export earnings are derived from ground-nuts.

2. The Gambia achieved independence in 1965 and was proclaimed a Republic in April 1970.

Industrial Development Achievements

3. Value added in the manufacturing sector increased from Dasiis 1.2 million in 1950 to Ds. 1.5 million in 1960, Ds. 2.0 million in 1970 and Ds. 2.8 million in 1972. Processing of ground-nuts makes a major contribution; other major industries are listed in Annex A. In 1972 the manufacturing sector contributed 3 per cent of GDP and 4 per cent of total commodity production. Gambia is therefore a "non-industrial" country using the IBRD classification, manufacturing accounting for less than 20 per cent of commodity production.

4. A Census in 1973 showed 14 enterprises employing over 100 persons providing total employment of 2,300, and 84 enterprises employing between 10 and 99 persons providing total employment of 1,200. Much of this employment is seasonal or part-time.

Industrial Development Strategy

5. The small size of the domestic market has acted as a major constraint on industrial development; many of the manufacturing enterprises that have been established have not been able to operate all the year round or at full capacity. An inadequate road system makes distribution difficult; transport up the Gambia river has not proved satisfactory as an alternative. Electric power and water are available in only a few towns so far. A 52 acre industrial estate is available near Banjul, the capital city.

6. The Gambia has few natural resources other than its land and the Gambia river. Sources of ilmenite, koalin and oil are being investigated.

So far ground-nuts, fishing and cattle (in that order) are the principal resource-based industries; there is a potential for more agro-based industries.

7. A more important constraint on economic development has been lack of trained manpower. The single Vocational Training Centre established in 1961 enrolls 60 students, and the coverage of primary and secondary education is increasing.

8. Few entrepreneurs had savings of their own in the 1950s and 1960s and borrowing from commercial banks was difficult. Some manufacturing enterprises that were established failed because of poor project formulation and/or a lack of management skills. Many Gambians therefore still prefer to invest in retail business (which requires less capital) or real estate (where there is less risk involved).

9. The Government relies mainly on private initiative to establish new industries. Funds available for capital investment have been in short supply and most of them are still needed for infrastructure and other development projects. Government investment in the manufacturing sector has therefore been limited to the take-over of two ground-nut oil mills (to help rationalize this key industry) and indirect support for Gambian entrepreneurs (first through a small loan fund established in 1959, and more recently through the establishment of a development bank).

10. The Gambia welcomes foreign investment which has been successfully attracted in the tourist and fishing industries in recent years; the Government has taken an equity participation in some of the larger ventures.

11. The author concludes that rapid industrial development to diversify the economy, create employment opportunities, and increase export earnings, will require:

- a) rapid development of agriculture and rural areas to raise domestic purchasing power;
- b) further substantial improvements in infrastructure,

- particularly the transport system, to curb the drift to urban areas;
- c) intensified efforts to foster and develop entrepreneurial and managerial skills;
 - d) the conducting of pre-feasibility studies of new projects and the creation of inter-industry links through greater reliance on domestic supplies;
 - e) the establishment of a strong and powerful institution to spear-head industrial development along a well-defined path.

Industrial Policies and Measures

12. Tariff protection has not so far played a major role in helping promote new industries. Import duties have been a major source of revenue; uniform rates have been applied to finished products and to the raw materials and semi-processed goods used in their manufacture.
13. The 1964 Development Act provided exemption from import duties machinery, equipment, and construction materials used to establish approved new industries. Exemption was also available on continuing imports of raw materials; the 1973 Development Act continues this provision but limits it to a maximum period of 8 years.
14. A tax holiday for a maximum of 5 years was offered by the 1964 Development Act. The 1973 Act makes it possible to extend this to 8 years in the case of export-oriented industries and industries or hotels located in rural areas making use of local raw materials. The 1973 Act lists the industries and activities which these incentives are intended to promote in considerable detail.
15. The 1973 Act provides specific guarantees for foreign investors, who have been further helped by the signing of double-taxation agreements with a number of industrialized countries. Employment of expatriate staff is permitted, but rules designed to promote training of Gambian staff to eventually replace them have been tightened.

16. Small companies (whose income does not exceed Ds. 15,000 a year) are exempt from profits tax (40 per cent) for two years; tax liability is also reduced by two-thirds, and one-third in years 3 and 4 and years 5 and 6, respectively.

Institutions and Industrial Development

17. Prior to 1970, responsibility for industrial development was assigned to the Ministry of Finance. In recent years, the Economic Planning Division of the Office of the President has been in charge. This Division may seek advice from the Central Planning Committee comprised of the Permanent Secretaries of all Ministries.

18. Private sector projects granted incentives are evaluated by the Economic Planning Division from both a commercial and national cost-benefit point of view. The Division, with the help of UNIDO, is examining the feasibility of several major new projects.

19. Until recently, the only sources of finance available to finance new projects were The Gambia Co-operative Union (mainly rural projects), the commercial banks and a small loan fund. In 1972, the Commercial and Development Bank was established; it will provide long-term finance for sound industrial projects and is expected to play a major role in the future development of industry in the Gambia.

20. The planned development of beach areas has attracted hotels with 1500 beds. However, a 52 acre industrial estate established at Kanifing, 8 miles from the capital Banjul, is at present under-utilized. The establishment of an organization to manage this estate and assist small-scale industries is being considered. The possibility of establishing a manufacturing free zone to promote export-oriented industries is being examined.

Table 1. List of 8 Major Industries established since 1950

(N.B. Hotels not included)

<u>Products produced by the enterprise</u>	<u>Date Established</u>	<u>Capital invested (1970)</u>	<u>Annual sales (1970)</u>	<u>Cost of Imported Supplies (1970)</u>	<u>Tariff Protection</u>
		Local currency (millions)	Local currency (millions)	Local currency (millions)	per cent
(1) Denton Refinery Ltd.	1959	D3,860,000	D 1,000,000	Not available	Nil
(2) Oil-milling Toufic Massry Oil Mill Ltd.	1954	D 990,000	D 512,000	Not Available	Nil
(3) Wearing Apparel Glamour Enterprises (Gambia) Ltd.	1966	D 100,000	D 30,000	D360,000	No duty for raw materials
(4) Manufacturing of soap and perfumery - UAC Seaward Factory	1965	D 80,000	D 25,000	Not Available	No duty for raw materials
(5) Fish-Processing Seacull Fisheries Ltd.	1959	D1,440,000	-	Not available	No duty for plant machinery
(6) Fish-Processing Gambia Fisheries Ltd.	1970	D2,000,000	D 982,000	Not available	No duty on plant machinery
(7) Shoe Manufacturing Chellarams Industries Ltd.	1971	D 120,000	D 5,400	Not available	No duty on raw materials
(8) Soft Drinks Chellarams Company Ltd.	1964	D 200,000	D 134,400	Not available	No duty on raw materials 1964-1969.

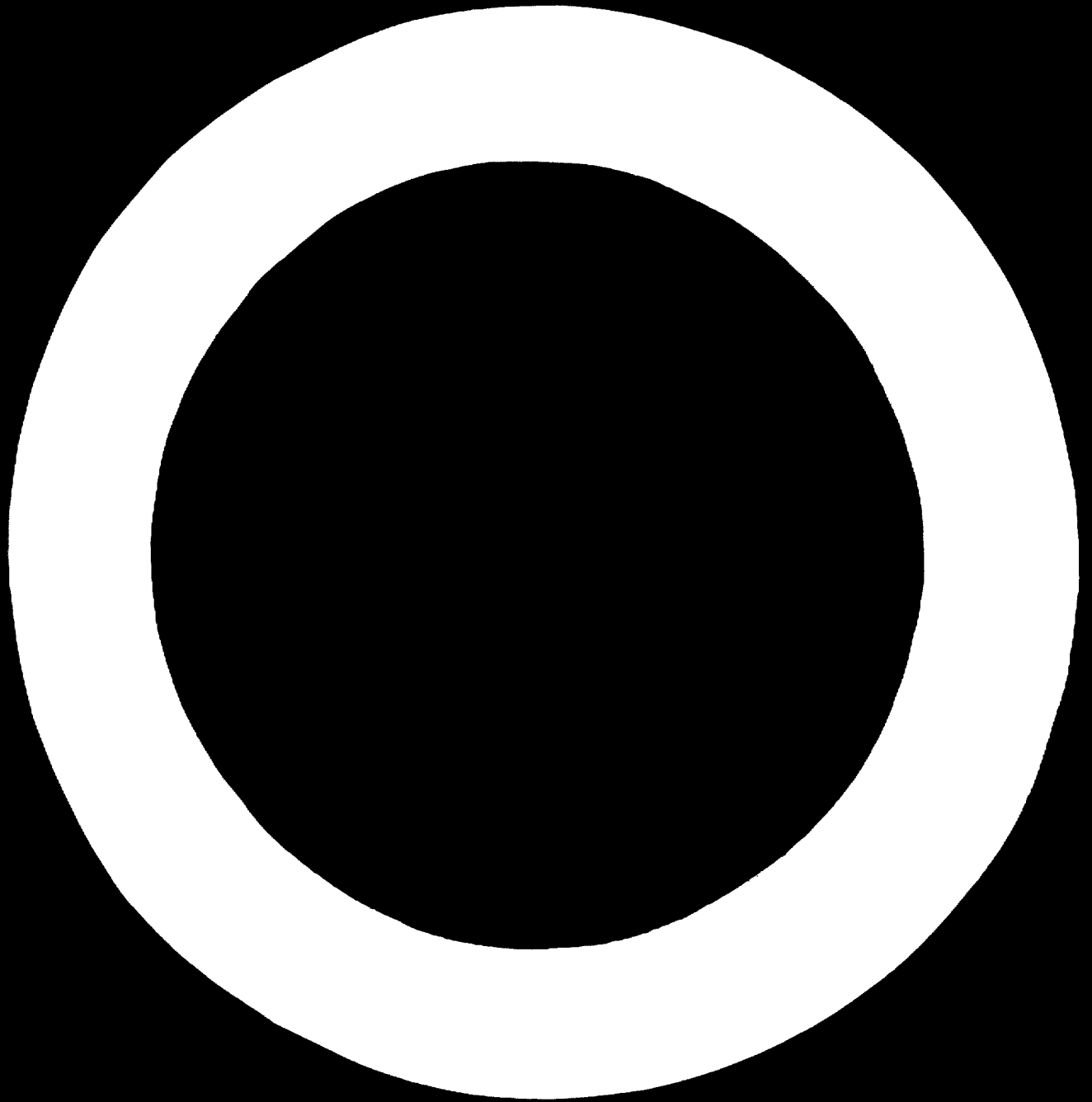


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CURRENCY EQUIVALENTS

US \$1 - Dalasi (D) 1.92 Per Capita Income - US\$ 120
Dalasi (D) 1 - US \$0. 0.52

CHAPTER ONE - INTRODUCTION

1. The capacity of the Republic of The Gambia to stand up to the complex challenges of modernization and economic progress, had bewildered many a sceptic, at the eve of the country's attainment of Independence in February 1965. In his book entitled "Inside Africa", John Gunther cited the harsh and often-repeated characteristics that militate against the country's development. "The Gambia", he wrote "is one of the most oddly shaped countries in the world. It looks like an earthworm, and fits around The Gambia River like a long, tight wrinkled sleeve. This is the oldest, smallest and poorest British colony in West Africa The road to the country's development is littered with so many obstacles - limited market, limited resources and skills that even the most sanguine optimist cannot predict significant economic progress in the foreseeable future".
2. After eight years of Independence, a correspondent in "Africa Report", - (March 1973, with a more profound insight into The Gambia's development efforts), summed up the country's performance and potential differently. "Before the turn of the century", he wrote, "People thought man would never fly. Prior to its independence on February 18, 1965, sceptics maintained that The Gambia could not survive as an independent nation, nor have a viable economy. Enlightened and determined leadership, have, after eight years of Independence, created a great potential for dramatic economic development, which formerly was altogether unthinkable. There is no doubt that The Gambia has taken its rightful place as an Independent Country in the Committee of Nations. Her achievements in the economic sphere, have proved both staggering and laudable".
3. Which of these two conflicting assessments, depicts the real situation in The Gambia? To my mind, neither is fully acceptable. It is my hope that the task to which this study addresses itself - an interpretation of the industrialization process of The Gambia; and an evaluation of the industrial strategy and policies, will help to elucidate what the true picture is. An industrialization forms an integral part of the development process, however, its evaluation can only be truly meaningful, if put in the context of the country's overall development strategy. A look at the basic economic, political and social features of the country will therefore put both the industrialization and development strategies in true perspective.

4. Economic Structure: The Republic of The Gambia is the smallest nation in West Africa in terms both of area and population. It extends along both banks of the River Gambia from the Atlantic Seaboard to the heart of Senegal, a country nearly twenty times its size, with eight times the number of inhabitants. The population of The Gambia has increased by 56% from 1963 to 1973, i.e. from 315,486 persons to 494,279. This increase reflects a growth rate of 4.6% per annum, which is very high, compared to growth rates in other West African countries. There is a widespread belief that there was an undercount in the 1963 census.

5. The average density of population, about 47 persons per square kilometre, is very high, being almost three times higher than the average (16) for the sub-region. In fact, with the exception of Nigeria (60) Rwanda (177) and Burundi (129) the figure for The Gambia is the highest in mainland Africa for the 1963/70 decade. According to the 1973 census, 15.9% of the country's population are located in the capital city, Banjul and Kombo St. Mary, which occupy only 0.8% of the total area of the country. The average growth rate in this area has been approximately 8% for the past 10 years.

6. There are few exploitable natural resources in The Gambia, apart from the land itself and the water in The Gambia River. Over 85% of the population is engaged in agriculture, livestock and fishing-sectors which contribute nearly 60% of G.D.P. The economy depends overwhelmingly on groundnuts, which provides 95% of the country's recorded export earnings. The G.D.P. per capita is about \$100. The population is still largely illiterate (90%) but school enrolment in recent years has considerably increased (from 13% of the 5-14 years' age group in 1961/2 to 25% in 1970). Population growth in The Gambia is estimated at about 2% for the country at large, although as a result of the urban drift mainly, this has risen to 8% for the Banjul/Kombo St. Mary area.

7. Political Situation: Since Independence in 1965, The Gambia has enjoyed continued political stability. The country has been governed by The Peoples' Progressive Party (P.P.P.), under the leadership of Sir Dawda K. Jawara. General elections were held in March 1972, which fully established the present government by giving the PPP 28 seats, out of a total of 32 elective seats in the House of Representatives. In April 1970, after a national Referendum, The Gambia was proclaimed a Republic with Sir Dawda Jawara becoming President under the new constitution. The tenure of Presidential office is tied to the life of the House of Representatives so that general elections are not only for members of the House, but also for the President. The Cabinet system of government remains unchanged.

8. The Gambia continues to be a member of the British Commonwealth and to receive substantial financial and technical assistance from the United Kingdom, which remains the Gambia's principal sources of foreign aid as well as her principal trading partner. With the admission of the United Kingdom into the European Economic Community (E.E.C.), The Gambia Government like many other African countries are participating in current negotiations for associate membership. Arrangements on specific economic issues have been concluded with the Senegal e.g. customs administration, trade and road transport.

9. These arrangements are designed to facilitate trade between the two countries and thus alleviate the market constraints which presently hamper the industrializations efforts of both states. Perhaps it is now pertinent to examine the role of markets in industrial development in relation to the other pre-requisites to Industrialization.

CHAPTER TWO - PRE-CONDITIONS FOR INDUSTRIALIZATION

10. A. The Market There is no doubt that large extensive markets, play a vital role in industrialization hence the increasing obsession of developing countries with such issues as Common markets, regional groupings, trade and commodity agreements and export promotion. Small markets lead to low levels of production, conflict between the need for an efficient scale of production and internal competition, and result often in low efficiency and high prices. An expanding market, on the other hand, can stimulate a high level of investment which will spur business activity and increase employment opportunities. It may also provide an outlet for the products of efficient, large-scale, mass-production industries.

11. Experience in many developing countries has shown that at the beginning of Industrialization, limited markets rank as one of the major constraints. To allay the resulting disadvantages several countries now adopt a strategy of an industry mix, which avoids particularly high-cost industries. This generally means emphasizing mass consumption goods such as food products, textiles and building and construction materials, rather than luxury and semi-luxury consumer durables. Fostering efficiency in the production of such articles, so that they may be sold at low prices which the bulk of the population can afford at low incomes, helps creatbroad and expanding markets. As such countries become more industrialized and develop an efficient industrial base, their industries can then readily enter markets and thus, begin to break out of market and scale constraints.

12. In other words, Import substitution accompanied by a certain degree of protection for infant industries has been found by many countries to be normal and often indispensable initial phase in the industrialization process. This strategy has been particularly successful only, for countries with rich natural resource endowments, and internal market, such as Brazil, Mexico and Malaysia.

13. In The Gambia, a limited market coupled with paucity of primary resources has forced us to adopt (particularly in recent years) a deliberate export-oriented industrial strategy at an early stage of development in order to ensure sustained growth, and overcome balance of payments difficulties. Import substitution has at the same time been actively encouraged in The Gambia.

14. In discussing The Gambia's industrialization process in the 1950s it is important to make a fundamental point at the very outset. No large scale or heavy industries were then in existence and the limited manufacturing sector (contributing less than 2% of G.D.P.) was confined to groundnut oil-milling, bottling of aerated or mineral waters by local entrepreneurs and tile and block-making. Small-scale and cottage industries such as dyeing, manufacture of handicrafts, basket-ware, straw mats, metal furniture, utensils, jewellery, boat-building were numerous in the artisanal sector, but because of insignificant impact on employment, value added or capital formation they will only be briefly mentioned in this study. As a rule of thumb and in accordance with standards prevalent in many other African countries, I will regard as industrial establishments, manufacturing or processing units with a minimum employment potential of ten persons, plus working owners and unpaid family members.

15. The size of the market for industrial output in The Gambia, is determined by a range of factors such as population, pattern of consumer spending and the purchasing power of the masses. In 1950 the population of The Gambia was less than 300,000 and the economically active was around 140,000, the majority of whom had no regular source of income of their own. Purchasing power was thus very limited. A peculiar income elasticity of demand for these in the monetised sector of the economy, encouraged the promotion of import substitution industries. Many consumers showed a propensity to spend a considerable part of their cash earnings on imported commodities sometimes, even before the need for more nutritive food was saturated.

16. A study of the value and structure of imports for the 1950s revealed that many imported items such as textiles, tinned food, beverages and, laundry requisites could have been produced locally for consumption and possibly, export, with comparatively limited skills and capital equipment. Import substitution could have been achieved for industries like fruit and vegetable canning, saw-milling and manufacture of furniture and clothing. Raw materials for these industries were available and investment requirement for capital and equipment was relatively limited. Besides, one of the characteristics of the Gambian market is the availability of bulk purchasers, as different from household consumers. There are Institutions that consume various industrial goods in large quantities such as stationery, furniture and uniforms. Among such institutions are Government Departments - Public Works Department, Education, Health, Police and the hotels.

17. What problems had emerged from the limited market in The Gambia in the 1950s? The most severely hit was the bottling industry. For this industry (which was very popular), demand was largely determined by social events and celebrations such as wedding, christening, parties and dances. Frequent glut in the market in the early fifties resulted in considerable deterioration in quality. Out of 12 local bottlers operating in the Banjul/Kombo area in 1950 and employing over 180 people altogether (many on part-time basis), five had to close their factories (usually located in domestic premises) because of inability to withstand fierce competition in a limited market. Similarly, expansion of handicraft production, jewellery and furniture was equally hampered by market constraints.

18. Presently although market expansion has taken place because of the advent of Tourism and a general rise in the level of Income, existing industries are still being severely hit by the limited size of the domestic market. The first beneficiary under our Development Act in December 1964 - Chellarans Bottling Company, established for the bottling of soft drinks such as Coca Cola, Sprite, Fanta Orange, Fanta Tonic and Soda Water was only utilising about 20% of its capacity because of market constraints. Production in the early years ranged from 14,000 to 18,000 cases (24 bottles in a case), and the plant was operational for 50-60 days per year. The advent of Tourism has expanded the market and over 35,000 cases are now produced annually, leaving still a great deal of excess capacity. It is not surprising that at the expiry of the company's tax-holiday or its Development or Pioneer Certificate, in November 1969, total accumulated loss was recorded as D225,000. The case of Glamour Enterprises Ltd, established in February 1966 for the production of moulded or extruded plastic products, shoes, garments, umbrellas and parasols is not different. The factory is located at the Kanifing Industrial Estate, and is in a fair technical condition, equipped with modern sewing machines. The factory is the subsidiary of a bigger company in Ghana engaged in similar production. On the average, it works only 6-7 months a year and its annual sales hardly exceed over D400,000. It is indeed, a heavy burden on overhead costs and amortization if a factory has to stop working for 4-6 months a year.

19. There is hardly a factory established in The Gambia that has not been affected by the problems of market constraint. The Gambia Distillers Ltd, set up in March 1965 by a United Kingdom based firm S. Madi Ltd. (a local firm) and The Gambia Government, with an initial capital investment of D254,895, was shortlived because it could not break even. The company's interest was "Distilling, blending and bottling potable spirits". A nnuual production was about 2000 cases of spirit and an annual trading loss of about D30,000 was incurred. The company faded from the Industrial arena in May 1970 - five years after its establishment. Further examples of under-utilisation of plants, leading to higher operating costs, and reduction of labour, could be cited from the experiences of a manufacturing unit for suitcases and bags - Travel Goods (The Gambia) Ltd, and Keack Industrial Company (The Gambia) Ltd, manufacturer of confectionery products. It was perhaps, a similar

examination of the general performance of our factories in the early years of Industrialization that drove a British Economic Mission to The Gambia to the following conclusion: "The small and poor population provide too inadequate a market to justify hopes of industrialization. The Gambia's salvation must be sought therefore on the land or in the river, since no minerals have been found in commercial quantities".

1. Market constraints have by no means, however, been the only obstacle to Gambian Industrialization.

20. B. Transport: The lack of an appropriate infrastructure is another important obstacle to industrial development. While conditions have improved greatly in the last twenty years, manufacturers still lack many infrastructure facilities in developing countries. Conditions in The Gambia reflect a similar pattern. The absence of a basic network of good roads, hampered the country's industrial progress particularly in the early fifties and sixties.

21. At the end of the second World War, The Gambia had only 30 miles of all-weather, laterite roads and as a consequence most parts of the country were inaccessible particularly during the rains. This setback did not only frustrate private initiative and enterprise but was detrimental to the groundnut and oil-milling industry. Poor, inaccessible roads made the evacuation of groundnuts immensely difficult, time-consuming and expensive. The movement of undecorated groundnut crops of usually over 100,000 tons from the seccos or stores of traders and co-operative societies to the receiving depots of the national marketing organisation (The Gambia Produce Marketing Board) - at Kaur and Denton Bridge, (four miles from Banjul) had to be accomplished between mid-December, the start of the Trade Season and the onset of the rains, in June. The inevitable delay in the loading and discharge of nuts, augmented the operation and overhead costs of the two local oil millers to whom was entrusted the crushing of 60% of the output for processing into oil and oil-cakes.

22. The formation of The Gambia River Transport Company in 1955 by seven partners (most of whom were local licensed groundnut buying agents) to supplement road transportation through the use of a mixed fleet of old and new steel barges and tugs, did not achieve many of the desired results. An almost total collapse of the evacuation process, precipitated a recent Commission of Inquiry on this company, to explore amongst other things ways and means of achieving an efficient and expeditious evacuation system for groundnuts.

23. Inaccessibility to farmers by agricultural extension workers, had adverse effects on agricultural productivity and rural incomes - both of which are vital for increased industrialization. After exhaustive comparative study of the transport sector in many economies, W.H. Rostron was forced to admit with much justification that "The Transport sector is historically the most single initiator of take-off".

24. The attainment of Independence in 1965, together with the consequent "Revolution of rising expectations", drove home the acute need for greater mobility and its importance for greater national cohesion. The result was this sector became the focus of attention and enjoyed a much greater share of the national cake. Exhortations in Parliament, in Sessional Papers and over the Radio emphasized "The dire need to improve infrastructural services in the country, without which no meaningful development could take place". About one-fourth of the capital funds in the first Development Programme 1964-1967, D4,320,000 out of a total of D18,000,000 was devoted to the communications sector, and for the second Development period 1967-1971, the allocation was D4.4 million out of a total of D13.2 million. The result of this investment was by 1971/72, the country had 180 miles of bitumenous surfaced roads and 325 miles of all-weather gravel roads, and most parts of the country became accessible to all-season motor roads. Many of the existing industries have considerably benefited from this expansion of road services, and are now able to reach the vast majority of consumers.

25. C. Power and Water: Development in this sector was very limited in the fifties and was virtually confined to the Banjul/Kombo area. Few old generating sets of the 49KVA type existed in 3 centres in the rural area, and were operational for less than twelve hours daily. Up to May 1966, the Banjul Power Station had four generating sets, with a capacity of 4,500 KW, with an optimum peak load of 2250KW. The major breakthrough in this sector, occurred in the Development Period - 1967-71 when about D1,200,000 was spent on (1) the provision of a fifth generating set in Banjul to cope with increased demand (2) extensions to the Banjul Power Station and (3) the provision of generating sets in rural centres - Brikama, Georgetown and Basse at a cost of D160,000. A sixth generating set, costing D2,880,000, has been commissioned in the current development programme and this has increased firm capacity to 5,200KW, which will be sufficient to meet demand up to 1974/75. Prior to this heavy investment in electricity supply, both the oil-milling industry and the groundnut decorticating plant at Kaur were unable to secure regular local supply, and were forced to purchase their own generators. Several of our existing industries, particularly the fish-processing units, have been largely prevented from locating their plants in some suitable parts of the rural areas because of lack of adequate supply of water and electricity.

26. Insufficient development of our water supplies has equally contributed towards the slow rate of Industrial development. Significant improvements to water supplies were only undertaken from 1964 onwards. Between 1964-1967, over D700,000 was spent on (1) the replacement of main for Banjul Water Supplies (2) the provision of constant water supply to the developing suburban villages of Serrekunda and Dakau, including an area at Xanifing especially earmarked for the location of industries.

This involved the provision of the two new boreholes and new rising main and reticulation. Further improvements occurred between 1967-71, when over D960,000 was spent on (a) Water Supply Kombo extensions (b) Banjul City Tanks and (c) Provision of boreholes in provincial centres at Brikama, Basse and Georgetown. The provision of these essential services has considerably facilitated the establishment of industries particularly in the Banjul area. This is particularly true also for the growth of the tourist industry. Between 1965-1972, the number of tourists coming to The Gambia grew from about 300 to 18,000, and the number of hotel beds from 120 to 1530. The contribution of Water Supply and electricity to this growth has been significant and unless substantial further investment occurs in this sector, the planned rate of hotel expansion will not materialize.

27. D. Industrial Sites: The first industrial estate area, ever designated in The Gambia is located at Kanifing, a fast-growing suburban town about 8 miles from Banjul. The estate has an area of 52 acres (including 1.65 miles of road) and is provided with adequate roads, water supply electricity drains and all requisite infrastructure. Presently it is grossly underutilized and only accommodates four factories. Some of our existing Industries - suitcases plant, furniture plant, garment manufacturing, located elsewhere, have firm plans to move to this area. Parts of the area are leased to companies for an initial period of 21 years, subject to periodic renewal.

28. E. Local Raw Materials: Resource discovery has unquestionably been a major factor in the past economic development of many countries. The process of economic development in some of the countries with the World's highest living standards - USA and Canada went hand in hand with the discovery, opening up and utilisation of raw materials, or new resources. The finding of oil in Libya, a country which had previously been cited for the poverty of its resources, has been a major boost of the country's economic development. The discovery of oil in Nigeria, Liberia and Algeria have served similar purposes. In The Gambia, the quest for additional raw materials still continues. In addition to investigations of the country's land resources by an ODA Mission (started two years ago) a hydrological and topographical survey of The Gambia River Basin is being undertaken by the UNDP on behalf of The Gambia and Republic of Senegal. The River Gambia, one of our under-utilised economic assets, traverses the country for approximately 300 miles and is navigable by ocean-going vessels of up to 3000 tons for 150 miles up stream. The results of these two surveys would hopefully facilitate further economic development, in the country. A quest for commercially exploitable deposits of Ilmenite (formerly mined in the sixties) as well as Kaolin and oil is also being actively pursued. Needless to say The Gambia's natural resources are mainly agricultural. Apart from groundnuts, fisheries, and cattle are the most readily available for exploitation. Lobsters which are in abundance in our waters, are virtually the highest priced crustacea in the world as a whole, whether fresh, frozen or

in a canned form. Shrimps, which are also in abundance in The Gambia River, oysters and cockles, enjoy a very high demand and attract considerably high prices in several countries such as Japan, France and the United States. Cattle of which there is a population of over 280,000 heads, together with fruits and vegetables offer great potential for dairy products, canning, and production of fruit-juice and syrup.

29. Although these resources have existed in the country long before 1950, no serious attempts have been made in the past to utilise them for industrial development. This was largely due to the familiar constraints to Industrialization - paucity of capital, limited entrepreneurship and lack of an appropriate industry - oriented Institution. Besides, the well-established fact that in developing countries, industries do not grow spontaneously (as happened in the Industrial Revolution) but require definite government action, was either not sufficiently recognised or could not be actively pursued, because of preoccupation with the more pressing problems of "Balancing the Recurrent Budget", and providing basic health, education and infrastructure services in different parts of the country.

30. In point of fact, prior to 1964, very few of our natural resources (apart from groundnuts) was utilised by industry. All the raw materials even for the bottling of soft drinks and carbonated waters, such as acid, essential oils, artificial colouring and chemical preservatives, were imported. Both a dairy and a tomato-puree plant existed in the early fifties but their operation was short-lived because of quality and market constraints.

31. With the advent of the Development Act in July 1964, a positive policy towards industrial promotion began to emerge and encouragement was given to the use of local raw materials. Three fish-processing companies were established few years after the Act - Atlantic Marine Products Ltd., in December 1966, Seagull Fisheries Ltd. - in March 1970 and what is now Gambia Fisheries Ltd. - in November 1970. Apart from Atlantic Marine Ltd., the rest are still in operation. A further attempt to utilise local raw materials came from a Gambian owned company - Denton Soaps Ltd., formed in 1965 for the purpose of transforming the waste material from the oil-milling industry into soap. The project never got off the ground because of financial constraints. Similarly the Tropical Products Institution of London, did examine the feasibility of establishing alternative uses of groundnut shell either as particle board, domestic or industrial fuel. In the case of particle board, the limiting factor was that the domestic market could not cater for the output of the smallest viable plant. Further investigation was also made on the use of groundnut husks as domestic fuel, but the big problem which is yet to be resolved, was the acceptability of brickettes as an alternative fuel to charcoal or firewood. Although it was Government's policy to encourage utilisation of local raw materials in industries, provision was equally made for the importation of foreign raw materials from any available source, through the issue of Import permits. No restrictions were placed on

the importation of raw materials required by established industries. Instead import-duty concessions are awarded either under the customs or Development Act, provided a project is considered viable and beneficial to the economic development of the country.

32. F. Human Skills: The availability of labour, natural resources and capital, can only substantially contribute towards the growth of output, if human skills are available to introduce required basic changes in the organisation and techniques of production. Adam Smith's comment on the value of skilled labour is quite accurate. "The greatest improvement in the productivity of labour", he wrote, "And the greater part of the skill, dexterity and judgment with which it is anywhere directed, or applied, seems to have been the effects of the division of Labour".

33. In common with many other developing countries, The Gambia's industrialization efforts is seriously hampered by lack of skills. There is surplus of unskilled labour, particularly among school leavers, in the urban area of Banjul and Kombo St. Mary and an acute shortage of trained manpower in almost every field of public or private interest. There is a dearth of supervisors, accountants, engineers and trained managers, particularly in the private sector. The recent World Bank Economic Mission to The Gambia, concluded in its report that "The lack of trained manpower has been by far the most important constraint on economic development".²

34. The only vocational institute in existence - one of the sources of trained manpower for industry is the Vocational Training Centre, established in 1961. The number of students is generally 60, one half of whom are in carpentry and joinery and the other half in engineering trades, such as welding, mechanical engineering and Telecommunications. Most of the graduates of this school are presently absorbed by the public sector.

35. In the 1950s and 1960s the position was worse, and industries mounted their own training programmes - a practice which still persists in many of the existing industries, particularly in the tourism sector. A hotel training school is about to be opened, jointly sponsored by I.L.O., Government and hoteliers.

36. G. Available Financing: Finance or capital plays a many-sided role in increasing an economy's output. By adding to the stock of capital, an economy may be better able to enjoy the advantages of large-scale production and increased specialisation. Capital accumulation is similarly the hand-maiden of technological progress. The New Zealand's dairyman's machine millers represent the necessary capital in the form of the actual machines, the innovation would have had no economic impact whatsoever.

1. "An Enquiry into the Wealth of Nations"
- Adam Smith

2. "The Economic Development of The Gambia"-
29 March, 1973 - IBRD Report - Annex 2 page 3.

37. In The Gambia, private savings are very limited and can hardly be relied upon to stimulate capital accumulation. Prior to the creation of the Commercial and Development Bank, there existed no local Institution for the provision of long-term financing. Borrowing from the two foreign commercial banks was extremely difficult and expensive for Gambian businessmen, since they were invariably required to seek a guarantee (usually at a fee,) from Lebanese merchants.

38. A Revolving Loan Fund was established in July 1959 with an initial outlay of D120,000 provided by the United States Government. The fund was intended to provide short-term loans to Gambian, Gambian firms and Co-operatives in order to expand industrial or agricultural enterprises, but its impact was very limited. The rate of loan recovery was equally deplorable since adequate security was not always insisted upon.

39. To fill the vacuum created by the lack of a long-term financing Institution, positive efforts were made to attract foreign private investment, through the offer of Import duty concessions for plant, machinery and raw materials as well as Income Tax Holiday. Such concessions were confined to recipients of Development Certificates and definitely facilitated establishment of many of our existing industries.

40. H. Entrepreneurial Initiative: The importance of entrepreneurship as a contributor to growth has been increasingly recognised in developing countries, hence the widespread promotion of business schools and management institutes. Entrepreneurship does not, however, only involve the undertaking of financial risk. An entrepreneur, to my mind, should be able to perceive an opportunity, have the ability to assess the risk and the return involved, be capable of mobilizing all the factors needed in the implementation of the opportunity. Because of several constraints, Gambian entrepreneurs are often unable to fulfil these criteria. The constraints include (1) acute shortage of capital, (2) Shortage of skills and lack of experience in Industrial Administration (3) Paucity of natural resources, which could be exploited on a small or medium scale. Because of these constraints, many Gambian entrepreneurs have been forced to (a) the retail trade where the capital and skill requirements are minimal, (b) small artisanal undertakings, (c) or to invest in land, buildings and taxis. All manufacturing enterprises in the fifties and sixties were owned by foreign Investors, although in few cases e.g. the cassava or gari-processing plant of Edgar, Masri & Co. Ltd., Gambia Fisheries Ltd., and African Hotels (The Gambia) Ltd., Government have participated in the shareholding. Foreign private Investment, which has grown significantly since the fifties, tend to come from diverse sources, often in the form of equity and loan financing, particularly in the case of investment in the hotel industry. Between 1963 to 1972 for example, Gross Fixed Capital formation in the tourism sector rose from D7.7 million to D14.0 million.

CHAPTER THREE - INDUSTRIALIZATION ACHIEVEMENTS IN
THE PERIOD 1950-1972

41. To evaluate the achievements or drawbacks of Gambian industries for the above period, it is important to examine what their major characteristics have been. Two phases are easily distinguishable - (1) the period before the enactment of the Development Act - July 1964, when industrial activity was very limited and revolved around groundnut oil processing, bottling of aerated waters, boat-building and block making (on small scale) and artisanal undertakings. The only heavy industry during this phase was the mining of Ilmenite deposits, commenced in January 1957 in the Kombos, about 14 miles from Banjul, with employment opportunities for 700 people. Mining was short-lived because of unprofitability in the World Market. Phase 2 represents the post 1964 period, when tourism began to gather momentum, and when a variety of light and export-oriented food industries were established.

42. The first striking feature of the industries of both phases, is the marked under-utilisation of plant capacities. Milling capacity in both mills is excessive, and has always been grossly under-utilised, with corresponding losses in value-added, employment, taxes and foreign exchange earnings. The two mills have capacity to handle over 160,000 tons of unshelled groundnuts, which is considerably more than the average annual total marketed output of 110,000-120,000 tons in recent years. Actual purchases by the millers depend on the price differential between shelled groundnuts and groundnut products (oil and cake), but generally never exceed 65% of total output marketed in The Gambia. A detailed analysis of the trading results of the bigger mill - Denton Refinery Ltd. (since the commencement of trading) reveals a constant decline in profits accumulated over the years, as shown in Table A. By 1968 only minimal profits were being reported.

TABLE A

<u>Accounting Period Ended 31st October</u>	<u>Sales</u>	<u>Cost of Sales</u>	<u>Gross Profits</u>	<u>Selling and Administrative Expenses</u>	<u>Net Profit before Tax</u>
	£,000	£,000	£,000	£,000	£,000
1964	98	41	57	8	49
1965	90	53	37	7	30
1966	94	60	34	8	26
1967	109	84	25	10	15
1968	105	87	18	13	5
1969	117	103	14	10	4
1970	146	122	24	19	5

43. Similarly a gari-processing plant located about 24 miles from Banjul, and capable of producing 1000 lbs of gari per hour has generally failed to utilise more than 20% of its capacity. The supply of cassava or tubers has not been adequate to ensure optimum operation of factory. In an endeavour to dispel the inherent disadvantages, the company extensively diversified its production programme, by growing sweet potatoes, pumpkins, mangoes, and processing lime products and confectionery groundnuts. This has only strained limited technical, financial and managerial resources, and presently, the company is at the brink of total collapse. Plant under-utilisation is virtually a characteristic of all industries presently established in The Gambia.

44. The second feature is the irregularity of employment opportunities. Employment in industries generally tend to be highly seasonal and fluctuate violently. When Chellarams Bottling Company was established in 1964, it had over 35 employees. Occasionally this number had dropped to 12, owing to frequent suspension of work as a result of market constraints. The experience of Glamour Enterprises Ltd. and Seaward Candle Factory, a subsidiary of the former United African Company (U.A.C.) reflect the same pattern.

45. A study of the performance of Industries and the economic costs inherent in the award of tax concessions, drove our Economic Planning Division to the following conclusion: "There is no doubt that some of the development projects we have offered concessions, have bestowed very little benefits to our economy. With the exemption of

Gambia Fisheries Ltd., the Mills and the hotels, the benefits of the rest either in the form of income generation or export earnings have been very meagre. For most projects, employment varied between 10 and 54, most of whom are casuals, who are laid-off periodically. Their permanent staff is seldom above 10, and work conditions require investigation by the Department of Labour".

46. The third prevalent feature is the lack of appropriate feasibility study, prior to the establishment of a Project. In several cases, projects have been established before the complete fulfilment of their financial and technical requirements was assured. When The Gambia Distillers Ltd. was established in 1965, with a capital investment of about D255,000 not all the technical and financial requirements were ascertained. Thus when efforts to secure a working capital loan of D50,000 from Government failed, the company's demise was hastened and in May 1970 it was forced into liquidation. Secondly when Seagull Fisheries Ltd. was established in March 1970 for "Catching and Freezing of Fish, Shrimps and Sea products for export", not all the technical requirements of the project were ascertained. The result is for over two years now, the factory has been lying idle, owing to prolonged delays over the construction of a jetty.

47. Express Fisheries Ltd. had to close down after a year's operation because the raw materials required to sustain the factory (shrimps) were not available in sufficient quantities throughout the year.

48. One other feature of the manufacturing sector, which makes it extremely vulnerable to externalities is the weakness in inter-industry links. While the "soap-stock", in the oil mills were being wasted on the one hand, the U.A.C. Seaward Factory was on the other hand, producing toiletry articles between 1967 to 1971. Secondly, while the saw-mill or the wood utilisation plant of the Department of Forestry is at pains as to how to dispose of its waste wood, the bottlers pack most of the soft drinks in imported crates. Furthermore, while the saw mill is working below its optimum capacity, expensive timber is being imported for conversion into furniture. Finally while the lime juice plant is exporting raw lime juice, the bottlers of "mineral waters" use imported essentials to concoct the syrup from which the soft drink is made.

49. A more prudent policy for the future would be the encouragement of a coherent group of industries, which is mutually inter-dependent through various linkages (supply of raw material from one unit to another, processing of the by-product of one unit by the other) such a situation provides a better and more solid start for industrial development than that offered by a greater number of units, which are not linked up in any complex.

50. A very glaring feature of the manufacturing sector is its over-concentration in the Banjul/Kombo complex and the limited numerical strength of its labour force. Further than 25 miles along the main road, leading out from Banjul, there is hardly a single manufacturing industry in The Gambia. Besides according to statistics furnished by the Department of Labour, only about 0.6% of the economically active population are employed in manufacturing industry. This figure is reduced by 50% during the off-season period (i.e. the rainy season). Out of 850 employees in industries in February 1970, 240 were employed on daily-paid basis in Government workshops.

51. A final feature of the manufacturing sector is that Government, either because of social consideration, the dearth of entrepreneurs or an account of the uneconomic scale of operations has been forced to enter industrial fields which in more economically advanced countries are catered for adequately in the private sector. Among these are printing and publishing, manufacture of furniture and concrete building blocks, saw milling and serial manufacturing of ox-carts.

52. The only mechanized wood-working plant in the country is the Utilization Unit of the Forestry Division of the Ministry of Agriculture. The unit is well-equipped with fairly efficient primary wood-working machines, and production consists of fence made of poles, planks for building and furniture making, crates, and lumber for boat-building. Secondly two carpentry/joinery workshops exist in the Public Works Department for the production of doors, window frames and furniture for offices and government houses as well. Odd private jobs are also done for the public. These operations being parts of governmental departments, do not have separate accounts; their expenditure is part of the estimates of the department in question and their receipts from sales are paid to the treasury through the normal government revenue channels. Consequently, it is impossible presently to run these units along sound commercial lines.

53. In spite of the above features and setbacks, significant progress has been achieved in this sector, as illustrated by the data provided in Appendix I. Some of the industries have bestowed substantial employment opportunities to Gambians and created additional source of export earnings. The 10-year old oil mills have provided regular employment for over 400 Gambians in peak season.

54. When the fish-processing factory of Gambia Fisheries Ltd. became operational in October 1971, the value of exports to France, Japan, England, Senegal and Las Palmas was recorded as D247,734 in August 1972. An export duty of 5% was levied on the company. Employment in this factory is fairly substantial. There are 136 workers presently, with an expatriate staff of 18, all of whom are working in Trawlers, imparting skills to Gambian personnel.

In addition, there are 120 fishermen registered with the company who regularly bring their catches for sale to the company. The company in turn provides them with nets, buoys, sinkers, beams and canoes etc., and assigns trawlers to them to take them out for fishing and to bring them back. Most of these articles are given to the fishermen free-of-charge, but a monthly instalment is paid for the cost of the canoes. Several Gambians hold positions of responsibility at the top echelon of the company.

55. In the field of tourism, the fastest-growing industry in the economy, great progress has been achieved. Tourism in The Gambia began in 1965/66 with the introduction of inclusive Tour Charter flights from Sweden to Banjul. In that year 7 flights were made bringing a total of approximately 300 visitors. There existed two hotels at that time with 120 beds available for tourist and business visitors. Table B below shows how tourism has developed in terms of the number of tourist arrivals (by air) and the number of hotel beds available during the last eight years.

TABLE B

Year	1965/66	66/67	67/68	68/69	69/70	70/71	71/72	72/73
No. of Beds	120	120	150	200	280	400	780	1530
No. of visitors	300	530	780	900	1250	2600	8030	12000

56. Investment in the tourist industry formed an insignificant component of total gross fixed capital formation during the 1960s and up to 1969/70, accounted for less than 10%. The latter part of 1970/71 saw a substantial increase in private investment in the hotel industry and in 1971/72 it amounted to D3.0 million or nearly 30% of total gross fixed investment. In fact given developments now in pipeline, it is expected that private investment in hotels will rise to D6.5 million in 1973/74. Table C below gives a summary of the estimates of Gross Fixed Capital Formation in the tourism sector from 1963/64 to 1973/74.

TABLE C - ESTIMATES OF GROSS FIXED CAPITAL FORMATION* (D' million)

	1963/64	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70	1970/71	1971/72	1972/73	1973/74
TOTAL	7.7	7.0	9.0	11.0	11.8	10.6	8.6	11.5	14.0	16.5	20.0
BUILDINGS	3.4	2.1	4.0	5.7	4.0	2.1	2.3	3.2	4.6	5.2	6.8
CIVIL WORKS	2.1	1.1	2.3	1.1	3.9	2.9	2.0	2.0	2.0	3.5	4.0
PUBLIC											
PRIVATE											
TOURISM	-	-	N.A	N.A	N.A	0.4	0.7	2.1	4.0	4.5	6.5
of which											
Building	-	-	N.A	N.A	N.A	0.3	0.5	1.6	2.8	3.2	4.5
Other	-	-	N.A	N.A	N.A	0.1	0.2	0.5	1.2	1.3	2.0

* Figures for 1971/72-1973/74 are indicative estimates only.

57. At the end of 1972, total Gambian employment in hotels numbered 1130, but of whom 790 were trained and 340 untrained. Among those trained, 580 were given basic level training, 140, medium level training and 70, upper level (including managerial).

58. Although the contribution of the tourism sector to capital formation and employment has risen substantially, the economic benefits of tourism have on the whole, been relatively small. On the average each tourist stays in The Gambia for two weeks and spends approximately D400. With 8000 tourists in the 1971/72 season, gross foreign exchange earnings were about D3 million or nearly 10% of recorded merchandise exports. In view of the high import content of tourists' consumption, net foreign exchange earnings may be estimated at close to D2 million (6% of merchandise export earnings). Tourism has stimulated related local industries like handicrafts, batik, tie and dye, has increased Government revenue due to rise in import duty collected particularly for alcoholic beverages, land and tourist taxes, and has created additional marketing outlets for poultry and vegetable farmers.

59. Tourism, is not without its ills, however. It can disturb the traditional norms in society, influence the standard of moral behaviour, can lead to balance of payments problems, if supporting services and industries cannot provide tourist demands and can finally jeopardise the preservation of precious local fauna and flora, some of these ills have been known in The Gambia. In fact, several ills have resulted from the advent of other industries, apart from tourism. To appreciate how the ills of industries can be averted and the developmental values of industrialization, maximized, it is now opportune to examine what extent an appropriate strategy can fulfil this requirement.

CHAPTER FOUR - THE STRATEGY OF INDUSTRIALIZATION

60. In a country that is almost entirely dependent on agriculture and where the industrial sector contributes about 3% of I.D.P., one may well ask whether it is prudent to utilize limited resources for the promotion of industrialization. In other words, why should the Republic of The Gambia, with such grave limitations of purchasing power markets, raw materials, skilled manpower, capital and entrepreneurship, be committed as it is, to industrial development?

61. Industrialization is a key factor in economic development. It offers prospects for increased employment, improved balance of payment and greater efficiency and modernization throughout the economy. Industrialization is characterised by technological innovation, the development of managerial and entrepreneurial talent, and improvement in technical skills, which lead to rising productivity. Improvements in living standards create a growing and highly elastic demand for manufactured goods. Consequently, industry does not face the same market constraints which affect agriculture and presents the prospects of a more rapid rate of growth than might otherwise be possible.

62. Through import substitution and the diversification of exports, industrialization holds out the possibility of easing balance of payments problems. Manufactured products generally have greater prospects in the world market than primary commodities which are subject to constant deterioration in the terms of trade, resulting in violent fluctuations in export earnings. It is not surprising therefore that in spite of the tremendous obstacles caused by competition from synthetics, tariff and non-tariff barriers, developing countries in general were able to achieve a 7% rate of growth for manufacturing output in the 1950s and 1960s, compared to almost 6% for the world as a whole.

63. A. Selection of Priority Industries In The Gambia, Industrialization is seen as an integral part of a common development strategy which aims at (1) Diversifying the economy in order to get away from the country's excessive dependence on groundnuts (2) maximizing employment opportunities so as to stem the rural/urban drift with its attendant problems (3) ensuring a wider geographical dispersal of the fruits of development by encouraging the location of industries in different regions of the country. In the promotion of industrial undertakings, Government has accorded preference to those which would (1) diversify exports (2) augment employment opportunities (3) utilize local raw materials and satisfy the home demand. Policies designed for import substitution and export promotion have thus featured prominently in our industrial strategy.

64. Before 1964, concern with the industrial sector, was however, very limited. Mention was hardly made of this sector in the overall review of economic activities. The first Development Programme was virtually silent on industrialization, and argued that it was more prudent, "Concentrating energy on what is successful and familiar rather than dissipating efforts and resources on experimental and risky ventures, in fields where one has to meet the full blast of competition from better-equipped and long-established competitors".

65. This policy of not wishing to venture into the unknown was quite understandable at this time, if viewed against the background of the prevalent economic and financial climate. Balancing the Recurrent budget was then the focus of attention and effort. Between 1952-1966, Government budgets were in constant deficit and reserves were drawn upon to meet ordinary recurrent services. In 1963, for example, 30% of the real recurrent costs of Government (D3,376,000 out of D11,084,000) was financed by external grants of one sort or another. Obsession with balancing the budget was dramatically reflected in the Governor's statement to Parliament in December 1963 - "Every country, however large or small, must in the long run balance its revenue and expenditure"; he said, "In a territory with such small resources as our own, the need to balance is even more obvious. I would here quote the advice of Mr. Micawber to David Copperfield, he said "Annual Income £20, annual expenditure £19.19.6d, result - happiness. Annual Income £20, annual expenditure £20.0.6d, result - misery". That very simple statement contains a fundamental truth and applies equally to countries as it does to families and individuals".

66. By the beginning of the second Development Programme in July 1967 balancing the Recurrent Budget was achieved and a more positive commitment to the above strategy began to emerge. The Minister of Finance in a budget speech to Parliament in June 1966 explained the policy towards industrialization in these terms: "We offer generous concession under the Development Act and place no obstacles in the way of repatriation of profits in the currency of the country making the investment nor do we envisage placing restrictions upon the repatriation of capital. On these terms we welcome any would-be investor who is genuinely interested in demonstrating his confidence in the future of The Gambia by investing in pioneer industries in our country". Basically the same policy is being pursued in the current Development Programme.

67. It is clear from the above that apart from spelling out policy objectives in the industrial sector and providing infrastructure, concessions and a congenial investment climate, Government's involvement was very limited. In fact, the evaluation of the costs and benefits of an industrial project is only undertaken, when the proprietor seeks to benefit from Development concessions. Then a careful evaluation of the project, designed to establish whether it is economically and financially viable is undertaken by the Economic Planning Division of the Office of the President. Consideration of the benefits that accrue to the economy in terms of employment, value added, foreign exchange savings and improvement of local skills then become issues of paramount importance. As has already been demonstrated in previous chapters, many of the established industries have partially achieved the objectives set out by Government.

68. In The Gambia, however, comprehensive national development plans are not yet formulated and consequently quantitative targets are not projected for industrial units. Government does not initiate industrialization, except through feasibility studies and pilot under-industrialization, except through feasibility studies and pilot undertakings in certain cases. Already there are on-going studies by UNIDO for the mining of Kaolin deposits and the manufacture of agricultural implements. Government does participate in certain industrial undertakings, however, - Gambia Fisheries Ltd., African Hotels Ltd. and have entirely taken over the two oil mills, in an effort to rationalize and control all aspects of the groundnut industry - the life-blood of the economy.

69. Finally there is no sharp distinction in relation to ownership of industries. No specific list of industries is exclusively reserved either for Government or the private sector. The Development Act embodies a schedule of over 40 products, the processing or manufacture of which may warrant the issue of a Development Certificate. A further list of manufacturing activities, which may benefit from Development concessions is also furnished.

70. B. Implementation of Industrial Projects: Implementation of Industrial projects is largely undertaken by foreign Investors in the private sector. Virtually all the existing manufacturing units, with the exception of lime-processing, hides and skins development, and assembly of ox-carts, have been initiated and implemented by private Investors. Aid agencies have participated in feasibility studies, particularly in the tourism industry and in the artisanal undertaking.

71. In the case of the lime-processing unit, Government had to demonstrate its viability through the establishment of a Pilot Project, before the project was handed over to Edgar, Masri & Co. Ltd. for management and expansion. Similarly the Hides and Skins Unit started as a pilot project under the supervision of the Veterinary Department before its transformation into a private company in November 1971. The working capital has been provided by The Gambia Produce Marketing Board but Government is the sole shareholder. Since 1971, the company has processed 11,047 hides and skins, the export value of which is about D50,000. The continued assembly of ox-carts by the Ministry of Agriculture is presently the subject of review and evaluation by UNIDO.

72. Industrialization policy has been largely governed by the Development Acts of 1964 and 1973 respectively. In the case of the former, no extra inducements were given for the location of industries outside the Banjul/Kombo complex, and no special priority was accorded to labour-intensive projects. On the contrary the long period during which generous capital allowances could be claimed tended to encourage increased investment in machinery and plant. The latter act has dispelled these setbacks by (1) offering greater concessions to industries located in rural areas and (2) ensuring that capital allowances are deducted at the beginning of a tax-holiday period and not after, as was previously the case. It is a bit premature to assess what success has emerged from these changes.

73. C. Promoting Export of Manufactured Goods: The export of manufactured goods has always been a fundamental objective in our industrial strategy, in view of the limited size of our domestic market and the low purchasing power of consumers. To encourage exports, the Ministry of Finance has in certain cases been disposed to reduce or waive normal export and excise duties in respect of certain products. The Fishing Industry provides examples of a few cases.

74. D. Promoting Employment: The promotion of employment opportunities has been a fundamental objective of Government's industrial policy. Alan Major (ILO Adviser on small-scale enterprises) was virtually echoing the views of Government when he wrote: "It is the creation of more employment opportunities which is one of the priority needs for The Gambia, even if it is not the priority need and the key to entire development. More employment means more spending power, which in turn means a higher level of demand and a

more extensive market, with, in consequence, more production opportunities and more employment". Although up-to-date labour statistics are virtually non-existent, the magnitude of the unemployment problem is glaring enough to even the most casual observer.

75. Between 1946-1970 enrolment in Gambian primary schools rose by 9% per annum, and recently over 4000 young persons, often at the tender age of 12 or 13, "Equipped with an intellectual apparatus and orientation", to quote Dr. Sleight (UNECCO Adviser on Educational Planning) "which not only fits them for a developing rural environment, but turns them away from it", have been migrating to the urban area in quest of jobs in order to participate in conspicuous consumption. Furthermore, while the mean level of employment fell by 12% between 1963-1966, the labour force increased during the same period by at least 30%.

76. Faced with such a situation, it is not surprising that the creation of employment opportunities has been a dominant objective in the industrialization effort. From data available in Tables 1 & 5, it is fair to state that some measure of success has been achieved although it is equally clear that a complete solution is far from being within sight. Most of the established industrial units have tended to be somewhat capital-intensive, probably because of the generous capital allowances for machinery and plant, in addition to import-duty concessions for companies in possession of development certificates under the 1964 Act.

77. E. Location of Industries in New Centres and Rural Areas: The first major step in the location of industries outside the capital - Banjul, has been taken in the creation of a seven tourism development areas along the coastal strip stretching many miles along the north of the Kombo St. Mary Peninsula. The first development area comprises all land suitable for development located along the coastal strip to the North of the Kombo St. Mary Peninsula from Kotu Stream in the west to Banjul in the East. This area has been provided with adequate infrastructure and will be served by labour-supporting centres in its vicinity. The total cost of infrastructure in the area (including the provision of a main coastal road, which will serve future hotel areas) is D254,000. Already two hotels providing 500 beds have been constructed in the area and a third one (with 500 beds) will be completed in the course of next year. In aggregate the development premium paid by the two in July 1972 amounted to D109,284 and the aggregate annual land rent for the first year was D113,000. Thus, the initial capital cost of infrastructure for the area was just a little greater than the revenue received from annual land rent and a lump sum development premium. It is Government's intention to gradually encourage the establishment of hotels in the other seven centres. Already a tourist camp has been established at Tendaba, a river port, situated about 104 miles from Banjul, and through the offer of greater tax concessions and greater improvement of infrastructure, Government hopes to gradually achieve its desired objective of locating industries in rural areas.

1. "Report on The Development of Small Enterprises and Handicrafts Industries - Alan Major, ILO Expert - p.8 para.2 1.2
2. "The Development Programme in Education for The Gambia"- Dr. G.F. Sleight (UNICEF) p.5.

78. F. Development of Manufacturing Technology: Government's involvement in this field, has been extremely meagre. By and large the choice of appropriate technology has been the prerogative of the private Investor or company. In the case of the few industrial projects initiated by Government, care has been taken to ensure that the technology employed is appropriate for the stimulation of productivity and employment.

79. G. Training of Local Labour and Mangement: The training of Gambian personnel by local industry has always provided much concern in Government circles, since this is one of the sure assets which can result from the promotion of foreign private investment. By and large, training has been essentially left with private enterprise who have proved extremely slow in providing this facility. In fact many of them have considered it unwise to invest funds in training programmes, when they could not be certain of retaining the services of the trained personnel subsequently. Thus the exhortations of the expatriate quota Allocation Board (established by Government in 1971 to promote Gambianization) have tended to fall on deaf ears.

80. Among the measures now adopted to stimulate training in industry are (1) the policy of withdrawing or reducing the quota for expatriate labour after a certain number of years and (2) insistence on the establishment of training programmes, as a condition for the issue of a Development Certificate. Government has realized the problems involved in entrusting training of local personnel to industries, and is gradually assuming part of the responsibility. The Hotel Staff Training Project is a product of this new policy.

CHAPTER FIVE - INDUSTRIAL POLICIES & MEASURES - 1950-1972

81. The establishment of public projects in the industrial sector, is generally preceded by feasibility studies, designed to evaluate their prospects for viability. Examples from some of the on-going projects will illustrate this.

82. Although a UNDP Geological Mission to The Gambia established the existence of a sedimentary white Kaolinitic clay in an area of over 1000 square kilometres in the Upper River Division, suitable for use in ceramic and paper industry, experts from UNIDO are currently evaluating the commercial feasibility of exploiting this resources. Similarly a feasibility study is being undertaken by UNIDO on the manufacture or assembly of suitable ox-drawn equipment for the mechanisation of agriculture. Further similar studies are about to be undertaken in connection with the establishment of a Central Abattoir for meat-processing in Banjul, and the development of Inshore Fishing.

83. In the private sector, the establishment of many projects is not preceded by detailed technical, economic and financial study, and the result is, some become short-lived or encounter serious problems when established. The current Development Act now insists

the production of a cash-flow for every project for a period of at least 3 years, before serious consideration is given to the need for development concession.

84. Apart from feasibility studies, other major policies relating to industries are provided by two Development Acts of 1964 and 1973. The former accorded duty-free relief for the construction and raw materials, plant and machinery of an approved industry, as well as a maximum Income Tax holiday period of five years.

85. Under the existing Act, exemption from Income Tax may be granted for a maximum period of eight years. This is particularly meant for major export-oriented industries, or hotels, located in the rural area, and preferably utilising our local raw materials. The rest of the available concessions are (1) an Investment Guarantee, relating to such matters as fiscal stability, repatriation of capital and the transfer of dividends and profits, (2) a reduction or elimination of excise or export duty for a development product for a prescribed period, (3) a reduction or elimination of duty on raw materials or semi-processed raw materials for a maximum period of eight years, (4) relief from the payment of purchase tax on materials obtained from local sources and a refund of up to 90% of the duty element on materials purchased locally, (5) duty-relief on plant, machinery and all construction materials utilized in a factory. Finally the holder of a Development Certificate may, after the expiry of his tax-holiday period, carry forward and set off any net loss incurred during his tax-holiday period, against chargeable income in respect of six succeeding years of assessment. In addition to the above, a reasonable expatriation quota is always assured, if this is essential to the successful operation of a project. The Development products or activities which qualify for assistance under the Development Act are the following:

First Schedule

Part One - Development Products

- | | |
|---|--|
| 1. Fruit preserves & preparations | 14. Builders hardware |
| 2. Beer and potable spirits | 15. Metal windows & fitting thereof |
| 3. Cigarettes | 16. Mirrors |
| 4. Paint, Polishes & varnish | 17. Venetian blinds |
| 5. Wood pulp, straw pulp | 18. Spring Mattresses |
| 6. Boxes & containers of paper, paperboard & plastic material | 19. Electric batteries |
| 7. Moulded or extruded plastic products | 20. Dried & smoked fish |
| 8. Soap | 21. Ice Cream |
| 9. Detergents | 22. Perfumery & cosmetics |
| 10. Fertilizers | 23. Pharmaceutical goods, disinfectant |
| 11. Cement | 24. Boots and Shoes |
| 12. Wire, fencing, barbed wire | 25. Fancy leather goods |
| 13. Nails, staples, screws and similar products | 26. Garments, hosiery |

- | | |
|---------------------------------------|--|
| 27. Sacks | 34. Toys, sports goods |
| 28. Metal buckets & Domestic utensils | 35. Musical instruments |
| 29. Metal tools & implements | 36. Carbonated soft drinks & cordials |
| 30. Safes & strong boxes | 37. Candles (see note) |
| 31. Agricultural implements | 38. Trunks, suitcases, bags and other travel goods |
| 32. Bricks, roof & floor tiles | 39. Umbrellas & parasols |
| 33. Furniture | 40. Fur hats for export |

Part Two - Development Activities

- Freezing of fish for export
- Canning of fish, meat, fruit and vegetables
- Processing of hides and skins
- Collection, processing and packing of salt
- Foundry
- Galvanizing of metal goods
- Retreading of tyres
- Grinding of optical glass
- Assembly of radio & television sets
- Assembly of domestic and electrical equipment
- Assembly of office machinery
- Assembly of sun-ray heating system
- Assembly of time recorder, precision instruments
- Assembly of bicycles
- Assembly of motor vehicles
- Printing & Bookbinding (but not issued and distribution of newspapers)
- Distilling, blending & bottling of potable spirits. (The relief to be granted to any person engaged in the distilling, blending and bottling of potable spirits shall be limited to relief from customs duty as provided in Part III of the Act)
- Bottling of refined groundnut oil
- Establishment and operation of hotels.

Second Schedule

86. All building materials, tools, plant, machinery, pipes, conveyor belts or other appliances and materials necessary for and used in the construction, alteration, reconstruction or extension of any mine, plantation or factory specified in a development certificate granted under section 6 of this Act or for equipping such mine, plantation or factory or any extension thereof.

87. In addition to concessions offered by the Development Act, companies may also become beneficiaries of additional concessions under the Income Tax Act. This Act offers an initial capital allowance of 40%, together with an annual allowance of about 12% in respect of plant and machinery. For buildings, the initial allowance is 10% and the annual allowance - 4%.

88. For companies with Development Certificates, the accumulated capital allowances are admissible against the taxable profits arising after the tax holiday period, and any adjusted loss is carried forward for a maximum period of six years. Dividends declared and paid out of the profits of the tax holiday period, would also be relieved from Income Tax to the maximum of the company rate. Under the double taxation agreement of The Gambia with some other countries like the United Kingdom, Sweden, Norway, Denmark, Nigeria, Sierra Leone, Ghana and the United States of America, dividends earned or accrued in The Gambia under the above agreements, are not taxable even if the company paying dividend is resident in The Gambia.

89. Even without a development certificate, however, small companies having an income of less than D15,000 a year, and engaged in activities prescribed in the Development Act, enjoy tax holiday for the first two years of operation. For the next two years, they will be obliged to pay tax but at one-third of the company rate and for the subsequent two years at two-thirds company rate. Thus they get a graduated relief for the first six years of their existence. Finally, in respect of petroleum and mining companies, in addition to the usual capital allowances mentioned, a special initial and annual allowance is admissible on the pre-production exploration cost.

90. The general treatment of tariffs particularly for raw materials has been an obstacle to industrialization. In many cases, the duty on the raw and semi-processed materials is charged at the same rate as that on the finished article. This lack of tariff differential tends to force the local manufacturer to increase his selling prices to the detriment of the competitiveness of his product.

91. Wooden crates attract no import duty, while timber (used in making them) attract 10%. Fibre boards and fittings (for suitcases) attract 25% - the same duty that is levied on the finished product - suitcases. Singlets and the raw material used to produce them, attract the same level of duty. This lack of a differential in duties between raw materials and finished products has considerably hampered the production of Travel Goods Ltd. and Glamour Enterprises Ltd. The former has always been chronically short of capital and operates on "stop-go-stop" principle. Average production from 1968 to mid 1971 was approximately 330 cases per month and over 8000 suitcases have so far been produced and sold locally. The Plant has capacity for the production of 2,500 cases per month, the minimum viable output for the type of plant available.

92. The policy of reducing tariffs for the raw materials or inputs of processing and manufacturing enterprises, prevalent in many developing countries, has not yet gained widespread acceptance in The Gambia. Import duties are considered an important item of revenue and concessions involving their reduction are never easily given. Perhaps this is understandable. Import duties constitute the single most important source of current revenue, contributing about two-thirds of total fiscal revenue, and its reduction could have serious consequences. On the other hand, even before the advent of the Development Act, certain items of machinery and equipment (which

can only be utilized for agricultural or industrial purposes) have always been admitted duty-free.

93. Has the overall impact of tariff protection, investment incentives etc., been sufficient to stimulate private investment? To a reasonable extent, some success has been achieved, as can be inferred from the data in Appendix I. The oil-milling industry has immensely contributed to employment, capital formation and general revenue through indirect taxes. The hotel and fishing industries have significantly conferred benefits which have already been discussed.

94. On the other hand, many established projects have abused some of the concessions, and have bestowed very little benefits to the economy. Many companies have used their Development Certificates to import articles and materials unrelated to their development activity. Protection of industries have resulted in certain instances, in loss of revenue. Finally claims of capital allowances for machinery and plant have often been used, and this has tended to prolong tax-holiday periods. Many of these abuses partly stemmed from weaknesses inherent in administrative machinery and institutions. As a matter of fact, a lot of the weaknesses of the manufacturing sector is attributable to the absence or weaknesses of relevant institutions. An examination of the vital role of appropriate institutions in industrial development will shed further light on this.

CHAPTER SIX - INSTITUTIONS AND INDUSTRIALIZATION 1950-1972

95. The importance of appropriate social, economic and political institutions in the promotion of industrial and economic development in general, has increasingly dawned upon many developing countries. Many economists and other social scientists after considerable research and intensive study are ascribing many of the ills of the developing world to setbacks inherent in prevailing social customs and institutions, such as the extended family system and the conspicuous consumption, prevalent in urban centres. These factors tend to considerably reduce the savings potential in any economy. In his book entitled "Asian Drama: An Inquiry into the poverty of nations", Professor Gunnar Myrdal makes a similar observation - "Development is not a mechanical process of adding to capital stock, human skills, technological knowledge and artifices, but a matter of institutional change of attitudes and behaviour patterns, of all those intangible elements that distinguish a human society from a field of particles or a colony of ants". In his "Theory of Economic Growth", W. Arthur Lewis postulates a similar theory: "Economic Development", he wrote, "Depends on attitudes to work, to wealth, to thrift, to having children, to invention, to adventure and so on, and all these attitudes spring from deep springs in the human mind".

96. The savings potential in The Gambia is very limited. The amount of savings deposits with the Post Office Savings Bank, for

example, increased at an annual average rate of 5% between 1965 to 1970. This is not surprising in a country, where according to the Department of Labour, about 30% of the labour force in the capital city is unemployed. Clearly the social attitudes and features emphasized by Lewis and Myrdal are important contributors to industrial development, but as both of them have admitted, the achievement of a "revolution of attitudes, which are so deep-rooted" is indeed a formidable task.

97. One must therefore examine the other institutions which may be more susceptible to changes. Those which come readily to mind in The Gambia context are (1) The Commercial and Development Bank established about a year ago and (2) The Gambia Co-operative Union Ltd. The former has begun to meet the credit requirements of Gambian participation in the industrial sector. The latter has for many years been providing loans for the purchase of agricultural implements, to the rural sector, and this has been an asset to the industrialization effort.

98. A big vacuum in our industrial strategy has been caused by the absence of a national industrial development corporation or Bank entirely devoted to the promotion of worthwhile industries. Experience in many developing countries has revealed the vital role such institutions can play in the establishment of viable industrial undertakings.

99. The role of such institutions will primarily be to give leadership in mobilizing resources for industrial development, to undertake feasibility studies and establish pilot projects, to advise the government on a wide variety of important policy questions affecting industrial development, including taxation, tariffs and financial policy, and to serve as the centre for information of interest to potential investors in industry, both foreign and local. This involves maintaining adequate statistics and library reference material and carrying on research to obtain information not readily available. The conditions which will be essential to the success of this institution include continuity of basic personnel and policy strong leadership, highly qualified staff, full support of key Ministries, and the respect and confidence of the private sector.

100. There are many such institutions in the developing world that have successfully monitored industrial development in their respective countries. In Mexico, where industrial expansion has been very rapid growing at 9% a year, the leading role in industrialization has been played by NACIONAL FINANCIERA, a powerful development corporation and bank with assets of its own. It is now trying to influence the development path more directly by picking on products which have linkages with other types of production in Mexico, which can help to use Mexican capacity more fully or which can exploit Mexican raw materials. The Nacional Financiera has taken over some of the entrepreneurial functions from foreign enterprise and is steering it in directions which it considers to be needed by the Mexican economy.

101. Similar lessons could be drawn from another fast "industrializing" country - Brazil. The BANCO DE BRAZIL and the Brazilian Development Bank have acted as powerful instruments for industrialization. They have played a major role in choosing the industries to be developed. The experience of the industrial development corporations of Kenya and Botswana, to name a few in Africa, show similar results.

102. In The Gambia no such institution exists and initiation and follow-up of industrial projects is left largely to private enterprise. There is no specific Ministry for industry in The Gambia. The promotion of industrial development has since 1970 devolved upon the Economic Planning Division of the Office of the President. Formerly the responsibility was assigned to the Ministry of Finance.

103. Industrial projects are evaluated by a cadre of economists, supervised by a Chief Economist in the Planning Division. Four major considerations guide the evaluation of such projects - (1) the project's background, objectives and alternatives, (2) Social cost-benefit analysis (the value of costs and benefits from the standpoint of the national economy, rather than at market prices and (4) other relevant economic factors e.g. non-quantifiable costs and benefits, such as effects on distribution of income and on regional balance. If necessary, the Economic Planning Division may seek advice from the Central Planning Committee, composed of the Permanent Secretaries of all Ministries and under the chairmanship of the Secretary to the President.

104. Needless to say, The Gambia's experience in the field of industrialization outlined in the previous chapters has demonstrated the weakness inherent in the present policies and institutions, and the crying need to introduce immediate remedial measures if this sector hopes to play any significant role in the development process. It appears that the Government has come to recognise the inadequacies of present policies in this field and has recently decided "To request UNIDO to provide one short-term consultancy to advise on the institutional framework that should be developed to enable a more positive approach to industrialization to be adopted, covering such matters as initiation and implementation of joint ventures, attraction of foreign capital to establish export-oriented manufacturing units including free zone trading, industrial estate management, small-scale industry assistance and tariff structures".

105. This decision, is in my view most prudent and timely and is the logical outcome of many years experience in a field of great potential, but which we know so little about.

CHAPTER SEVEN - CONCLUSION

106. The main characteristics and problems of The Gambian industrialization effort, already reflected in this study may be briefly summarised as follows:-

- (1) A very limited market, coupled with low purchasing power, has provoked an array of serious economic problems, such as under-utilisation of plant capacity and violent fluctuation in employment and earnings.
- (2) Slow development of infrastructure has tended to precipitate the concentration of industries in the urban/kombo complex and to accentuate the rural exodus.
- (3) Paucity of entrepreneurs and skills has not only precluded utilisation of a lot of local resources, but has compelled Government to operate units which are best undertaken by private enterprise.
- (4) Finally the absence of a strong and powerful institution to spearhead industrial development along a well-defined path, has led to lack of inter-linkages and the absence of pre-investment studies for many industrial undertakings.

107. These characteristics and bottlenecks are by no means peculiar or confined to the industrial sector. They are features inherent in the whole development process. No panacea has been proposed for all these ills. What emerges quite clearly, however, is the crying need to recharge our batteries and double our efforts in pursuit of agricultural development. The industrial effort must never be abandoned, but it is absolutely clear that The Gambia's salvation lies in the land. After 20 years of industrialization the number of manufacturing enterprises in existence can still be counted in one's toes and fingers and the employment that has resulted is still less than 2000. (a lot of which is part-time). In fact no serious industrial development can take place in The Gambia, without the development of the agricultural sector.

108. Similarly, the problem of urban drift, which industrialization seems to have accentuated, cannot be resolved without a marked improvement of the rural sector. It does not matter how relevant a school curriculum may be, "So long as the rural population feel caught in a vicious circle of rural poverty, rural education, low income and continuing poverty", as the "Commonwealth Specialist Conference on Education in rural areas" of March 1970 correctly put it, "Most of its members will seek to escape. This exodus is only a symptom. Unless opportunities and prosperity are relatively evenly spread, people cannot be prevented from moving in search of better conditions of life. Indeed, it would amount to a denial of their fundamental human right to attempt to do so".

109. Two fundamental objectives of our industrial strategy, have clearly emerged from this study - (1) the augmentation of employment opportunities and (2) the diversification of the economy and the promotion of exports. For the former success will only be within sight, if the problem is attacked from all conceivable fronts. It is a national problem and calls for a national attack. Any feasible remedial attack will require economic reform. The latter would require sustained endeavours to overcome barriers in foreign markets and to join in regional economic groupings. All these approaches or strategies require **POLITICAL WILL** and **CHANGE** if success is to be achieved. Fortunately the President of the Republic has set the tone in his elucidation of national policies and objectives:

"In harnessing our resources to develop the country, we are mindful of the fact that development without change is a contradiction in terms. We do not pursue change for its own sake but we are not afraid to introduce those changes necessary for progress and development in the confident, expectation that such changes will bring in their wake enhanced prosperity, justice and satisfaction for all".

The President has shed the light and it is to be hoped that the Civil Service will generate the necessary changes to make the objectives of the industrial sector, quickly attainable.

1. - Sessional Paper No.1 of 1973
Presidential Address to Parliament
by Sir Dauda Jawara.

APPENDIX 1

Table 1. List of 8 Major Industries established since 1950
(N.B. Hotels not included)

<u>Products produced by the enterprise</u>	<u>Date Established</u>	<u>Capital Invested (1970)</u>	<u>Annual sales (1970)</u>	<u>Cost of Imported Supplies (1970)</u>	<u>Tariff Protection</u>
		Local currency (millions)	Local currency (millions)	Local currency (millions)	per cent
Oil-milling					
(1) Denton Refinery Ltd.	1959	D3,860,000	D1,000,000	Not available	Nil
(2) Oil-milling Toufic Massry Oil Mill Ltd.	1954	D 990,000	D 512,000	Not available	Nil
(3) Wearing Apparel Glamour Enterprises (Gambia) Ltd.	1966	D 100,000	D 30,000	D360,000	No duty for raw materials
(4) Manufacturing of soap and perfumery - UAC Seaward Factory	1965	D 80,000	D 25,000	Not available	No duty for raw materials
(5) Fish-Processing Seagull Fisheries Ltd.	1969	D1,440,000	-	Not available	No duty for plant machinery
(6) Fish-Processing Gambia Fisheries Ltd.	1970	D2,000,000	D 982,000	Not available	No duty on plant machinery
(7) Shoe Manufacturing Chellarams Industries Ltd.	1971	D 120,000	D 5,400	Not available	No duty on raw materials
(8) Soft Drinks Chellarams Company Ltd.	1964	D 200,000	D 134,400	Not available	No duty on raw materials 1964-1969.

Table 2. Composition of Gross Domestic Product

	Local currency, constant prices (in millions of Dalasis)						Growth rates
	<u>1950</u>	<u>1960</u>	<u>1970</u>	<u>1972</u>	<u>1950-60</u>	<u>1960-70</u>	<u>1970-72</u>
Agriculture	N.A.	40.5	47.6	N.A.	N.A.	42%	N.A.
Mining	0.2	0.3	0.3	N.A.	-	50%	-
Petroleum	-	-	-	-	-	-	-
Manufacturing	1.2	1.5	2.0	2.8	25%	33%	40%
Other Sectors	-	15.4	35.1	-	-	50%	-
Total GDP	-	57.7	85	96	-	60%	12.5%

GDP (US \$)

Population (millions)

GDP per capita (S) \$ 100 approximately



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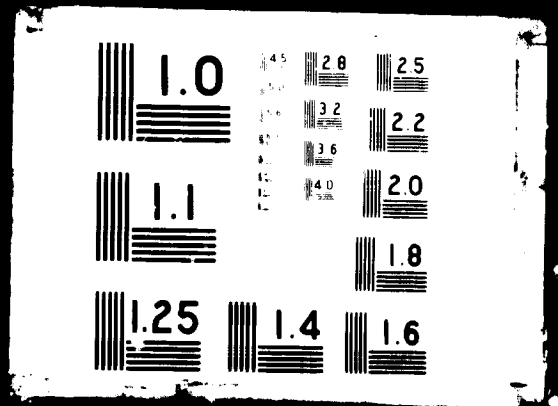


Table 3 THE GAMBIA: OFFICIAL BALANCE OF PAYMENTS ESTIMATES - 1965/66-1970/71

(In millions of Dalasis)

	1965/66*	1966/67*	1967/68*	1968/69	1969/70	1970/71 ^{1/}
Trade balance						
Exports & re-exports (f.o.b.)	<u>-1.0</u> 26.5	<u>-2.0</u> 31.5	<u>-8.5</u> 27.0	<u>-6.5</u> 37.0	<u>-0.5</u> 33.0	<u>-7.5</u> 31.0
Imports (f.o.b.)	27.5	33.5	35.5	43.5	33.5	38.5
Services balance	<u>-1.5</u>	<u>-</u>	<u>0.5</u>	<u>-3.3</u>	<u>-1.7</u>	<u>-4.0</u>
Freight and insurance	-1.5	-2.0	-2.0	-3.0	-2.0	-4.0
Tourism	-	-	-	0.2	0.3	0.5
Other Services	-	2.0	2.5	-0.5	-	-0.5
Goods & services balance	<u>-2.5</u>	<u>-2.0</u>	<u>-8.0</u>	<u>-9.8</u>	<u>-2.2</u>	<u>-11.5</u>
Net capital inflow	<u>7.0</u>	<u>5.0</u>	<u>3.5</u>	<u>2.0</u>	<u>2.0</u>	<u>5.5</u>
Private	...	...	...	0.0	0.0	2.5
GOMB/GPMB	...	...	...	-2.5	-0.5	-0.5
Government	...	...	...	4.5	2.5	3.5
Net errors and omissions ^{2/}	<u>2.2</u>	<u>-1.2</u>	<u>3.4</u>	<u>7.5</u>	<u>3.6</u>	<u>4.6</u>
Allocation of SDRs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.7</u>	<u>1.6</u>
Overall balance	<u>6.7</u>	<u>1.8</u>	<u>-1.1</u>	<u>-0.5</u>	<u>5.1</u>	<u>0.2</u>
Net change in ^{2/3/} external reserves	<u>-6.7</u>	<u>-1.8</u>	<u>1.1</u>	<u>0.5</u>	<u>-5.1</u>	<u>-0.2</u>

*The figures for 1965/66-1967/68 are not strictly comparable with those for the following years.

^{1/} Provisional figures

^{2/} Adjusted so that figures on net change in external reserves agree with corresponding figures in Table 12.

^{3/} Minus sign indicates increase.

Sources: Statistical Division, Ministry of Finance; Central Bank of The Gambia.

**TABLE 4 - EMPLOYMENT SURVEY
CONDUCTED BY CENTRAL STATISTICS
OFFICE IN JUNE 1973**

Total employment covered in the survey was 16,723 of which 75.4% was provided by the Government and Quasi-Government sector and 24.6% by the private sector. Of course, employment in the private sector was seasonally low during the month of the survey (June, 1973), because of it being off-season both both groundnut trading and tourism.

The percentage distribution of total employment by main industrial groups and sectors is shown below:

Industry	Percentage of total employment		
	Govt. & Quasi-Govt. Sector	Private Sector	Both sectors
1. Agriculture, hunting, forestry and fishing	7.2	-	5.5
2. Manufacturing	10.7	20.9	13.2
3. Electricity, Gas and Water	5.0	-	3.7
4. Construction	35.3	26.2	33.1
5. Wholesale & Retail Trade & Restaurants and Hotels	1.4	30.1	8.4
6. Transport, Storage & Communications	9.2	6.1	8.4
7. Financing, Insurance Real Estate and Business Services	1.1	2.9	1.6
8. Community, Social and Personal Services	30.1	13.8	26.1
All Industries	100.0	100.0	100.0

TABLE 5 - Number of Persons Employed in
Manufacturing Sector

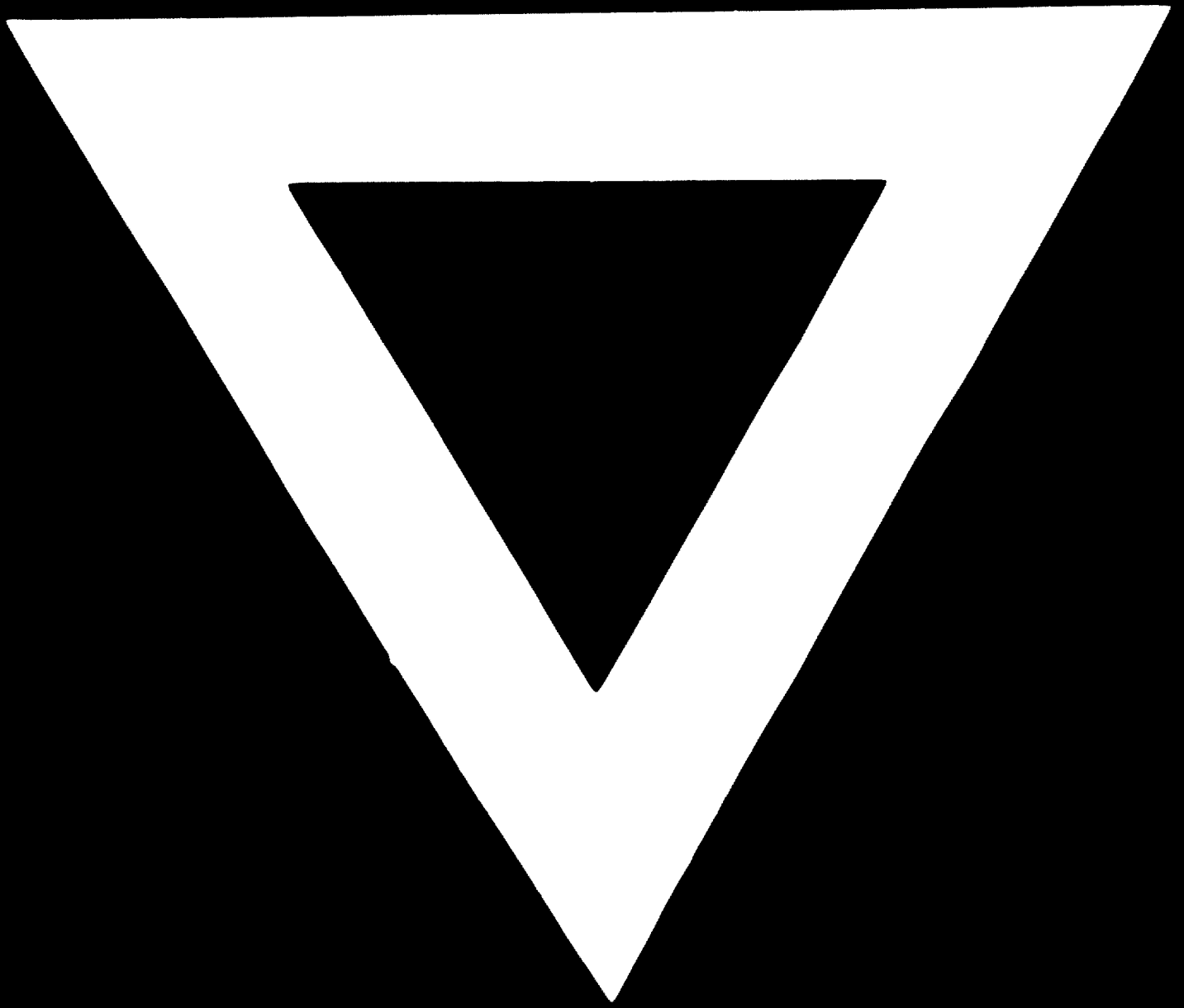
	Census Year 1963	Census Year 1973
<u>Enterprises employing over 100 persons</u>		
Number of enterprises	9	14
Total employed	1960	2311
<u>Enterprises employing 10-19 persons</u>		
Number of enterprises	15	31
Total employed	815	1003
<u>Enterprises employing less than 10 persons</u>		
Number of enterprises	33	43
Total employed	187	213

Note - a lot of the employment is part-time.

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