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NATIONAL PROGRAM FOR THE SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA (IDDA) FOR THE REPUBLIC OF THE GAMBIA

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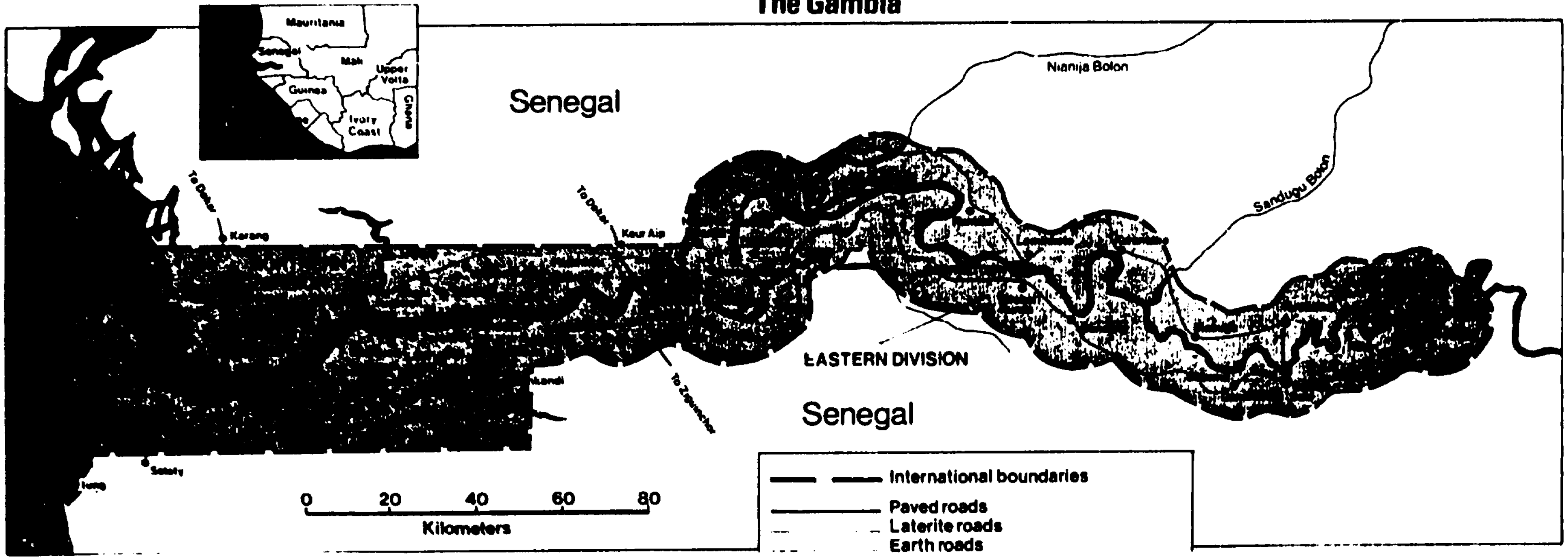
NATIONAL PROGRAM FOR THE SECOND IDDA FOR THE REPUBLIC OF THE GAMBIA

Contents

The Gambia



Mauritania
Senegal
Mali
Upper Volta
Guinea
Ivory Coast
Ghana
Senegal
Nianija Bolon
Sandugu Bolon
To Dakar
Karang
To Dakar
Keur Aip
To Ziguinchor
EASTERN DIVISION
Senegal
International boundaries
Paved roads
Laterite roads
Earth roads
0
20
40
60
80
Kilometers

I. Brief Overview of the Economy

The Gambia, a scenic country in West Africa, is surrounded by Senegal on three sides, the Atlantic Ocean on the other, and the Gambia River cutting across its belly. It is inhabited by 860,000 people* and has a land area of 11, 295 sq. kms. About 75% of the population live in rural areas. The density per square kilometers is 76 persons. An average annual rate of natural growth of the population is 2.9% and the literacy rate is 15%. Its climate, river and ecology are a boon, and great assets to the economy. The scenic quality promotes tourism, another economic resource.

Political and Economic Climate

The Country became independent in 1965, and a Republic within the British Commonwealth in 1970.

The democratic set-up with the multi-party system and periodical elections has lent the country respectability abroad and stability at home. It has enjoyed healthy and strong ties with the Commonwealth countries, ECOWAS (Economic Community of West Africa), Sahel Group of Eight, OAU, UN, Organization of Islamic Conference, and Senegal.

The political diplomacy of masterly friendliness has created a favourable economic setting in which the international aid has flowed consistently. Thus the political good will has built a bridge toward achieving the economic goals.

World Economy: The Gambia is influenced a great deal by the economic trends of the industrialized countries. It is especially affected by the trends in U.K. economy. In 1987 and in 1989 there was generally a slowing down of the international economies; in U.K. the inflation rate soared, interest rates moved upward, oil/gas prices increased. The Gambia, as a result, suffered adverse balance of payments, mounting external debts, fall in price of non-oil primary commodities, and falling value of its currency.

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* The current estimate of the Central Statistics Department

Structure and Performance:

GDP: **Table 1. Growth of GDP**

	85/86	86/87	87/88	88/89	89/90
GDP (at Constant 76/77 Market Prices (D.mn)	414.1	457.6	483	506.5	533.8
Rate of growth of GDP at Constant Market Price(%)		+10.5	+5.3	+5.08	+5.4
Population**	752.265	777.642	804.082	831.421	859.689
Per Capita Income at constant 76/77 M. Prices (D)	550	588	599	609	621
Rate of Growth of income per capita %		+6.9	+1.87	+1.67	+1.97
GDP in Agriculture at constant factor cost (D.M.)	108.4	148.3	153.2	153.9	163
Share of Agr.in GDP at 76/77 Constant Market Prices (%)	26.1	32.4	31.7	30.38	30.5
GDP at Current Market Prices (D.Mn.)	869.6	1078.1	1341.0	1542	1780.3
Per capita income at curr. market pr. (D)	1203	1386	1667	1855	2070

Sources:
Central Statistical Department - Central Bank of Gambia
Budget Speeches of Minister of Finance: 1986, 1987, 1988, 1989,1990

**Figures provided by CSD

The real GDP grew by 5+% during three years 1987/88-1989/90. The real per capita income registered low but steady increase. The share of agriculture in the GDP at 30% makes agriculture the mainstay of the economy, and subject to all its vagaries.

Recent Economic Trends: Since 1986 the economy has recovered considerably. The real GDP has held an upward trend and exceeded its estimated growth; the rate of inflation has declined; the budget deficit has recovered: the private sector has shown resilience, the balance of payment has improved, eliminating all areas of payments due on servicing of debts.

Agriculture: In 1985/86, the performance was rather mixed, but as the groundnut production increased in subsequent years (except in 88/89) the recovery was fast. The groundnut crop during 1989/90 was at an all-time high due to favourable weather conditions. The output at 130,000 tons is 32% more over the previous year 1988/89.

In 1988/1989 the fisheries experienced a decline, the livestock industry was buoyant, horticulture picked up and achieved its diversification targets.

Consumer Price Index: The average index (Base 1974=100) for the low income group in Banjul-Komb, St. May went up to 475.1, 694.8, 780.6, 865.3 and 956 in 85/86, 86/87, 87/88, 88/89 and 89/90. The % increase over the previous year for the same period was 35, 46.2, 13.2, 10.9 and 10.5. Thus the rate of increase declined during the last 3 years. This trend reflects the inflation curve all over the country.

The total employment (formal sector employing 5 or more persons) increased from 24,080 in 1985 to 31,841, 32,219, 33,191 and 35,868 in 1986, 1987, 1988 and 1989. The Public Sector employment remained static at 16,000, while private sector employment is estimated to have risen.

Currency, Banking and Credit: The saving deposits increased from $128.1 million at the end of March, 1987 to $171.5 in end-March, 1988, an increase of 33% compared to 30% recorded the preceding year. The Government's policy to reduce inflation and credit and to stabilize the Dalasi is reaping good results. High interest rates charged by local banks for short-term loans are hampering growth of industry.

Financial Sector and Investment Policies:

Public:

Between 1985/86 and 1989/90, the revenues have ranged between DMn 209.5 to DMn 503.3. The major source is the tax on international trade, constituting about 49.2% (89/90) of the total domestic receipts; tax on goods and services, the next important item is 29%, and taxes on income and property 11.9%. Foreign grants have augmented the domestic receipts by 33%

The distribution of the Development-Expenditure in 1990/91 Budget is as follows. 16.2% is allocated to Agriculture, Public Utilities 26.7%, Transport-Communications 22.4 and Manufacturing only 0.1%. This expenditure would be financed 61.5% by external loans, 25.6% by external grant and the balance (12.9%) by domestic revenues.

The Public Finances are governed strictly in line with the macro-economic objectives of the Government's Economic Reform Policy, which prescribes financial reform and rationalization.

Private.

The three commercial banks (Standard Chartered Bank, Gambia Commercial and Development Bank and International Bank for Commerce and Industry are the major bulwark of the Financial Sector. The Central Bank of the Gambia spearheads all the banks for policy guidance and credit control. Most of the private domestic savings are invested through these Banks. The rural savings still remain an enormous yet untapped source of investment.

Investment Policy. The Development Act of 1988 provides many attractive incentives to the investor, giving tax holiday for a period of time, exemption from taxation on import of machinery and equipment, tax credits for export performance, use of domestic resources training, and infrastructure development. There is constitutional guaranty against nationalization and a recourse to the judiciary. The floating rate of the Dalasi. and free exchange of currency have given a good measure of confidence to the investor. In fact, there is flight of capital from war-torn Liberia to the Gambia because of its stability and sound financial policies.

Recent Development Plans

The first five-year development plan was launched in 1975/76, covering the period 1975/76 to 1979/80. This was extended till 1980/81. The next Five Year Plan was implemented during 1981/82 - 1986/87.

In the 1970's and mid-1980's, the economic conditions deteriorated due to domestic mismanagement and unfavourable international economic pressures. The Sahelian drought caused further disequilibrium in the economy.

1986/87 - 1988/89: To offset it, the Economic Recovery Programme (ERP) was launched, whose main objectives were: "to reverse over-extension of Government in the economic life of the country; and, to create favourable climate for private production investment."**

1989/90 - 1992/93: The Programme for Sustained Development followed the ERP. The over-all objectives and policies of the ERP were extended to the PSD.

Structural Adjustment Programs

The ERP and the PSD are remarkable examples of the adjustments introduced in the macro-economic policies of the country which were in operation for the the past two decades. The three-year Rolling Public Investment Programme translates into action the goals provided in the ERP and the PSD.

Public and Private Sectors

The ERP proved to be a turning point in setting a new role for the public and private sectors.

In 1989 there were 17 public enterprises, nine of them owned 100% by the government. These were in sectors, transport, communications, utilities, insurance, housing, finance and hotels. Those notable for the industrial promotion were: Gambia Produce Marketing Board (GPMB), Livestock Marketing Board (LMB), National Trading Corporation, The Seagulls Coldstores, the Banjul Breweries and the Gambia Commercial and Development Bank. These enterprises will be privatized. In 1990 the

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**The Gambia Round Table Conference.
Government of the Gambia, 1990, p. 2.

divestiture process will continue. No new public enterprises will be set up. The ones which will be left will be rationalized, and their operations, efficiency and financial performance subjected to "performance contracts."

Private Sectors

The role of government is thus confined only to providing the suitable environment, by way of creating favourable investment climate, constructing the necessary infrastructure, and expanding training facilities. The onerous of promotion of industries falls on the private sector.

Foreign Trade and Investment

The import trade is dominated by consumption good such as food which constituted about 29.8% of total imports in 1988/89.

Export mostly consists of groundnut and groundnut products, estimated at 66% of the total exports. Fish and fish preparations 17.2%, hides and skins 3.7%, fruit and vegetables 9.6%.

The "re-export" commodities are rice, sugar, flour, green tea and textiles.

Direction of the Trade: Imports are from U.K., Germany, USA, Thailand, Hong Kong, China and France Exports are to Japan, Belgium/Luxembourg, Guinea, U.K., Switzerland, Hong Kong and Spain.

The imports consist of food, beverages and tobacco, crude materials, mineral fuels, animal and vegetable oils, chemicals, manufactured goods, machinery and transfer equipment.

Investment

The investment outlook is bright for the Gambia; the international credit-worthiness of the country is good which should help secure more external assistance and investment aid and thereby counteract the deficit in the budget, balance of payment; increase earnings from the tourist industry, and accelerate investment for the industrial projects.

External Debt

The external public debt rose from 207.7 million in 1985/86 to SDR 260.6 million in 1989/90. The debt as a percentage of GDP was 132 and 148.1 in the two years respectively.

The external debt servicing arrears went down from SDR 44.4 mn in 1985/86 to SDR 5.6 million in 1989/90.

The rescheduling of external debts has provided a temporary relief, but when eventually payments become due, the country will have to financially tighten its belt and divert its investment resources towards debt payments, reduce import of consumers' goods and increase export earnings substantially.

The Country in the future will have to negotiate concessionary loans and not go in for commercial or suppliers' credits which are expensive.

The panacea in the long run lies in accelerating industrial development; promoting import substitution and export-oriented industries.

At the next Donor's Conference in November, 1990, some of the strategies of debt equity swap, or debt relief/redemption will be negotiated.

Regional and International Cooperation

Senegal-Gambia

The SeneGambia Confederation was dissolved in 1989, but cooperation on political, socio-economic matters continues. There has been a dialogue on the establishment of a monetary union, or a Free Trade area. Ties with Mauritania have been strengthened.

ECOWAS

The Gambia is the current chairman of the ECOWAS. It hosted a conference on indebtedness of ECOWAS countries. Further cooperation and consolidation on matters of mutual interest continues.

The Gambia participates actively in regional and sub-regional groupings, for example, Sahel Institute, West Africa Rice Development Association (WARDA), The African Groundnut Council (AGC), and SeneGambia River organizations (OMVS, OMVG). Amongst the International organizations, the Gambia retains its membership of the U.N. and Agencies, Organization of the Islamic Conference, OAU and Commonwealth.

Resource Base

The Country is well-endowed with agricultural crops; groundnuts (the main one at 129,900 tons in 1989/90), cereals, Sorghum, rice, cotton, maize, millet, fruit, vegetables, etc. Fish is another rich resource at 5000 tons a year. Lobsters, shrimps, oysters and cockles are in demand in the international markets. Livestock is estimated 300,000 cattle (1987). The supply of energy is estimated at 59.5 million KW in 1989/90, water 1449 million gallons. There are commercially exploitable deposits of ilmenite and kaolin.

The River Gambia is viable for transportation and can be tamed for fresh water supply, both economic assets for the growth of the economy.

The tourist trade has developed as an acquired resource. In 1985/86 about 78,268 tourists visited the country, in 1989/90 the number grew to 112,381.

II. The Manufacturing Sector

Structure and Performance:

Table: GDP and Industry

	85/86	86/87	87/88	88/89	89/90
a. GDP at 76/77 Constant MP (D.M.)	414.1	457.60	483.0	506.50	533.8
b. Contribution of Mfg. Industry to GDP (D.M.)	18.50	26.30	27.80	25.60	33.2
c. % of b. to a.	4.46	5.74	5.75	5.05	6.2
d. % increase or decrease over previous year		+42.10	+5.7	-7.9	+29.6

The manufacturing industry accounted for only 6.2% of the total GDP in 1989/90. It generated value-added in constant 1976/77 prices of D.18.5 million in 1985/86 and D.33.2 million in 1989/90, an increase of about 80%. The rate of growth of the GDP at constant-prices during 1985/86 - 1989/90 was 5.7% per annum, while the growth of the Industrial Sector was 16% per annum. This indicates the smallness of the Manufacturing Sector, but also, the potential it has for providing an acceleration effect to the economy.

There are about 62* manufacturing establishments, both medium and large size, in the following industries: Poultry 7, Wood Processing 4, Fruit Juice 1, Fish Processing 11, Groundnut Decortication and Oil Milling 2, Rice Milling 1, Bakery 13, Animal Feed 1, Beverages 2, Cotton Ginnery 1, Tannery 1, Soap and Detergents 2, Fibre Glass and Plastics 2, Metal 4, Brick Making 5, Agricultural Equipment 1, Textile 1, Bicycles 1 and Printing Press 2.

The small scale industries (including handicrafts) are widely scattered all over the country, employing a large number of people. They even provide economic occupation during slack cropping season to the underemployed farmers. Their products are marketed locally. Some of the products; in wood carvings, leather, textiles, ornaments of gold and silver, are exquisitely designed and are an attraction for the tourists and have rich potential for export.

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* List of Manufacturing Establishments provided by the Central Statistics Dept. Out of 76 in the list, only 62 may be termed as industrial units; the others are servicing units.

The value-added by the small scale industries and handicrafts is estimated at 50% of the total DGP originating in the Manufacturing Sector, and the number of units at 2000.

Industrial Distribution of Economically Active Population

In a survey** of employment in 1986, it is established that the total employment stood at 31,841, distributed sector-wise:commuinity social and personal services 38%, construction 13.9%, manufacturing 8.5%; or 2696 workers. About 64.2% were employed in the Public Sector (Government and Parastatals) and 35.8% in the private sector. Most of the employment was in Banjul and Kombo St. Mary urban areas. There is a hard core of unemployed, partially employed, or seasonally unemployed who have caused an influx to the urban centres.

Industrial Policy

The overall industrial policy of the Government is to maximize production by improving the unutilized capacity of the existing industrial plants, by new investment in industries, making maximum use of natural resources in agriculture, fisheries, forestry, livestock and mining, and, to encourage efforts to offset the adverse balance of payment. The private sector is assigned a special role in that. While the government would only create the suitable infrastructure and investment climate for the private sector, it is the latter which will have to generate production. The Parastatals will be privatized as far as possible, and no new ones will be set up.

Performance

There was significant growth in 1986/87, an increase of 42.1% in the value-added over 1985/86. This trend, however, could not be sustained in 1987/88 and 1988/89. In fact, in the latter year there was a decline in value-added by 7.9%. But 1989/90 turned out to be a better year when the value-added increased by 29.6%.

The industries which increased their output in 1986/87 were: metal works, plastic wares, bakeries and beverages.

** Survey of Employment, Earnings and Hours of Work. December 1986. Central Statistics Dept., November 1987

In 1988/89, the total output declined due to lower groundnut processing, but non-groundnut industrial units had a steady growth. In 1989/'90 the real output increased primarily due to increased output in groundnut processing.

In line with the Government-industrial policy, the Government Produce Marketing Board (GPMB) started divesting its holdings in some of its subsidiaries. The National Investment Board (NIB) offered for sale its assets in several enterprises.

To improve performance of the parastatals, the Government extended the Performance Contract system to its subsidiaries.

Production, Ownership and Geographical and Sectoral Distribution

Information on gross output is not available. There are three industrial units which are partly or wholly owned by the Government (GPMB 100%, Julbrew Brewery 20%, Seagull Cold Stores 49%), the rest - 59 units - are in the private sector.

Out of the 62 units, about 45 are located around Banjul/Knifing Industrial Estate. The others are scattered in other towns; namely, Denton Bridge, Basse, Farfeni, Busumbala, Lancaster, Brikama, Kerewan, Fajara, Latrikunda, Tombacoto, etc. The major industrial sub-groups in which the industries are distributed are: Food and Beverages, wood and wood products, chemical and plastics, metals and other products. There is high concentration in Food and Beverage group. The size of Public sector industries is substantial.

Institutional and Legal Framework:

The Ministry of Trade, Industry and Employment spearheads the industrial segment of the economy. Through its Industrial Development Unit it identifies, appraises and promotes industrial projects. It formulates industrial policy and programs, and implements them. It coordinates the activities of the public and private sectors.

The National Investment Board (NIB) set up in 1977 is a statutory body which oversees the public industrial enterprises, and, promotes investment in the private sector.

The Indigenous Business Advisory Services (IBAS), a branch of the Ministry of Trade, Industry and Employment, provides technical and investment advice to small entrepreneurs.

The Gambia Commercial and Development Bank, a Government owned unit, and two private Banks provide domestic credit for the industrial sector

The Chamber of Commerce, an association of private entrepreneurs promotes the interests of its members and keeps liaison with the Government on matters of interest to its members pertaining to trade, industry and commerce.

The technical training for industrial skills is provided by the Management Development Institute, at the manager's level. The Government Technical Training Institute provides training for middle level and supervisory skills for the industries. Several vocational training centers provide training in trades and industrial skills at the technician level. Some voluntary agencies (non-governmental organisations) are also running vocational/technical training schools.

Legally, the investments are well protected. The constitution of the Republic guarantees safeguards against nationalization.

The Industrial Development Act of 1988 specifies the terms and conditions of investment in the country.

The Companies Act of 1955 regulates the registration and operations of the companies. The Business Act of 1973 calls for the registration of all business and trade activity. The Income Tax Act of 1949 regulates taxation of the companies and individuals. There is a national development levy, and, a payroll tax for the foreign executive and managerial staff. Capital gains tax and sales tax are in force since 1988.

There is an Industrial Estate near Serrekunda called Kanifing Industrial Estate where most of the manufacturing industries are located;.another one is being considered for a feasibility study.

Domestic and Foreign Markets

The Gambia has limited domestic market for the products of the manufacturing industries. The Country's population is small and the purchasing power of the people is not so conducive to increased consumption of industrial products. The cost prices of the industrial products are rather high, and sometimes not within the means of the consumer. In some cases the price of the imported commodity is lower than the locally manufactured product. This places the local manufacturers at a cost disadvantage, with the result the industry cannot reach its full capacity.

The Gambia has improved this situation by actively pursuing regional and sub-regional cooperation involving free trade. The SeneGambia Confederation though inoperative now, is still letting the trade flow between the two countries. The Ecowas countries can open up a vastly larger area for industrial products. Foreign markets in traditional countries of export could be promoted provided the export products are diversified and their quality improved.

Priority Branches

The criteria used for selection of priority industries are that (i) these must be based on domestic resources of agriculture, livestock, fish, forest, mining and quarrying, (ii) these should be able to export and thereby earn foreign exchange or replace importation of raw material or commodities (iii) provide employment and training to The Gambians, and, (iv) achieve the national objective of diversification, to promote growth in semi-urban or rural areas, so as to reduce disparity in rural and urban incomes and reduce rural exodus to urban centers

Thus the priority branches are. Food and Beverages, (Fish preservation, fruit juices, groundnut processing, etc.), Soap and Detergents, Engineering, and Wood and Wood Processing.

Inter-linkages with other Economic Sectors and Support Services to Industry

The growth so far exhibits an element of weakness in this linkage. For example, there is wastage in certain industrial products because there is no auxiliary industry for by-products to make use of the industrial waste. Again, while agricultural raw material for certain products is available it is not consumed by the domestic industry and exported in raw form; the finished product is imported for domestic consumption. Thus there is scope for an inter-industry linkage and inter-sectoral integration.

This calls for a long-term policy framework, and proper micro- and macro- planning for accelerated growth.

The support services to industry are discussed under Institutional and Legal Framework (page 11). In addition, the Government have taken action to prepare a feasibility study for another industrial estate.

Main Constraints and Weaknesses of the Industrial Sector and its Environments

i Technically skilled supply of manpower resources can be a vital factor towards capital formation. Some manufacturing industries have arranged training of its managers, middle level manpower and skilled workers. But most of the small industries are not yet adequately equipped with technical knowledge. Traditional areas of investment are trade, real estate, business, and servicing. A small-industry investor will get by with elementary business acumen. Proper management techniques, accounting procedures, and financial tools are as yet not practiced, except in some medium level industries. The rural industries are skillful in design and production, but are not yet exposed to the latest systems of marketing, credit and export promotion through any formal training.

ii. Lack of industrial finance is the handicap which is felt more acutely than anything else by an investor. The Banks, especially The Gambian Commercial and Development Bank provide a form of this finance. But high interest rates for borrowing, lack of suitable collateral for loans turns off many an investor. The current rates for short-term borrowing for industries are 26.5% per annum, for building26.5%, trading 29%, agriculture 26.5%. Long-term borrowing is scarce or not available. Short-term loans are not cost-effective for the nascent industry. The GCDB could serve as an industrial bank provided it relaxes its conditions for the industry.

iii Inadequate supply of utilities. Electricity: The frequent interruption in supply, high cost of production, inadequate installed capacity for the rapidly growing demand, and lack of proper distribution are some of the problems facing this service. It is anticipated that the production of power will be augmented and regular supply assured.

iv The major sources of statistics are the Central Statistics Office and the Central Bank. But quite often their statistics are at variance with each other. Statistical data are not available on manufacturing industries

Economic Environment

Such factors as small domestic market, inaccessibility to raw material or markets due to lack of infrastructure, shortage of technical skills and managerial manpower, uncertainty of finances are some of those elements of economic environment which impede the growth of industrial production.

The positive aspects are: liberal industrial policies, free market mechanisms, no restrictive rules and regulations and free exchange of currency.

The Gambia has these positive aspects which outweigh the detriments of growth mentioned above.

It has the salubrious economic climate which can provide a haven to any and all investors.

III. Industrial Policies and Strategies

Industrial Development Plans

1981/82-1985/86: In the II Plan the main objectives for the Industrial Sector were: to improve balance of payment by stimulating export-oriented industries; to expand employment, promote linkages with other sectors; to increase productivity and quality in small and medium scale industries; to reduce rural population migration by encouraging industries to relocate away from urban centers.

The strategies devised for achievement of the objectives were: to encourage domestic and foreign investment; to revise the Development Act of 1973; to provide special incentives for dispersal of industries; to encourage joint ventures; to give preference to local industries for the sale of their products; to make full use of the training facilities; and, to construct cluster workshops for small entrepreneurs.

1985/86-1988/89: The Economic Recovery Program set a new trend in the national industrial policy and strategies. The new policy is based on the philosophy that economic growth should take place based on free movement of market-forces. As a result, the new industrial policy is to create a business climate conducive to private sector investment. This implies: No economic and administrative controls on industries; no control on currency exchange rates and interest rates, and the privatization of public industrial enterprises. The Development Act of 1988 provides the necessary incentives for the private sector and is the main instrument of the government's industrial policy.

1989/90-1992/93: The Program for Sustained Development was launched "to consolidate the economic reforms that were started under the ERP and to press forward with a policy of continuous adjustment with growth. The foundation for the PSD is the ERP. There is a logical evolution from the one into the other."*

The "onward looking" programs and policies of the ERP were re-adopted in the PSD. Such an approach was justified on the grounds that it allowed for consolidation of gains and readjustment to the new economic realities of the time.

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*The Gambia Round Table Conference, Government of The Gambia, 1990, p. 2.

Industrial Investment Promotion

The industries which can be promoted for export and domestic markets may include:

Leather goods:	For domestic and export markets
Textiles:	For regional export and tourists' market
Wood Carvings:	For tourists and export
Ceramics:	For domestic market
Bakeries:	For domestic market
Rice Mills:	For domestic market
Oil Mills:	For domestic market
Flour Mills:	For domestic market
Electrical and Engineering Products:	For domestic market
Automobile Repair:	For domestic market
Sewing Machine Repair:	For domestic market
Agricultural Implements Repair & Servicing:	For domestic market
Dairy Industries:	For import substitution of food products
Fruit Juice Industries:	For import substitution of food products
Fish Industries:	For export and domestic consumption
Ornament Making:	For regional export and domestic use
Servicing Industries: (tailoring, etc.)	For urban and rural markets
Chemical Products: (soaps, detergents)	For local markets
Construction Materials:	For domestic markets

Industries which can **Service Large Consumers**, such as gov't and large companies

Industries based on **School Requirements**: for import substitution and domestic markets

Industries catering to **Medical Needs**: for import substitution and domestic markets

The instrument of industrial investment promotion is the National Investment Board. To that effect the Board provides multi-dimensional services. Among its functions are:*

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*Investing in the Gambia. NIB. Banjul.

--Dissemination of information on all matters of interest to the potential investor;

--Assistance in the completion of administrative formalities required for setting up of an industry, for example, filing applications for Development-Certificates or for land, and related support facilities;

--Identification of joint venture partners;

--Preparation of feasibility studies;

--Assessment of export prospects.

The Board takes care of the investor's administrative and technical needs from start to finish at one focal point. The industrialists' total inquiries about tax, repatriation of capital, or provision of water, electricity, etc. are satisfied at the NIB because it has 25 different departments and agencies which provide liaison officers for immediate servicing.

Investment Climate

The Gambia has a clear edge over its neighboring countries. The private sector is allowed a free hand in industrial activities. The Constitution of the Republic guarantees safeguards against nationalization. The currency is freely convertible, and there are no trade and exchange restrictions except the minimum tariffs on imports and exports. The administrative formalities are not too cumbersome, and the dividends/profits can be transfered out of the country.

The *Development Act of 1988* makes effective concessions to the investor in taxes, training of staff and building up of infrastructures.

The interpretation of rules and regulations for foreign investment are favorable to the investor.

Export Promotion*

The National Investment Board (NIB) undertakes export development and promotion tasks within the framework of its investment promotion activities. Its outlook on this vital issue is dynamic and pragmatic. Its strategy is "to concentrate export development and promotion assistance on a small number of carefully selected enterprises in some key areas and to foster the establishment of new enterprises to facilitate the expansion and diversification of the production base"**

Measures were taken to effectively implement this strategy by: (a) Promoting only selected products, (b) Promoting export-oriented joint ventures, (c) Resolving issues directly affecting the trade, such as air freight and the export processing zone.

The products selected were: fisheries, horticulture, floriculture and livestock. Active steps were taken to preserve the stocks of demersals and crustaceans and to accelerate the export of processed shrimps. The NIB assisted export firms, such as, Citroproducts Ltd, Gamtan and the Livestock Marketing Board in promoting, diversifying and improving the marketing and quality of their products.

There was "an integrated approach" toward the "creation of an export productive capacity."

The question of establishing an Export Processing Zone (EPZ) was carefully examined on the basis of the recommendations made by the OECD and the UNCTAD. Instead of EPZ, an alternative option was taken up for action at a later date. This was that The Gambia "should explore avenues for joint ventures for the development of productive capacity based on Gambian natural resources."***

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* Based on the observation made in paragraphs 72-81, Public Enterprises Reform and Investment Promotion. Review of Policies and Measures, July 1985-June 1987. National Investment Board. Republic of The Gambia.

** Ibid., p. 26

*** Ibid., p. 28

Part B

IV. Assessment of the Implementation of the First IDDA Program and Current Development Aid

The I IDDA proved to be an exercise in trial and error. Several mistakes were made but a great deal was learned from the experience. The Programs proposed were heterogeneous, and the approach towards industrialization varied from strict control concepts to mixed control and no control at all. No well designed, integrated or homogeneous policies were brought to bear on the plan of action. Then came the brunt of global recession of 1980s, with drought and famine diverting the scarce resources towards meeting the urgent needs of food and shelter. As is well known, over-all the IDDA fell short of the anticipated impact on the economies of Africa.

In the case of the Gambia, the formulation of the I IDDA started late and then only five industrial projects were presented for financing. All the projects called for updating of feasibility studies and identification of investors from outside the country. The projects proposed were in line with the national policy of encouraging free flow of market forces to determine the priorities. Though the projects were production oriented and vital to the growth of the economy, these were not accepted in the I IDDA, and were thus not financed from any source.

The Gambia having received no financial allotment for the I IDDA was not able to implement any of the proposed projects under the I IDDA program. Thus the I IDDA did not pick up at all in the specific case of The Gambia, though it did, in a way, delay their implementation. These Projects have now been included in the II IDDA. If accepted, these will have considerable impact on the economy of Gambia.

The Gambia's industrial needs are enormous and the domestic resources rather limited. Therefore, any inflow of investible resources under the II IDDA will have salutary effect on the growth of the economy. In fact at this stage of development of the manufacturing sector, this input will have an acceleration effect far greater than targetted.

Current Development Aid

1. Balance of Payment Support and Commodity Aid (Million Dalasis)

	85/86	86/87	87/88	88/89	89/90
Multilateral (IMF, IDA, ABD)	0.00	298.61	80.01	61.88	62.33
Bilateral (US AID, U.K., Saudi Fund, Dutch)	0.00	33.89	14.38	16.76	23.80
Commodity Aid	47.04	125.08	100.24	85.07	24.63
Total	47.04	457.58	194.63	163.71	110.76

Source: Gambian Authorities; Central Bank and CSD.

This aid has been declining since 1986/87, while the need for it is greater now than ever before. This is to meet the budgetary deficits, balance of payment obligations, debt servicing, and to increase domestic production, and improve per capita income.

During the I Plan, out of a total aid of D460 million, about 50% was in the form of loan and grants to the Government, 16% for private investment in hotels, and the balance for technical assistance, relief grants, etc.

In II Plan, the composition was anticipated to change. About 2/3rd of the aid was expected to be loans and grants to the Government, and the balance for direct private investment.

Since then the Government has laid down guidelines for regulating external aid, so that it is used more effectively and adheres to the prescribed national priorities. However, the dependence of the country on foreign aid will remain unabated.

2. Gross Official Development Assistance ($mn)

	1982	1983	1984	1985	1986	1987
Bilateral (U.K, (USA, Italy W. Germany)	28.2	23.8	35.8	32.5	60.3	53.1
Multilateral (ADF, IDA, EC, WFP	20.8	20.2	20.6	18.3	43.1	53.9
Total	49.0	44.0	56.4	50.8	103.4	107.0
of which grants	38.0	32.6	44.3	38.4	73.1	68.6

Source: The Economist Intelligence Unit. Country Profile.
Senegal, The Gambia, Guinea-Bissau, Cape Verde. 1989/90.

Since 1987, the World Bank has provided two Structural Adjustment Credits, and IMF Three Structural Adjustment Facilities to offset the heavy disequilibrium in the external balance of payment and debts, to privatize the parastatals, to introduce reforms in civil service, and to improve operations of the public companies.

Some of the other notable donors are: USAID, U.K., OPEC, IDB, BADEA, EC, IDA, IFAD, and the Governments of Austria, Canada, Denmark, France, Germany, Italy, The Netherlands, Norway, China, Saudi Arabia and Switzerland. The UN agencies provide technical assistance through country programs. There are several non-governmental agencies which assist in various programs of development.

In view of the diversified sources of external assistance, there is a proposal to strengthen the Policy Analysis Unit of the President's office to effectively coordinate and implement the aid programs.

In November 1990, a second Donors' Conference will be held in Geneva, wherein the magnitude of the aid and its optimum utilization would be discussed. This Conference is currently seriously engaging the attention of the Government.

V. Programme for the II IDDA

V.(a) Objectives, Strategies and Policies

The Programme should promote industrial growth and thereby increase the income per capita and the standard of living of the people.

The PSD aims at a growth rate of 5% per annum for the economy; (the industrial sector has grown at 16% per annum). To achieve this target, the magnitude of investment will have to be far greater than the resources of the II IDDA could permit. At the moment, the financial parameters of the II IDDA are not known. Thus its programmes have, per force, to be smaller in size and auxilliary to the national programme. However, their capacity to initiate growth in the industrial economy will be significant.

The main strategies of the II IDDA would be:

(i) to build up human resources for industrial development, including women and rural youths;

(ii) to promote industrial growth by setting up new industries, especially which have export potential;

(iii) to rehabilitate industrial complexes which are not functioning to their full capacity, and to increase their capacity to serve as import-substitution industries;

(iv) to conduct a comprehensive survey of the industrial sector for future long-term planning;

(v) to strengthen the institutional capacity of the existing training institutions; and

(vi) to raise the training skills of unskilled youth to be able to get better employment or improve their employment prospects.

Policy Measures

The role of the Government in promoting industrial development will continue to recede, so that more and more from the private sector will come to play its part. For the magnitude of investment required for industrial growth targets to be achieved, the Government resources are not enough. So, the private sector has to fill this vacuum.

The industries selected for promotion must be based on the available domestic resources. Such industries will have an assured supply of raw material and will have a linkage effect with the other sectors of the economy. In view of their importance, a national policy for agro-, small-, rural industries ought to be formulated, extending over a long period of time.

Training of entrepreneurs, including women, should be given far more importance. The rural workshops and vocational training centers should impart training in skills most needed at the location of industries. The capacity of the existing training institute (GTTI) should be increased to cover more skills and provide more servicing facilities.

Policy Measures for the L.D.C.

The institutional Agencies for promoting industries (NIB, IBAS Industrial Planning Unit and the Chamber of Commerce), should be reinforced so that their planning capacity is increased. An expert with wide industrial experience should be attached to any of these Agencies, at least during a few years of the II IDDA, so that industrial planning is started on an even keel.

The multi-lateral and bilateral donors can play a significant role in increasing the aid component for the industrial sectors. There should be more concessional loans, or more grants; the Technical Assistance for industries should be enhanced. There is scope for intensive and extensive involvement of the donors in providing the much-needed push for the industries. A part of the aid could be earmarked for buying machinery and equipment on concessional loan or grant basis.

To overcome the narrowness of the domestic market for industrial products, it is appropriate to initiate, develop and promote new patterns of regional cooperation. To make exports more attractive, slight technological innovations could be introduced which could make industrial products more competitive, better in quality and design, so that imports in those commodities could be reduced.

Pursuant to the liberalization policy of the ERP, the interest rates for investment are determined by market mechanism. These are at present too high, and there is apparently scope for reduction. The Banks should review their Investment Credit Policy and consider bringing the rates down to a level where the small investors would find these attractive. The related issues of providing adequate collateral or guarantees should also be re-examined. The system of group credit wherein a loan is advanced to a group of investors, and not individuals, merits serious consideration.

Review the Industrial Development Act of 1988 to introduce new measures which help promote industrial development. The incentives may be extended, for example, duration of tax holiday for the domestic resource-based industries be extended, more fiscal exemptions may be granted, incentives for ploughing back of dividends and profits be re-assessed.

V. (b) <u>Programs of Development</u>

The proposals made here have the informal agreement of the Ministry of Industry, Trade and Employment, UNDP, Chamber of Commerce, GTTI, IBAS NIB, and an ad-hoc working group for the II IDDA.

The Programs are given in bare minimum details. But complete facts are available which, <u>inter alia</u>, give break-down of the expenditure proposed, such as: duration, type and costs of projects, workshops, fellowships, study tours, training; machinery and equipment; location of the Project; implementing schedule; and, local and foreign costs.

The estimates are based on current UNDP unit-costs for the above items.

These programs/projects cover: (a) rehabilitation and consolidation of industries, (b) expansion, and (c) support services to the industries.

I. <u>Updating of Feasibility Studies: Promotion of Projects for Investment from Abroad.</u>

The Minister of Finance in his budget speech of June 1990 made a specific reference to the following industrial projects which must be implemented soon. These and the others below are the direct production Projects:

Fruit and vegetables processing, glass bottle manufacturing, wheat flour milling, biscuit factory, pharmaceutical, peanut butter, confectionery nut.

The MTIE and the N.I.B. maintain lists of potential industries for which the feasibility studies are available and have been proved to be of good standing. These are: all of the above and, in addition: manufacturing of agricultural implements, commercial poultry production, horticulture and floriculture, processing of titaniferous deposits, cattle ranching, manufacture of safety matches, and fish processing plant.

These industries, with an estimated investment of $37 million, when implemented will have a substantial acceleration effect on the economy. These are domestic resource-based, and have a large import substitution impact. They will generate employment, and depending upon their location in a specific growth center, boost rural industries, reduce rural exodus, and help improve the rural standard of living. Women in development will have an appropriate impact of growth.

The Project proposes to update at least 6-10 feasibility studies, which will require 10 m/m of consultants.

At least 10 Projects, wherein the updated feasibility studies have established their viability, will have to be promoted for investment abroad through the Investment Promotion Services of the UNIDO. Total estimated cost: $100,000.

II **Human Resources Development: Study Tour, Workshops/Seminars, Training, Fellowships**

Te Sito or self-reliance is the goal set before the nation for achieving economic independence and growth targets. One significant snag is the lack or inadequacy of human resources.

The current need of the industry is specifically for training of managers, investors, financial analysts, small scale industries, entrepreneurs, etc. The private sector has no facilities for training or has inadequate access to the existing facilities.

Under the coordination of the MOTIE, the private sector, the chamber of commerce, the commercial banks or NIB could draw on the following four areas of training: (a) Study tours abroad; (b) National workshops/seminars; (c) Training in business acumen, industrial expertise and the risk methodology in new investments; (d) Fellowships, especially proposed by The Gambia Commercial and Development Bank that they would like only air fares to be financed while the Bank would pay for training in countries of their selection abroad for their management-level employees.

The NIB has ambitious programs of training for all the above and for the executive staff of the "privatized" industries. It has proposed an expenditure of $259,000 for training, out of which the NIB has allocated $12.000 as counterpart contributions. Thus, a sum of $100,000 is provided in Phase I of this programme, and $159,000 in the Phase II, as and when funds become available.

III. Rehabilitation of Industries

Soap and Plastic
Julbrew Brewery
Lime Processing
GAMTAN Leather Processing

The above-mentioned industries, though important to the economy, are yet not functioning to their full capacity. For example, the Julbrew Brewery has been operating since 1977, and is the fourth largest industrial employer in the country, and is still operating at 60% of its brewing capacity and 40% of its bottling capacity. It has a brewing capacity of 40,000 bl per annum. The Soap Factory is owned by a Gambian. It produces laundry and toilet soap, and manufactures plastics (PVC for housewares, small containers and pipes). The problems facing these industries are: strong competition from cheaper imports, lack of proper equipment, inadequately trained staff, and, shortages in power and other infrastructural facilities. Though these industries meet domestic demand, and rely mostly on internal supply of material, their net production is less cost-effective, and their investment has a low rate of return.

The only way to utilize their capacity is to reinforce their machinery and equipment; and revamp their production processes.

The Project will provide technical assistance, by way of short-term consultants, to review the production processes and pin-point the reasons for the under-utilization of capacity. In the process, some auxiliary equipment will have to be provided, or some training in selected areas will be imparted so that the factories are responsive to the norms of production and economies of scale.

IV. Strengthening Institutional Framework: National Investment Board

The Economic Recovery Programme (ERP), introduced in 1985, placed emphasis on the private sector in economic development. The NIB will privatize the following companies: ferry services, dockyard, Gambia River Transport Company, Kanifing Brick Plant, Kotu Workshop, feed mill, hatchery at Abuko, Gamtours, African Hotel, Ltd. and the Fresh Produce Marketing Company

The NIB has to negotiate sale or lease on plants to effect legal transfer, to finalize financial arrangement and to identify potential investors.

The privatization of public entities is a relatively new concept and the NIB, though forging ahead in its efforts, is in need of a Technical Specialist who can assist in the different stages of the process of transformation that is involved.

Presently, the achievements of some of the public enterprises are below expectations due partly to ineffective financial management and deficiencies in expertise and guidelines necessary for providing cost-effective operation. The NIB needs technical consultants, one for each unit, for short periods of 2-4 months, so that the low efficiency may be improved.

The Project will thus provide a Technical Adviser who will work with the NIB for at least six months and assist in the privatization of public industries.

The NIB will use consultants for individual industrial units to improve their technical efficiency. A total of 12 m/m will be required for consultants

The Project is estimated to cost $150,000.

V. Establishment of a System for Comprehensive Data Collection, Analysis and Dissemination of Industrial Statistics for Manufacturing Industries

It is intended to establish and maintain an up-to-date register based on a comprehensive census of all industrial establishments in the country. This will serve as a reliable benchmark for specific short annual or infrequent surveys. The census will seek information on: location of the industrial unit, period of operation, type of economic organization, type of ownership, employment, wages and goods, salaries, quantity and value of goods produced, capital investment; power use, etc. A satisfactory methodology for collecting a minimum set of essential data for small units needs to be established also.

The Central Statistics Department will be the location for this Project.

The project will train local staff in the collection and analysis of industrial statistics for policy planning.

The Project components will include a Technical Specialists (Statistician), operation and maintenance of equipment (a computer), training of staff locally and abroad, transportation for field operations, and data collection and dissemination facilities.

The Project will be implemented in two phases. Phase I activity is estimated to cost $100,000, which is included in the II IDDA.

VI. Formulation of a Long-Term Industrial Policy: Provision of a Senior Industrial Advisor for Two Years

The Economic Recovery Programme (1985/86-1988/89) was launched to arrest the economic and financial deterioration which had continued to create disequilibrium in the economy. The previous policies in all economic sectors were re-analyzed and a fresh impetus was introduced in them. The ERP was succeeded by the Programme for Sustained Development (1989/90-1992/93). This Programme set out policy objectives for the period of the Programme and some trends for the period thereafter.

However, there are no quantifiable and well-determined goals, policies, programmes and strategies which could guide the industrial sector into a long-term perspective.

The Ministry of Trade, Industry and Employment has just been created. The Industrial Development Unit of this Ministry has only three professional staff members; namely, a Principal Planner, a Senior Planner and a Planner. The overall strength in planning for the Industrial Sector is inadequate.

The Ministry feels strongly the need for an international Senior Industrial Adviser, to assist the Ministry for at least two years. The actual need is for three years, but this has been reduced to a bare minimum of two years to suit the availability of funds. The Adviser will provide high policy level advice, set out a long-term strategy for industrial promotion, train the local staff and thereby strengthen the technical capacity of the Ministry of Industry. It would be easier to adjust and reinforce the basic objective and strategies of the II IDDA once the overall policy bases and framework have been established.

The Project will provide a Senior Industrial Adviser for two years during the Phase I of the implementation. Phase II will be implemented only when the supplementary funds become available from any source.

VII. Support-Services
Industrial Estate II: Feasibility Study

The government's current policy for industrialization of the country is to create a business climate conducive to private sector investment and to provide suitable infrastructure. The Minister of Finance in his budget speech of June 1990 assured the House that a study will be commissioned for development of a second Industrial Estate.

The concept of establishing another industrial estate has been engaging the attention of the government for a long time. But it has always rested at only the administrative and general investigations.

There is an urgent need to explore this possibility in more technical and financial details. The feasibility study should suggest the selection of industries, location of the industrial estate, building of suitable infrastructure, organizational and management structure, and incentives to attract the investors. In short, the feasibility study should be complete with construction designs, lay-outs of industrial lots, cost-benefit analysis of the investment, type of investment and training parameters, and agro-economic resource base utilization for new industries. The Study is intended to be comprehensive in all respects for implementation.

The UNIDO's assistance could be most valuable in preparing such a study. It is estimated that a set of consultants for 3-4 months, designs, and training of personnel would cost $100,000.

The Industrial Estate II when established will make a significant contribution to the overall growth of the economy and toward improving the standard of living and welfare of the rural people.

VIII <u>Strengthening GTTI: Expansion of Facilities for Production, Maintenance, Servicing and Repairs of Engineering Goods and of Training Programmes</u>

The UNIDO, in a study**, has proposed an extension of the facilities of training at the GTTI. The same study has also suggested expansion of facilities for workshops providing maintenance, servicing and repairs of engineering goods.

The training given in the GTTI Kanifing in trades such as building, carpentry, joinery, engineering, automotive, electrical, plumbing, mechanical engineering, welding, etc., is at the middle level of skills, which are also crucially needed for the industrial sector.

The facilities at the workshops serve the rural industries and are of prime importance to the artisan trades, including trades/industries conducted by rural women.

The GTTI has renewed its interest and has asked for UNIDO's acceptance of the Project expansion activities proposed in the study. There is an overwhelmingly large supply of rural labor, especially amongst the school leavers, but there are no adequate avenues for them after the schooling. Also, in the urban areas of Banjul and Kombo St. Mary, there is an acute shortage of trained manpower.

The UNIDO Project proposes provision of some auxiliary equipment to the rural workshops and expansion of the training at GTTI. The total project at 1988 prices is estimated to cost $600,000, but under the II IDDA, only Phase I of this project is proposed for implementation. This will cost $100,000. The balance amount, when available, could meet the residual cost of $500,000.

** <u>Strengthening GTTI</u>. Swami Rao. UNIDO. 1988.

II IDDA Project Cost Estimates*
(In U.S. Dollars)

Project No.	Phase I	Phase II	Total
I	100,000	100,000	200,000
II	100,000	159,000	259,000
III	250,000	Extension envisaged but estimates of funds not available	250,000
IV	150,000	-0-	150,000
V	150,000	350,000	500,000
VI	250,000	100,000	350,000
VII	100,000	---	100,000
VIII	100,000	500,000	600,000
Total	1,200,000	1,209,000	2,409,000

* Phase I is proposed to be financed under the II IDDA. Unless additional funds are available from the same source, Phase II will have to be financed from other bilaterai or multilateral sources.

VI. Recommendations for Program Implementation

Modalities for Implementation

The II IDDA program is in conformity with the short and long term objectives, strategies and policies of the Government, as outlined in the ERP, and the PSD. Its components are complementary and supplementary to the plan of action for the Industrial Sector. In fact it is auxiliary to certain major projects in such a way that the impact of the major ones get compounded

The Government has, in anticipation of the need to implement industrial programs effectively, created new institutional frame work. (a) The Ministry of Economic Planning and Industrial Development has been split-up. A new Ministry of Industry, Trade and Employment has been created. Within this Ministry, the Industrial Development Unit has been strengthened. (b) The National Investment Board has been set-up to provide "one-stop" service to the potential domestic and foreign investor. (c) The Indigenous Business Advisory Service (IBAS), another agency for lending support to the private investor, has been established to speed up the process of industrialization. (d) A working group has been set-up to oversee the implementation of the Industrial Development Decade for Africa. This group is widely represented. It constitutes of: Ministry of Trade, Industry and Employment, Gambia Women's Finance, NIB, IBAS, GTTI, Chamber of Commerce, Gambia Commercial and Development Bank, Ministry of Water Resources, Ministry of Education. This diversified representation works to the advantage of implementing IDDA programs.

Selection of Priority Investment

The Programs in the II IDDA have been so selected as to keep the following essential criteria in view. (a) The basic needs, limitations, and realities of an LDC have been given prime consideration. (b) The programs, though auxiliary in nature, will revolve around strategic projects concerned with basic development issues. (c) Every effort has been made to provide inter-linkage with other sectors of the economy, or with the resource-base and with any regional or sub-regional project. The reasoning in doing so is to conserve the investment resources and not fritter them away in too many areas. (d) The sensitivities of ad-hoc group/sections, such as, women's, private investors', youth and rural artisans have been adequately preserved and their interests incorporated in the programs.

Technical Assistance Programs

In 1988, the total value of the Technical Assistance received by the Gambia was $25.015 million, out of which the bilateral assistance accounted for $4.601 million, and the multilateral $10.414 million. In 1985, this aid was $28 million, in 1984 $15.5 million. The increase in 1985 from 1984 does not reflect any addition to the assistance program, it merely shows a better coverage of the survey. More donors responded in 1985 than 1984 in response to a UNDP questionnaire inquiry.**

The countries which have given the highest amount of assistance include the U.K. and USA.

The UN System excluding UNDP provided assistance to the tune of $3.031; million in 1988. The UNDP allocated $4.503 million.

More than 40% of the Technical Assistance is disbursed towards the growth of agriculture, forestry, fishery and natural resources. Approximately 31% is allocated to education, health and human settlement. Industry gets only 1.47%, transport and communications 9%.

The Technical Assistance provided is multi-dimensional in scope. It covers public and private sectors, urban and rural areas, and small and large institutions. It fills the vacuum created between available resources and assessed needs of the country. It has tremendous acceleration effect on the economy. Since it is mostly in the form of grant, it is no drain on the country's financial resources. Acceleration in capital formation is achieved through training and human resources development programs. The UNDP has programed its aid in the amount of $14 million during the Fourth Country Cycle, 1987-1991. This is to "improve the planning, administration and management capabilities of the Government; to diversify the productive base, particularly agriculture, and to develop the rural sector, and to assist towards the development of training programs and enhancing employment opportunities."***

** Report on Development Cooperation, 1985. UNDP, Banjul. 1986.

*** UNDP Country Programme 1987-1991, UNDP, Banjul.

Financing and Major Factor Inputs

Domestic Resource Mobilization: The rate of growth of the aggregate savings has a direct bearing on the rate of growth of the economy or GDP. It therefore follows that the domestic savings be increased and utilized for productive activities. In The Gambia it is estimated by the Central Bank that the currency outside the banking system at the end of June 1990 stood at D 151.71 million, which is about 55% of the total money supply. This is a potential source of saving and must be tapped. The commercial banks would be well advised to extend their net-work to rural areas to mobilize the hidden wealth.

TCDC: Areas of Common interest between the developing countries can be identified and pursued to mutual advantage. Such cooperation can prove to be cost-effective in implementation of industrial projects. Some of the advanced developing countries can provide a host of industrial services at much cheaper costs; for example, identification of projects, preparation of feasibility studies, providing technical training, setting up of small-scale and agro-industries, providing technical assistance or consultants, and even making machinery and equipment available. There is a lot to gain from each others' experience and contribute to each others' process of growth and capital formation with a little or no capital investment.

Line of Credit: As discussed before, the aid donor agencies (bilateral and multilateral) could be pursuaided to allow a set percentage of their total aid to the promotion of the industrial sector.

Some of the multilateral agencies such as FAO, IDA, IFAD, EEC, ADB etc. have from time to time provided special lines of credit for agricultural purposes. A similar line of credit could also be provided for small industries by the appropriate multilateral agencies or bilateral donors. The terms and conditions of the agricultural line of credit can be altered to suit the industrial sector, and the lending agency.

The commercial banks can assist in supplementing the line of credit.

These national banks have to develop a new outlook for the welfare of the people and the growth of the economy. Their industrial loan policy has to undergo a complete metamorphosis and aim towards a long-term strategy and not the myopic short-term gains policy as in practice now. They have to voluntarily revise their lending rates to the industries and follow an open-arms policy on mortgages, and guarantees. The Banks could provide equity capital or invest in select capital-intensive industries or in infrastructure (such as industrial estates) themselves.

Optimum Utilization of Existing Industrial Capacities: Almost all of the parastatals, and most of the private industries are working significantly below their optimum capacity. This has resulted in operating losses, high cost of production, under-utilization of human resources, and over-capitalization. The parastatals are unable to generate surpluses in revenue to support the budget deficits.

In privatizing the parastatals, the financial drain on the public resource could be reduced or eliminated. The sale, of the parastatals would set investible resources free for alternative investment.

If, however, the utilization capacity could be raised to the optimum level, the productivity of the capital, labor and manpower will increase by at least 20-40%.

The Government has rightly subjected the parastatals to the performance reviews. A similar review of the private sector can help to that effect.

Joint-Ventures: One way of getting investible resources from abroad is to set up joint industrial ventures. The capital input of the private indigenous entrepreneurs and foreign exchange resources of the foreigner partner/s will have salutary effect on the economy of the country. The mutual collaboration can not only be in the field of investment; but in technical know-how, training of managerial and technical personnel, selection of machinery and equipment and marketing of industrial products.

The UNIDO has in the past successfully assisted several countries in negotiating joint ventures. As an honest broker and without any of its own axe to grind, the UNIDO has brought the negotiating parties to the table and steered them through hard bargaining. The Gambia could make use of this service of the UNIDO and thereby set up new industries to achieve the target of economic growth.

Regional and Sub-regional Cooperation: The Senegal-Gambia Cooperation

Regional and sub-regional cooperation in Africa had mixed success so far. The Senegal-Gambia Confederation collapsed, but it did produce good results in the field of agricultural promotion. The CILSS, the Sahel

Institute, West-Africa Rice Development Association, and the African Groundnut Council are some of the shining examples of regional cooperation. However, the trade collaboration has not been quite as successful as the agriculture. The Gambia has been hit hard at the reduction of "Re-export"-trade. It has caused loss of revenue, and free movement of people across the borders has given rise to the influx of migrants. This has strained the financial resources of The Gambia still more.

Nevertheless, the regional collaboration can be cost-effective, and resource-saving if some of the highly capital-intensive projects are mutually conceived and implemented. This could hold good for projects in basic industries, infrastructure for industries, energy, research, training, transport and communication, utilities, exploitation of mines and minerals, etc.

Some overlapping in existing large complexes can be avoided by marketing/sales, research agreements, and thereby under-utilized capacities can be used to the optimum level.

The Gambia stands to gain by extending its domestic markets, which are rather small for its industrial products, far beyond its boarders by regional and sub-regional cooperation.

GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN

(IN D'MILLIONS)

	85/86	86/87	87/88	88/89	89/90
AGRICULTURE	108.4	148.3	153.2	153.9	163.1
Groundnuts	25.1	39.5	42.9	35.2	46.5
Other Crops	41.9	58.3	58.5	65.7	62.5
Livestock	32.4	34.3	35.3	36.4	37.0
Fishing	6.6	13.8	13.9	14.1	14.5
Forestry	2.4	2.4	2.5	2.6	2.7
INDUSTRY	35.6	44.0	47.2	46.0	56.4
Manufacturing	18.5	26.3	27.8	25.6	33.2
Construction	13.8	16.1	17.7	18.7	21.6
Electricity & Water	3.3	1.6	1.6	1.6	1.6
SERVICES	235.1	227.5	240.1	245.7	253.5
Ground Nut Marketing	17.6	23.8	25.0	10.0	14.3
Other Trade	76.0	87.4	92.4	76.8	78.5
Hotels & Restaurants	18.3	17.3	17.9	20.0	17.0
Transport & Comms.	36.2	40.1	44.5	48.3	51.9
Business Services & Housing	26.3	26.3	27.7	29.3	30.3
Government Services	53.6	49.1	50.3	53.6	53.6
Other Services	7.1	7.2	7.4	7.7	8.0
GDP at Const. Factor Costs	379.1	419.8	440.7	445.6	473.1
Indirect Taxes Less Subs.	35.0	37.8	42.3	60.9	60.7
GDP at Const. Market Prices	414.1	457.6	483.0	506.5	533.8
Implicit GDP Deflator	210.0	235.6	277.6	304.4	333.5
GDP at Current Market Prices	869.6	1,078.1	1,341.0	1,542.0	1,780.3

Source: Central Statistics Department

Public Revenues and Expenditure

	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92
						Projections	
			(In millions of dalasis)				
Total revenue and grants	268.2	479.8	494.7	575.7	669.1	696.8	712.1
Revenue	209.5	318.6	337.9	440.1	503.3	542.6	590.5
Taxes on income and property	32.1	41.5	44.0	57.2	59.9	75.8	84.4
Taxes on goods and services	13.1	18.3	23.1	125.0	146.1	154.3	171.6
Taxes on international trade	147.3	239.6	242.3	215.6	247.8	266.7	284.6
Other taxes	0.5	0.7	0.9	0.7	1.1	0.0	0.0
Nontax revenue and capital revenue	16.5	18.5	27.6	41.7	48.4	45.9	49.9
Foreign grants	59.1	161.2	156.8	135.6	165.8	154.2	121.6
Total expenditure and net lending	284.8	542.0	607.1	515.9	664.3	638.2	687.7
Current expenditure	189.1	313.8	432.1	353.3	415.9	408.2	437.2
Personal emoluments, pensions, and allowances	62.9	66.1	68.6	100.2	128.9	140.0	150.0
Interest	37.7	68.4	73.4	87.3	82.9	83.2	84.2
Internal	15.7	26.6	37.3	38.5	35.0	37.2	38.2
External	22.0	41.8	36.1	48.8	47.9	46.0	46.0
Other charges	61.9	87.9	126.2	150.8	163.6	185.0	203.0
Transfers to parastatals	26.6	91.4	163.9	15.0	40.5	0.0	0.0
of which: GPMB	12.4	83.0	130.7	13.2	40.5	0.0	0.0
Development expenditure and net lending	94.8	229.5	173.4	157.6	248.4	230.0	250.5
Development expenditure	91.1	161.0	176.1	159.9	182.0	220.0	250.5
Net lending	3.7	68.5	-2.7	-2.3	66.4	10.0	0.0
Change in arrears (decrease-)	-35.0	-14.1	-5.4	-25.5	0.0	0.0	0.0
Surplus or deficit (-)							
Excluding foreign grants	-110.3	-237.6	-274.6	-101.3	161.0	-95.6	-97.2
Including foreign grants	-51.2	-76.4	-117.8	34.3	-4.9	-58.6	24.5

Source: Central Bank of The Gambia