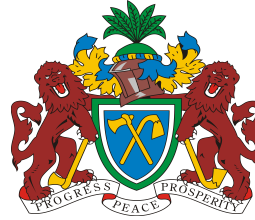




United Nations

Department of
Economic and
Social Affairs



Concept Note

Policy Implementation Forum

Supporting Micro Small and Medium Size Enterprises (MSMEs) in The Post COVID-19 Era

Promoting MSME Formalization

Banjul, The Gambia

14th December 2020

1. Introduction

Micro Small and Medium Size Enterprises (MSMEs) are the backbone of the Gambian economy. The sector employs 60 % of the active labour force, and contributes approximately 20% to GDP. The Gambia National Policy for MSMEs 2019-2024, categorizes MSMEs according to number of employees, paid in capital/assets, and annual sales. In this regard, The Gambian economy is characterized by a dominance of MSMEs engaged across a range of priority sectors at the formal and informal level. They play multiple roles in the economy, absorbing labour, building skills through apprenticeships and introducing new services and products to the market.

MSME Categorization

MSME Category	Employees (Numbers)	Paid in Capital/Assets (GMD)	Annual Sales (GMD)
Micro	1-4	0-25,000	0-100,000
Small	5-49	25,000-1 million	100,001-1 million
Medium	50-99	1 million-5 million	1 million-10 million

Source: The Gambia National Policy for MSMEs 2019 -2024

The findings of the MSME mapping study carried out in 2018 indicate that there was an estimated number of one hundred and fifteen thousand and sixty-eight (115, 068) MSMEs in the Gambia. The mapping also revealed that the majority of MSMEs (98%) were operating as sole proprietors, of which 21% were registered, whilst the vast majority, 77% remain unregistered. In terms of women's ownership of the MSME's, this was mostly in the unregistered sole proprietorship category, and of 21% registered sole proprietorships, nearly 16% are males whilst only 5% are females. As such, MSMEs in The Gambia are mostly informal and only 16 percent of them were registered with the Gambia Revenue Authority (GRA), with only 20 percent of firms kept some form of accounting. It is also worth noting that the informal sector in The Gambia is quite heterogenous and it ranges from sole proprietorships, to enterprises with few to a larger number of workers. Some of these may be registered with one set of authorities but not another, for instance with local government authorities and not with The Gambia Revenue Authority (GRA).

Whilst MSMEs in the Gambia have a considerable amount of untapped potential, the sector has, and continues to experience, slow performance, as witnessed by its low contribution to GDP. This low productivity can be attributed to a number of challenges the sector faces which include limited human capital, a lack of access to finance, inability to innovate, adopt or absorb new technologies, and an unreliable and erratic electricity supply. For instance, in 2018, more than 80% of the enterprises in the Gambia did not have access to loans and this is both for the formal and informal MSMEsⁱ. Another major challenge is the burdensome tax regime and an overall unfriendly regulatory and business environment. According to the World Bank, The Gambia has one of the highest total tax rates in Sub Saharan Africa, at 51.3 percent of commercial profits, compared to the SSA average of 46.8 percent. Numerous uncoordinated taxes, fees, licenses, and levies across different jurisdictions and sectors are perceived as detrimental to firm growth.ⁱⁱ MSMEs are also plagued by weak implementation capacity especially for

Business Development Services (BDS). The 2018 survey further indicated that more than 90% of the respondents stated that they did not receive any BDS.

Whilst 90% of the MSMEs have access to local markets for their products and services, only 6% of the respondents have access to regional and international markets. According to UNCTAD's World Investment Report 2020, FDI inflows in The Gambia decreased slightly from US\$33 million to US\$32million between 2018 and 2019. The total stock of FDI was estimated at US\$443 million in 2019 with agro-processing and tourism attracting the most of these investments. The country is ranked 155th worldwide in the 2020 Doing Business report, going down five places since the previous report.

2. Impact of CoVID 19

The socioeconomic impacts of the global COVID 19 pandemic on The Gambia have been severe. GDP growth is projected to decline to between 2.5 and -2.4% in 2020.ⁱⁱⁱ Based on the current situation, an estimated twenty percent of the expected revenue will be lost. In addition, tax revenues are expected to drop by 2.3 billion dalasi (\$43.5 million) as the fiscal deficit is expected to widen by 2.1%. The country is heavily dependent on imports from abroad to sustain the economy and these amount to about 32 percent of GDP compared to 7 percent for exports.^{iv} The significant negative shock on wholesale and retail trade already has an equally detrimental effect on the country's growth outlook for 2020 and beyond. Limited fiscal, monetary, and financial buffers and a high risk of debt distress limit room to maneuver. A major compounding factor to these problems is the non-existence of social safety nets.

The Gambia has a small, undiversified economy heavily reliant on tourism, trade, remittances and subsistence agriculture. Whilst about three quarters of the population depend on the agricultural sector, which provides about one fifth of GDP, the tertiary sector also has an important position the economy (65.8% of GDP), which is mainly connected to trade which passes through the port of Banjul^v. Remittances from the diaspora are estimated to represent about 20 % of GDP, whilst industry is less developed constitutes about 14.2 % of GDP^{vi}.

In order to have an in depth understanding of the impact of the pandemic, the government, international organizations and research institutions carried out a number of rapid assessments on key sectors and stakeholders. The assessments revealed that all categories of MSMEs have been badly hit, both directly and indirectly. The tourism industry, which the country is heavily dependent upon for foreign exchange, and which contributes 20% to GDP continues to be very adversely affected. An assessment released by the Gambia Tourism Board in May 2020 estimated that the losses in the sector could be up to US\$108 million. MSMEs associated with tourism and other sectors have consequently been negatively impacted by the pandemic and the Government's response to it. These include restaurants, transport, distributive trade and other micro enterprises in a broad range of sectors such as the leisure industry, agriculture and transportation. According to a Gambia Bureau of Statistics (GBOS) rapid assessment of the sector, it is estimated that 69 % of the micro enterprises such as craft market vendors, tourist guides, fruit and vegetable sellers etc, lost their businesses.

Cognizant of these impacts and an increase in the number of vulnerable groups created by the combined effect of the pandemic and measures put in place to address it, Government, international organizations, the private sector and other stakeholders have launched initiatives aimed at mitigating these adverse effects.

3. Objectives

The Gambia currently has a significant number of recently updated policies, acts, and reports which address private sector development, entrepreneurship, MSMEs, and youth employment amongst others. Despite the existence of these state-of-the-art policies and legislations, The Gambia still continues to face the same major challenges in these sectors, and implementation remains stalled.

Against this backdrop, the main objective of the forum, which is being organized by the Ministry of Trade, Regional Integration, Industry, and Employment (MOTIE) in partnership with UNDESA and UNDP is to review the priority challenges facing the MSMEs in the Gambia, especially in relation to their performance and come up with a roadmap on how to address the bottlenecks impeding the growth and productivity of the sector.

The specific objectives of the forum are:-

1. To bring together the key decision makers in Government, The Private Sector and MSME umbrella organizations, and development partners to discuss and agree on the way forward for addressing some of the priority issues affecting MSMEs in the Post Covid era, taking into account the possible opportunities offered by the ACFTA.
2. To reach a consensus on a roadmap for addressing these challenges.
3. To agree upon ways and means of making the institutional framework for continuous dialogue and implementation functional, based on the provisions of the MSME policy 2019 – 2024.

4. Outputs

The main expected outputs of the forum are:-

1. The institutionalization of an advisory forum for dialogue and implementation as stipulated in the MSME policy 2019-2024.
2. The availability of a roadmap for addressing some of the key challenges facing MSMEs.

5. Participants

The Participants will include Government Ministries and Parastatals, Private Sector and MSME Umbrella Organizations, and Multilateral and bilateral partners.

6. Location and Dates

The forum will take place at The Sir Dawda Kairaba Jawara Conference Centre on the 14th of December 2020

7. Funding

The workshop venue was funded by UNDP.

8. Language

The forum will be in English.

Annex 1.

Functions of the MSME policy implementation Committee

- 1.Coordinate the activities for implementation of the MSME Policy and Implementation Plan;
- 2.Ensure collaboration among all stakeholders in the implementation of the MSME Policy and Implementation Plan;
- 3.Guide development of legislation and quality standards for the MSME sector;
- 4.Provide advisory services on MSME-related matters;
- 5.Establish relevant sub-committees to support its work;
- 6.Advocate for resources to be committed to the MSME Policy and Implementation Plan;
- 7.Provide half yearly reports on the progress of implementation of the MSME Policy and Implementation Plan by the MSME Unit of the MOTIE;
- 8.Provide input to continuous revision of the MSME Policy and Implementation Plan; and
9. Develop and implement communication programme for the MSME Policy and Implementation Plan.

ⁱ MSME mapping study 2018

ⁱⁱ World Bank. 2020. Systematic Country Diagnostics for the Republic of The Gambia: Overcoming a No-Growth Legacy. Washington, DC: World Bank.”

ⁱⁱⁱ <https://www.worldbank.org/en/country/gambia/overview>

^{iv} Socio-Economic-Impact-COVID-19-Gambia-Policy-Brief-1-UNDP-March-2020.pdf

^v https://www.nordeatrade.com/en/explore-new-market/gambia/economy?vider_sticky=ouimit

^{vi} https://www.nordeatrade.com/en/explore-new-market/gambia/economy?vider_sticky=oui