

Promoting Formalization of Micro Small and Medium Size Enterprises (MSMEs) in The Gambia



United Nations

Department of
Economic and
Social Affairs

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- II: Government policies and legislation in support of MSMEs
- III: Functions of the MSME policy implementation committee

1 Introduction

1.1 Country context

With a population estimated at 2.083 million in 2017, The Gambia continues to be one of the poorest countries in the world, with 10.1 per cent of the population living below the international poverty line in 2015 (poverty measured at 2011 PPP US\$ 1.9 per day).¹ According to the World Food Programme (WFP), the poverty rate is at 48 per cent, while food insecurity has risen from 5 to 8 per cent over the past five years as a result of weak food production systems and the effects of successive shocks such as drought and floods.² The Gambia's human development index value for 2019 was 0.496, which puts the country in the low human development category with a ranking of 172 among 189 countries and territories.³

While poverty has been in decline in neighbouring countries, poverty rates in The Gambia have been mainly stagnant, remaining at 48 per cent between 2010 and 2015. In the Greater Banjul Area—which is the country's hub for key economic activities—the poverty rate was about 17 per cent, compared with a rate of 41 per cent in other urban areas. Poverty rates were highest in rural areas, at 70 per cent.⁴ The majority of the poor work in low-productivity sectors: in urban areas, they work mainly in the informal service sectors, while in rural areas, they work in agriculture.



Figure I: MAP OF THE GAMBIA - Source: (MapsoftNet).

According to the Gambia Bureau of Statistics, national poverty increased, by 1.04 per cent, from 48.1 per cent in 2010 to 48.6 per cent in 2015-2016. Rural poverty increased by 8.10 per cent, from 64.2 per cent in 2010 to 69.4 per cent in 2015-2016, while urban poverty decreased by 5.39 per cent, from 33.4 to 31.6 per cent, during the same

¹ World Bank, "The Gambia", Poverty and Equity Brief: Africa Western and Central. October 2020. Available at https://databank.worldbank.org/data/download/poverty/987B9C90-CB9F-4D93-AE8C-750588BF00QA/SM2020/Global_POVEQ_GMB.pdf.

² World Food Programme, "Gambia" (2021). Available at www.wfp.org/countries/gambia#:~:text=The%20Gambia's%20poverty%20rate%20remains,such%20as%20.

³ United Nations Development Programme, "Human Development Report 2020: the next frontier - human development and the Anthropocene". Briefing note for countries on the 2020 Human Development Report. Available at http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/GMB.pdf.

⁴ World Bank, *Systematic Country Diagnostic for the Republic of The Gambia: Overcoming a No-Growth Legacy*. (Washington, DC, 2020). P. xiii, para. 7.

period. Meanwhile income inequality nationally was at 0.3553 in 2015/16, with urban areas registering a Gini coefficient of 0.3425 and rural areas, registering a Gini coefficient of 0.2825.

TABLE 1 Selected demographic and poverty indicators

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	961.1	48.6	2015
International Poverty Line 26.2 in Gambian dalasi (2015) or US\$1.90 (2011 PPP) per day per capita	214.8	10.3	2015
Lower Middle Income Class Poverty Line 44.2 in Gambian dalasi (2015) or US\$3.20 (2011 PPP) per day per capita	800.8	38.4	2015
Upper Middle Income Class Poverty Line 75.9 in Gambian dalasi (2015) or US\$5.50 (2011 PPP) per day per capita	1,515.4	72.7	2015
Multidimensional Poverty Measure		15.5	2015

KEY INDICATORS

Distribution among groups: 2015	International Poverty Line(%)		Relative group (%)		Multidimensional Poverty Measures: 2015	(% of population)
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population	98	2	23	77	Monetary poverty (Consumption)	
Rural population	80	20	61	39	Daily consumption less than US\$1.90 per person	10.3
Males	90	10	40	60	Education	
Females	90	10	40	60	At least one school-aged child is not enrolled in school	6.1
0 to 14 years old	88	12	46	54	No adult has completed primary education	29.9
15 to 64 years old	91	9	35	65	Access to basic infrastructure	
65 and older	90	10	42	58	No access to limited-standard drinking water	8.2
Without education (16+)	88	12	46	54	No access to limited-standard sanitation	58.2
Primary education (16+)	93	7	33	67	No access to electricity	8.0
Secondary education (16+)	95	5	25	75		
Tertiary/post-secondary education (16+)	99	1	9	91		

Source: World Bank, "Poverty and Equity Brief: The Gambia", October 2020.

Over the past few decades, rapid urbanization triggered by high rural-urban migration has led poor people, often youth, to congregate in and around congested urban areas where inequality is high, traditional support systems are typically weak and women face barriers to labour-market participation. This situation gives rise to new forms of social risks, including those related to crime, violence and social unrest.⁵

Table 2: MSMEs-related socioeconomic information, by Local Government Area

LGA	No. of enterprises (estimate)	Average monthly revenue (GMD)	Registered for income tax (percentage)
Banjul	382	35 525.06	4
Kanifing	4 399	61 561.97	4
Brikama	10 401	20 689.29	4
Mansankonko	4 468	21 706.72	15
Kerewan	11 955	8 759.51	14
Kuntaur	1 460	7 781.67	5

⁵ Ibid.

Janjanbureh	1 061	6 870.85	4
Basse	7 218	11 607.78	14

Source: The Gambia and United Nations, "Socioeconomic impact of COVID-19 in The Gambia: a rapid assessment" (July 2020), table 2.

The structure of the Gambian economy has changed since the early 2000s, with services now becoming the main driver of growth. The services sector is currently the largest contributor to gross domestic product (GDP), with its share having increased from 50 to 57 per cent between 2000 and 2018. Within the services sector, finance, transport and telecommunications have been growing the fastest.⁶

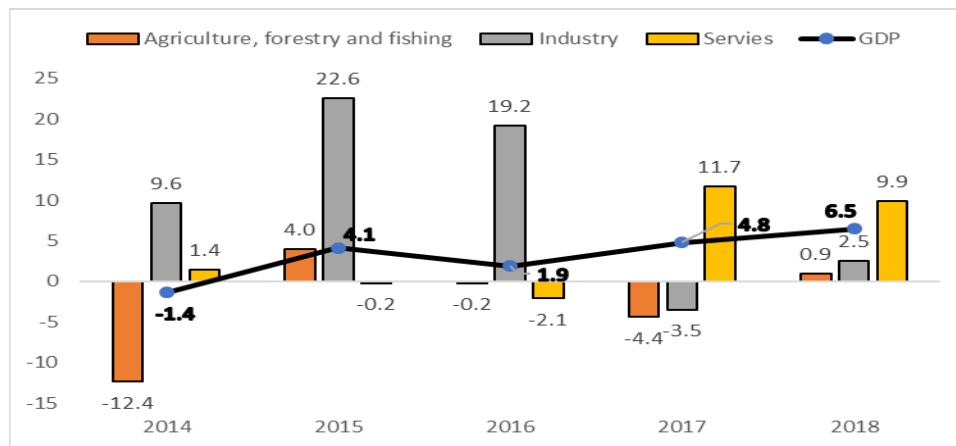


Figure II: GDP GROWTH BY SECTOR, 2014-2018 - Source: The Gambia, Bureau of Statistics, Ministry of Trade National AfCFTA Strategy (January 2020), table 2 (GDP growth: 2013 base year).

In order to reduce the current levels of poverty, The Gambia will need to achieve higher economic growth, while at the same time creating quality jobs. To generate sustained high growth is not an easy feat; it requires increasing productivity in all sectors, reducing growth volatility from agriculture, and increasing capital investments. The transition to democracy has exposed structural vulnerabilities which impede private sector development. Addressing these vulnerabilities is critical to increasing productivity and creating jobs for the bottom 40 per cent, living below the poverty line.

⁶ Ibid., p. 77, para. 160.

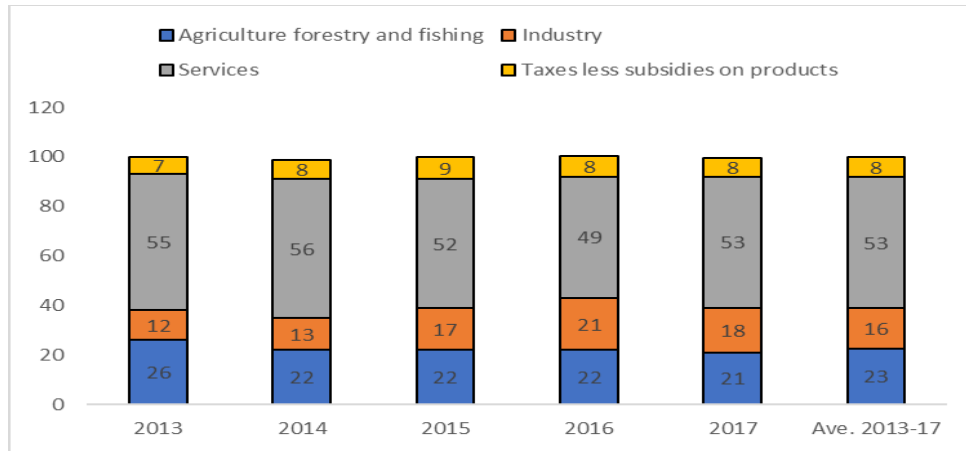


FIGURE III: Contribution to GDP by sector, 2013-2017 - SOURCE: THE GAMBIA, BUREAU OF STATISTICS, MINISTRY OF TRADE NATIONAL AFCFTA STRATEGY (JANUARY 2020), TABLE 3 (CONTRIBUTION TO GDP: ESTIMATES - 2013 BASE YEAR, MARKET PRICES).

Diversification of the economy led by a vibrant private sector remains a major challenge. According to the 2014 census of establishments, there about 37,000 businesses in The Gambia, which translates into 54 people per business. Micro-enterprises (with no paid employees) and small enterprises (with 1-4 paid employees) make up 95.6 per cent of firms in The Gambia. Only 4.4 percent of enterprises have five or more employees. The sectors in which these enterprises operate are also highly concentrated, with 65 per cent of businesses operating in trade and 20 per cent in manufacturing, and the remaining 15 per cent spread across 12 different sectors.⁷

Gambian micro-, small and medium-sized enterprises (MSMEs) are highly informal, with only 16 per cent of them registered with the Registrar of Companies and filing their annual returns with the Gambia Revenue Authority (GRA), and only 20 per cent of firms keeping some form of accounting. This clearly demonstrates the need for formalization of MSMEs, which remain the backbone of the Gambian economy. Within this context, they are the main engine of growth and are central to the pursuit of inclusive growth and sustainable development. It is also worth noting that the informal sector in The Gambia is quite heterogeneous 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).

⁷ The Gambia, "The Gambia National Policy for MSMEs 2019-2024" (n.d.). Available at https://en.unesco.org/creativity/sites/creativity/files/qpr/msme_policy_2019_-_2024.pdf

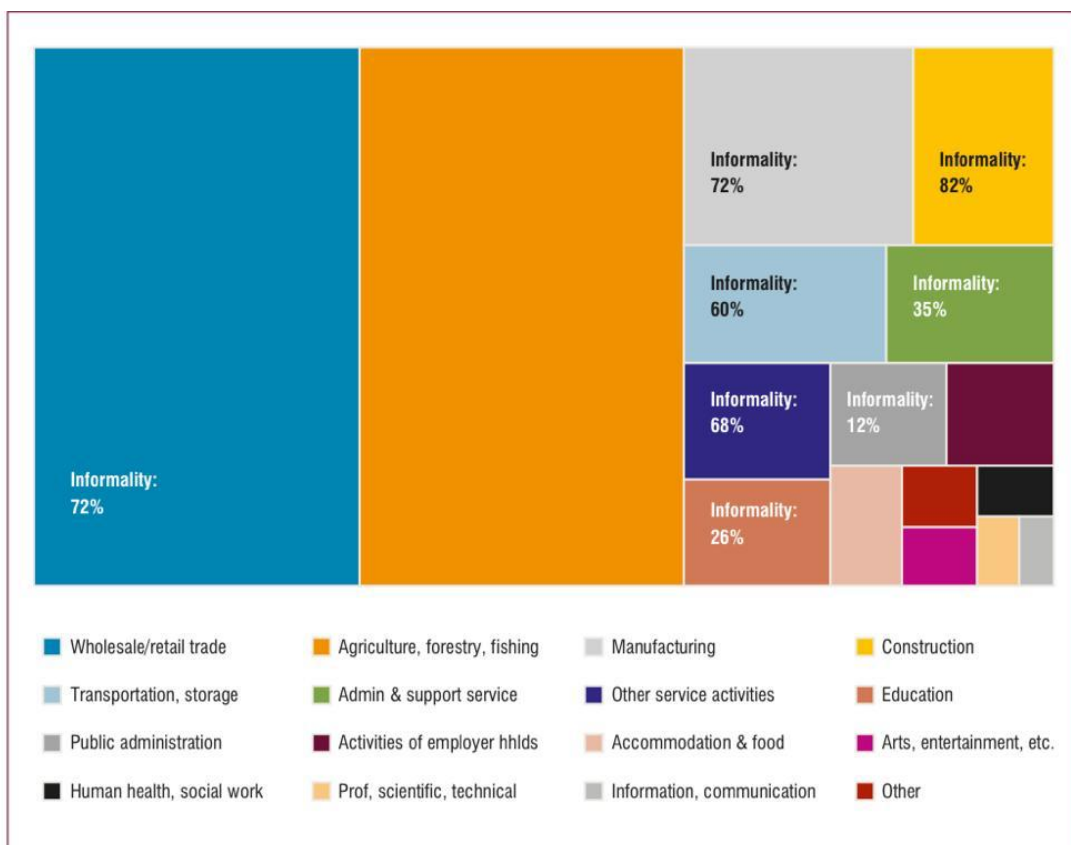


Figure IV: GAMBIAN WORKFORCE EMPLOYMENT, BY ACTIVITY TYPE AND PROPORTION INFORMAL, 2012 - Source: Strategic Youth and Trade Development Roadmap of The Gambia 2018-2022.

The Gambia National Policy for MSMEs 2019-2024 categorizes MSMEs according to number of employees, payment in capital or assets, and annual sales. This confirms that The Gambian economy is characterized by a dominance of MSMEs engaged across a range of priority sectors at the formal and informal levels.

Table 3: MSME categorization, by number of employees, payment in capital versus assets and annual sales

<i>MSME category</i>	<i>Number of employees</i>	<i>Paid-in capital/assets (D)</i>	<i>Annual sales (D)</i>
Micro-	1-4	0-25,000	0-500,000
Small	5-15	25,000-1 million	500,001-2 million
Medium-sized	16-49	1 million-5 million	2 million-10 million
Large	50 or more	More than 10 million	More than 10 million

Source: "The Gambia National Policy for MSMEs 2019-2024".

According to the data provided by the International Council for Small Business (ICSB), at the global level, formal and informal MSMEs constitute over 90 per cent of all firms and, on average, account for 70 per cent of total employment and 50 per

cent of GDP.⁸ The MSME sector in The Gambia contributes approximately 20 per cent to GDP (MSME, Mapping study, 2013) and employs the largest share (60 per cent of the active labour force (aged 15-64 years), of which 70 per cent are self-employed. Notwithstanding, in 2019, youth unemployment increased to 41.5 per cent. MSMEs also constitute represent 70 per cent of firms in the private sector.

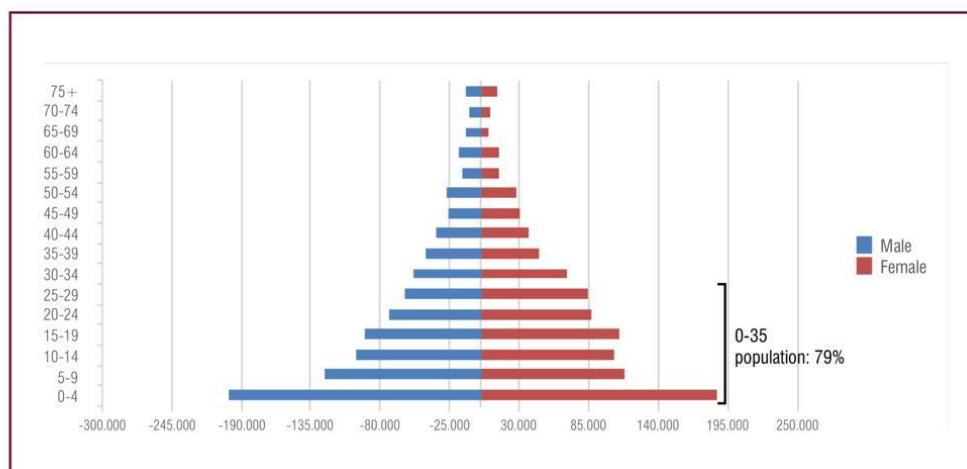


FIGURE V: Age pyramid for The Gambia, 2012 SOURCE: THE GAMBIA AND INTERNATIONAL TRADE CENTRE, *STRATEGIC YOUTH AND TRADE DEVELOPMENT ROADMAP OF THE GAMBIA 2018 - 2022*.

The findings of the MSME mapping study carried out in 2018 indicate that there were an estimated 115, 068 MSMEs in The Gambia. The mapping also revealed that the majority of MSMEs (98 per cent) were operating as sole proprietorships, of which 21 per cent were registered, while the vast majority (77 per cent) remained unregistered. Ownerships of MSMEs by women were mostly in the unregistered sole proprietorship category; and among the registered sole proprietorships (21 per cent), nearly 16 per cent were male-owned and only 5 per cent were female-owned.

While MSMEs in The Gambia have a considerable amount of untapped potential, the sector has experienced -and continues to experience - a slow improvement in performance, as attested by its low-level contribution to GDP. This can be attributed to a number of challenges faced by the sector, which include a lack of access to finance, inability to innovate, adopt or absorb new technologies, limited human capital, and an unreliable and erratic electricity supply. For instance, in 2018, more than 80 per cent of the enterprises in The Gambia - comprising both formal and informal MSMEs - did not have access to loans.⁹ Another major challenge is the burdensome tax regime and an overall unfriendly regulatory and business environment. The Gambia has one of the highest total tax rates in sub-Saharan Africa, at 51.3 per cent of commercial profits, compared with the sub region's average of 46.8 per cent. Lack of coordination related to numerous taxes, fees, licenses, and levies across different jurisdictions and sectors is perceived as detrimental to firm growth. Firm-level regression analysis shows that access to finance, tax rates and labour regulations are significant determinants of firm performance (as measured by efficiency, labour productivity and employment growth).¹⁰ MSMEs are also plagued by weak implementation capacity, especially for business

⁸ United Nations, "Micro-, Small and Medium-Sized Enterprises Day, 27 June: supporting small businesses through the COVIC-19 crisis". Available at www.un.org/en/observances/micro-small-medium-businesses-day.

⁹ MSME mapping study 2018.

¹⁰ World Bank, *Systematic Country Diagnostics for the Republic of The Gambia*, p. 38, para. 60.

development services (BDS). More than 90 per cent of respondents to the 2018 survey stated that they had not been recipients of such services.

While 90 per cent of MSMEs have access to local markets for their products and services, only 6 per cent of the respondents indicated that they had access to regional and international markets. According to the United Nations Conference on Trade and Development (UNCTAD) *World Investment Report 2020*, foreign direct investment (FDI) inflows into The Gambia decreased slightly between 2018 and 2019, from US\$ 33 million to US\$ 32 million (annex table 1). The total stock of FDI was estimated at US\$ 443 million in 2019 (annex table 2), with agro processing and tourism attracting most of the investments. The country is ranked 155th worldwide in the 2020 *Doing Business* report (table 0.1), having gone down five notches since the previous report.

Table 4: Key macroeconomic indicators.

Key macroeconomic indicators

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	4.8	7.2	6.1	0.0	3.1	5.3
Private consumption	9.5	9.7	4.1	1.5	2.6	5.1
Government consumption	-6.1	3.7	14.6	13.9	4.3	1.4
Gross fixed capital investment	-1.2	2.0	25.3	17.1	4.2	9.9
Exports – goods and services	9.6	44.2	-1.2	-20.7	16.6	6.1
Imports – goods and services	19.1	17.6	3.1	6.0	8.7	8.0
Real GDP growth, at constant factor prices	4.8	7.2	6.1	0.0	3.1	5.3
Agriculture	-4.4	3.7	-1.3	5.0	2.6	3.3
Industry	-3.5	2.0	14.3	6.4	4.6	5.2
Services	11.7	10.1	6.5	-3.3	2.8	6.1
Inflation (consumer price index)	8.0	6.5	7.1	6.1	6.0	5.5
Current account balance (% of GDP)	-7.4	-9.5	-5.3	-5.8	-11.3	-10.8
Fiscal balance (% of GDP)	-5.0	-6.1	-2.5	-1.9	-4.5	-2.4
Debt (% of GDP)	87.0	84.6	80.1	76.6	75.6	73.8
Primary balance (% of GDP)	-0.2	-3.0	0.6	1.1	-1.7	0.2

Note: e = estimate; f = forecast.

Source *The Gambia Economic Update: Preserving the Gains - Key Messages*

While progress has been made in the development of a more conducive MSME policy environment, much remains to be done. There is still a need for further policy and regulatory reforms, strategic directives and the implementation of all of these initiatives if MSMEs in The Gambia are to reach their true potential and take the lead in poverty reduction, diversification and transformation, employment creation and economic growth. Promotion of a policy environment in which self-employed Gambians can grow sustainable enterprises and raise their productivity is

imperative. Entrepreneurship, harnessed more strategically, can become a powerful driving force of innovation and productive domestic investment over the long term.¹¹

1.2 Approach to formalization

The approach to formalization taken in the present report is that promoted by the International Labour Organization (ILO) and the United Nations Commission on International Trade Law (UNCITRAL) *Legislative Guide on Key Principles of a Business Registry* (2019).

ILO considers formalization of enterprises to be part of a multidimensional and balanced approach, as outlined in its Recommendation No. 204 (2015) concerning the Transition from the Informal to the formal economy. In this context, the ultimate goal of enterprise formalization initiatives is to create more and better jobs, reduce poverty and address the marginalization of those who are especially vulnerable to the most serious decent work deficits in the informal economy.¹² Formalization of MSMEs goes hand in hand with the formalization of employment in these enterprises and, as such, it directly contributes to the Sustainable Development Goals (in particular target 8.3 on decent job creation and the formalization and growth of MSMEs) under the 2030 Agenda for Sustainable Development.

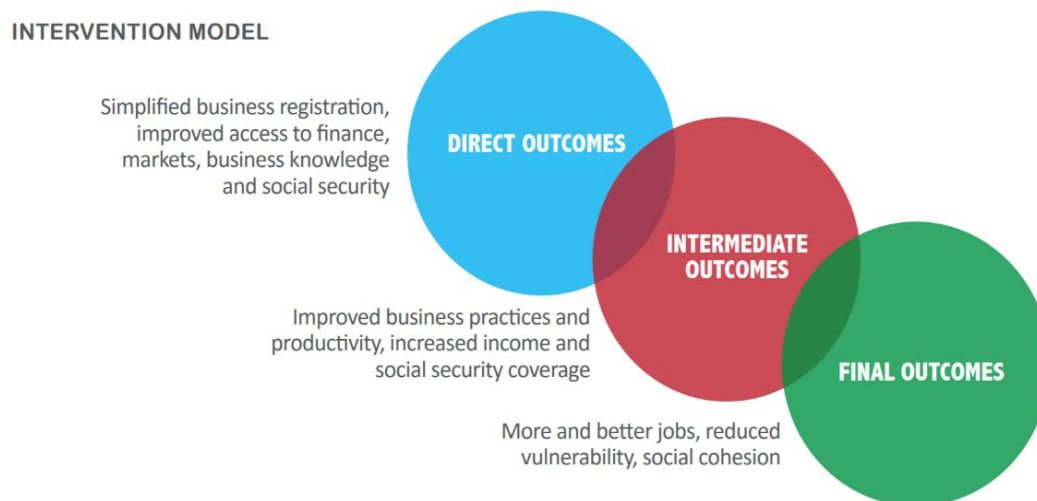


FIGURE VI: International Labour Organization intervention model

According to ILO, progress can be registered in the formalization process only when there is a conducive business environment, when the economy is growing and when there are better working conditions for people. Where such conditions are available, the expected gains of the formalization process cannot be overemphasized and they include increases in tax revenues, which are essential for the provision of public goods and services; a reduction of

¹¹ United Nations Conference on Trade and Development, *World Investment Report 2020: International Production Beyond the Pandemic* (United Nations publication, Sales No. E.20.II.D.23)

¹² International Labour Organization, Enterprise Formalization website and, "Enterprise formalization" (January 2017) Available at www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---ifp_seed/documents/publication/wcms_544828.pdf.

unfair competition by informal firms; access to finance, business development services and technologies; a possible reduction in exposure to government fines; and the participation in public biddings or the ability to act as suppliers or retailers of larger companies.

Table 4: Enterprise formalization measures

<i>Objective</i>	<i>Strategy</i>
Reduce entry barriers	Streamlined business registration, licensing and compliance
Incentive formalization	Market access, increased social security coverage, and reduced taxes or other financial obligations
Enhanced business productivity	Business upgrading, technical skills training and access to finance and business development services
Facilitate dialogue	Supporting employers' organizations in developing relevant services and supporting the involvement of informal business associations and representative bodies through advocacy
Strengthen enforcement and compliance	Preventive and corrective measures

Source: ILO.

For the creation of a sound business environment, it is in the interests of both countries and MSMEs that such businesses operate in the formal economy. It is in accordance with this understanding that UNCITRAL prepared the *Legislative Guide on Key Principles of a Business Registry*. The Guide also reflects the belief that entrepreneurs that have not yet started a business may be persuaded to do so in the formal economy if the requirements are not considered overly burdensome, and if the advantages to be derived from doing so outweigh their motivations for operating in the informal economy.

While the operation of an enterprise in the formal economy entails compliance with all mandatory registration and all other requirements, it is also recognized that in a number of countries, MSMEs - especially micro-businesses and small businesses, depending on their legal forms - are not required to register with the business registry in order to operate in the formal economy, but they may be required to register with other relevant entities such as taxation and social security authorities.¹³ In this context, the Guide recommends that even States that do not require mandatory business registration should consider permitting - while not necessarily requiring - businesses of all sizes and legal forms to register in the business registry. This permissive approach could significantly enhance the advantages for businesses operating in the formal economy.

Streamlining and rationalizing the system for business registration constitute both a reform that is necessary and an element that is key for establishing a conducive business environment. In addition, this could encourage MSMEs and other businesses to move towards formalization and even promote the establishment of new ones. A significant body of materials on good practice on the streamlining process is now available, some of which are being shared and utilized among economies that are performing well. It is important to note that formalization is a gradual process which takes place in stages, with registration sometimes being undertaken with one institution at a time at either the local or the national level. For example, an enterprise may have a license to operate in a specific municipality,

¹³ United Nations Commission on International Trade Law (UNCITRAL), *Legislative Guide on Key Principles of a Business Registry* (United Nations publication, Sales No. E.19.V.15).

without having proceeded with registration at the national level with those offices responsible for taxation or social security.

1.3 Methodology

This report has been prepared in an inclusive participatory manner through consultations with the key stakeholders, namely, government, the private sector, including MSMEs, and the resident international community which provides support for MSMEs. It also includes a review of the literature on policies and programmes being implemented in The Gambia, and the guidance on formalization of MSMEs provided by ILO, the United Nations information centre and other United Nations organizations.

An international best practice report on formalization with inputs from countries in the Africa region and other developing countries is being prepared to inform the process. The present report will be presented and discussed in a validation workshop going forward and it is envisaged that the findings will serve as a useful learning resource and reference on MSME formalization at the regional level.

The process started in September 2020 and is expected to culminate in December 2020 with the validation workshop which will include all of the key stakeholders.

2 The Impact of the Covid-19 Pandemic on MSMEs

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 per cent in 2020.¹⁴ This was reiterated in the President's 2020 State of the Nation address where he indicated that GDP growth rates are expected to decline from 6 to 2 per cent as a result of the pandemic. According to the State of the Nation address, the decline in import volumes and economic activities will correspondingly lead to shortfalls in import duties and other tax revenues. Based on the current situation, an estimated 20 per cent of the expected revenue will be lost. In addition, tax revenues are expected to drop by 2.3 billion dalasis (\$43.5 million), as the fiscal deficit is expected to widen by 2.1 per cent. The pandemic has also resulted in trade disruption and lower commodity prices. Limited fiscal, monetary, and financial buffers and high risk of debt distress limit the room to manoeuvre. A major factor compounding these problems is the lack of social safety nets.

The Government's response to the pandemic included the closure of national borders and the airport, the suspension of public gatherings, limited hours of operation for markets, closure of all public places such as restaurants and nightclubs, and regulations imposed on passenger transport, to name but a few of the actions taken. While these measures were critical in curbing the spread of coronavirus disease, they have nonetheless had a negative impact on both the economy and the population at large.

¹⁴ World Bank, "The World Bank in The Gambia". Last updated 14 July 2020. Available at www.worldbank.org/en/country/gambia/overview.

Table 5: Annual revenue, number of workers and average wage per worker for MSMEs, by business activity

Business activity	Annual revenue (D)	No. of workers	Mean wage per worker (D)
Local vendor	96 614	1.2	3 526
Transportation	191 437	1.1	3476
Tailoring	61 200	2.5	3 413
Beautification	89 838	1.3	3 373
Technical services	497 408	2.5	2 834
Arts and design	210 638	1.3	4 247
Construction	1 659 712	1.8	5 820
Other	51 443	1.8	2 967
Average	357 286	1.7	3,707

Source: The Gambia and United Nations, "Socio-economic response for MSMEs" (May 2020).

The Gambia has a small, undiversified economy heavily reliant on tourism, trade, remittances and subsistence agriculture. While about three quarters of the population depend on the agricultural sector, which accounts for about one fifth of GDP, the tertiary sector also has an important position in the economy (accounting for 58.5 per cent of GDP), based mainly on trade that passes through the port of Banjul.¹⁵ Remittances from the diaspora are estimated to represent about 20 per cent of GDP, while industry is less developed constitutes about 16.3 per cent of GDP.¹⁶

With a view to acquiring 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 there were adverse effects on vulnerable groups such as women and children¹⁷ and the tourism¹⁸, and transport sectors¹⁹ to name but a few of the affected groups and sectors. Cognizant of these impacts and the increase in the number of vulnerable groups stemming from the combined effect of the pandemic and the measures put in place to address it, the Government, international organizations, the private sector and other stakeholders have launched initiatives aimed at mitigating these adverse effects.

The country is heavily dependent on imports from abroad to sustain the economy and those imports account for about 32 per cent of GDP compared with a figure of 7 per cent for exports²⁰. Wholesale and retail trade accounts for about 33 per cent of GDP and the significant negative shock has already had a negative effect on the country's growth outlook for 2020 and beyond.

¹⁵ [https://Nordea Trade Portal, "Gambia: economic outline"](https://Nordea Trade Portal, \). Available at www.nordeatrade.com/en/explore-new-market/gambia/economy?vider_sticky=ouimit.

¹⁶ Ibid.

¹⁷ United Nations, "Policy Brief: The impact of COVID-19 on children", 15 April 2020.

¹⁸ Gambia Bureau of Statistics, "A rapid assessment of the impact of COVID-10 on tourism and related sectors", April 2020.

¹⁹ Policy Brief #3: Socio-Economic Impact of COVID-19 on Trade, April 2020

²⁰ United Nations Development Programme, "Update on the socio-economic situation following COVID-19 outbreak in The Gambia", Brief No. 1 (27 March 2020). Available at www.greengrowthknowledge.org/sites/default/files/downloads/resource/Socio-Economic-Impact-COVID-19-Gambia-Policy-Brief-1-UNDP-March-2020.pdf.

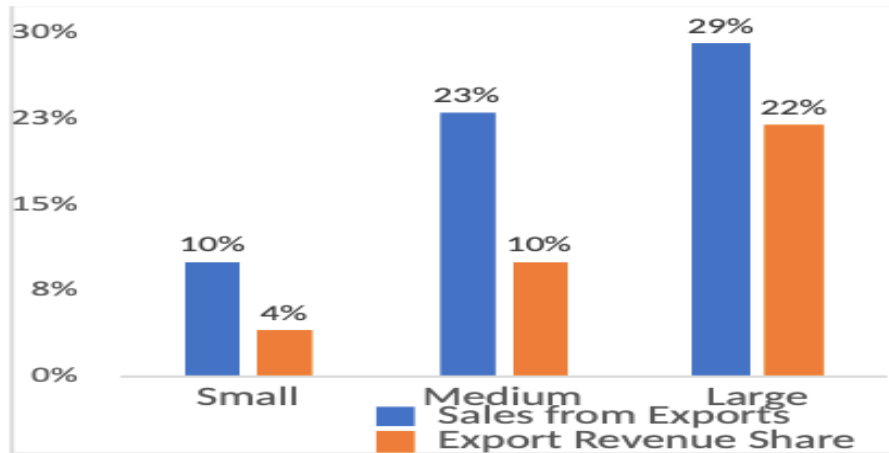


FIGURE VII: Proportion of firms with exports forming a part of sales revenue (directly or indirectly)

Source: The Gambia and United Nations, *Socioeconomic Impact of COVID 19 in The Gambia: A Rapid Assessment* (July 2020), figure 2.

All categories of MSMEs have been badly hit, both directly and indirectly. The country is heavily dependent on the tourism industry, which accounts for 20 per cent of GDP and continues to be affected very adversely. An assessment released by the Gambia Tourism Board in May 2020 estimated that the losses in the sector could amount to 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, enterprises in transport and distributive trade, and other microenterprises in a broad range of sectors such as the leisure industry, agriculture and transportation. Based on a GBoS rapid assessment of the sector, it is estimated that 69 per cent of those working in microenterprises - such as craft market vendors, tourist guides, and fruit and vegetable sellers, among others - lost their businesses.

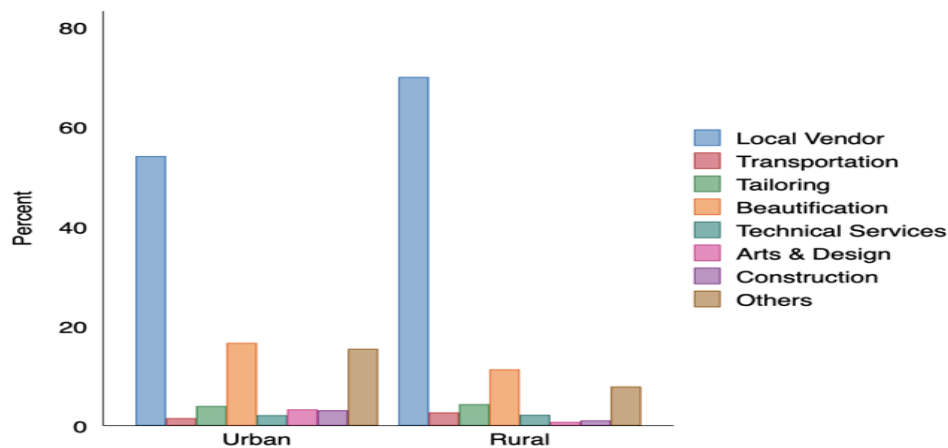


FIGURE VIII: Proportion of MSMEs (formal and Informal), by main activity and urban/rural

Source: The Gambia and United Nations Development Programme, "Socio-economic response for MSMEs" - (May 2020).

Most workers in the MSME sector fend for themselves and support their families through reliance on their daily activities. The impact of the measures initiated to mitigate the spread of the pandemic, especially the closure of businesses, will exert a significant negative impact on these individuals and on small and medium-sized enterprises. Against this backdrop, special attention should be paid to the plight of women who constitute the majority of

informal sector workers. This being the case, preserving the economic empowerment of Gambian women should be a priority of the utmost urgency at the present time, given the implications for families and poverty reduction.

3 The African Continental Free Trade Area (AfCFTA)

The African Continental Free Trade Area (AfCFTA) is a flagship initiative of the African Union which creates a market encompassing more than 1 billion people. If implemented fully, the initiative could boost regional income by 7 per cent, or \$450 billion; speed up wage growth for women; and lift 30 million people out of extreme poverty by 2035.²¹ The Agreement Establishing the African Continental Free Trade Area covers trade in goods and services, investment, intellectual property rights and competition policy. It is an important driver of Agenda 2063, the African Union blue print for sustainable development, which is to be implemented within the 50-year period from 2013 to 2063 on the basis of 10-year implementation plans. The Agenda identifies key flagship programmes which can boost Africa's economic growth and development and lead to the continent's rapid transformation.

The AfCFTA^{xxv} aspires towards a deepening of the integration of the African continent beyond what is possible merely through the creation of a free trade area. It includes as objectives to “create a liberalized market ... through successive rounds of negotiations”, “lay the groundwork for the establishment of a continental customs union” and “contribute to the movement of capital and natural persons”

(see www.tralac.org/documents/resources/africa/2898-assessing-regional-integration-in-africa-ix-uneca-auc-afdb-unctad-july-2019/file.html). Implementing the AfCFTA would help usher in the kinds of deep reforms necessary to enhance long-term growth in African countries.

(See www.worldbank.org/en/topic/trade/publication/the-african-continental-free-trade-area)

Regional integration faces challenges, however, which include limited energy and infrastructure development, insecurity and conflicts, multiple and overlapping membership of regional economic communities (RECs), poor sequencing of regional integration arrangements and limited financial resources²²

(See www.tralac.org/documents/resources/africa/2898-assessing-regional-integration-in-africa-ix-uneca-auc-afdb-unctad-july-2019/file.html).

Table 6. AfCFTA: general and specific objectives

General objectives	
1	Create a single market for goods, services, facilitated by movement of persons in order to deepen economic integration
2	Create a liberalized market for goods and services through successive rounds of negotiations
3	Contribute to the movement of capital and natural persons and facilitate investments building on the initiatives and developments in the States parties and regional economic communities (RECs)
4	Lay the foundation for the establishment of a continental customs union at a later stage
5	Promote and attain sustainable and inclusive socioeconomic development, gender equality and structural transformation of States parties
6	Enhance competitiveness of the economies of States parties within the continent
7	Promote industrial development through diversification and regional value chain development, agricultural development and food security

²¹ World Bank, "Trade pact could boost Africa's income by \$450 billion, study finds", 27 July 2020. Available at www.worldbank.org/en/news/press-release/2020/07/27/african-continental-free-trade-area.

²² The Gambia AfCFTA Implementation Strategy.

8	Resolve the challenges of multiple and overlapping membership and expedite the regional and continental integration processes
Specific objectives	
1	Progressively eliminate tariffs and non-tariff barriers to trade in goods
2	Progressively liberalize trade in services
3	Cooperate on investment, intellectual property rights and competition policy
4	Cooperate on all trade-related policies
5	Cooperate on customs matters and the implementation of trade facilitation measures
6	Establish a mechanism for the settlement of disputes concerning their rights and obligations
7	Establish and maintain an institutional framework for the implementation and administration of the AfCFTA

Source: AfCFTA Agreement, article 3, entitled "general Objectives" (pp. 4-5); and article 4, entitled "Specific objectives" (p. 5). Available at <https://www.tralac.org/documents/resources/cfta/1963-agreement-establishing-the-afcfta-consolidated-text-signed-21-march-2018/file.html>.

Note: Further elaboration is provided in individual protocols where specific objectives are set out related to their spheres of concern.

AfCFTA provides the opportunity for a small economy such as that of The Gambia to concentrate on sectors which could have a comparative advantage and increase overall competitiveness. The resulting enlarged regional market would incentivize both domestic and foreign investment and provide greater opportunities for structural transformation through expansion of prospective subsectors and reversal of the trend towards decline in The Gambia's manufacturing sector. The Gambia, being a small country as well as a historically important trading hub in West Africa, has a vital interest in regional integration efforts.²³ However, according to the World Bank, the lack of integration with other West African countries limits The Gambia's access to economic opportunities, increases its vulnerability to shocks and contributes to higher costs of production and consumption.²⁴

These challenges, which are on the increase, will make it very difficult for The Gambia to become a competitive regional trading hub. There is stiff competition from its direct neighbours which is becoming increasingly severe, as these countries continue to make targeted investments aimed at improving their port facilities, liberalizing their regional trade and removing internal trade barriers. This has an impact on the domestic market. The low import costs and the competitive prices of goods from neighbouring countries creates a situation of strong competition with local products. This is particularly the case with Senegalese imports in the local Gambian market.²⁵

²³ United Nations, Economic Commission for Africa; African Union; and United Nations Conference on Trade and Development, *Next Steps for the African Continental Free Trade Area: Assessing Regional Integration in Africa | Aria IX* (Addis Ababa, 2019).

²⁴ World Bank, *Systematic Country Diagnostics for the Republic of The Gambia*, p. 28, para. 32.

²⁵ The Gambia and International Trade Centre, *Strategic Youth and Trade Development Roadmap of The Gambia 2018-2022* (Geneva, ITC, 2018), p. 12. Available at www.yep.gm/storage/app/uploads/public/5af/9bb/509/5af9bb5096187750254721.pdf.

Box I: Snapshot of The Gambia as a potential competitive regional trading Hub

The Gambia has built up its reputation as a trade and re-export hub for the subregion, particularly through Banjul Port. The country is indeed well suited for trade, owing to its access to the sea, the river access throughout the country, its liberal trade policies and its advantageous position with respect to the surrounding land-linked countries. Favourable market access conditions, coupled with port infrastructure and access to the 350 million inhabitants of the Economic Community of West African States (ECOWAS) market, make The Gambia a potential regional production platform and raises its potential to attract export-oriented foreign direct investment (FDI). However, the country has stopped actively working towards advancement over the past 10 years and did not pursue efforts to transform its export portfolio. Today, this is demonstrated by the stagnation of trade performance and export concentration on a few agricultural products, including groundnuts and cashew, and services with the tourism industry. It seems clear that, in order to remain competitive and embark on a new development path, The Gambia needs to reshuffle its focus and concentrate on new trade areas, and increase value addition and innovation in its current offering. This is especially the case for re-exports and the tourism sector, which will need to undergo a transformation. Transition to higher value services can help the country retain and build on its reputation as a regional trading hub.

Source: Strategic Youth and Trade Development Roadmap of The Gambia 2018-2022. box 1.

International evidence indicates that being a small economy should not be a limiting factor for economic development, per se, if the country in question is open to trade and is well integrated into regional and global value chains. Economic openness promotes access to input and output markets. In this context, The Gambia could take advantage of the AfCFTA agreement and the region associated with its membership of the Economic Community of West African States (ECOWAS) to exchange goods and services with more trading partners. Such improved integration into regional value chains would make the country more attractive to international investors owing to the access offered to economic opportunities beyond national borders.

Moreover, this would help to diversify markets and upgrade sophistication of products, both of which contribute to lower growth volatility. Further, economic integration with neighbours could lower costs for inputs, including electricity. The cost of electricity in The Gambia is currently among the highest for countries in West Africa, which hinders economic growth. Although better relations with Senegal are a necessary condition, further investments in transport infrastructure, logistics and institutions would facilitate integration into international markets.²⁶

It is against this backdrop that the National AfCFTA Strategy for the Gambia has been prepared in order to serve as a road map for improving The Gambia's integration within the Africa region. Its aim is to leverage the opportunities offered by a continental market of US\$ 2.5 trillion and combined consumer and business spending in the amount of more than US\$ 4.0 trillion to bolster trade, investment, production and employment in The Gambia.

The specific objectives of the national strategy are to:

- Develop a cohesive and efficient common national approach to continental and regional integration
- Increase AfCFTA-related awareness among all stakeholders
- Build a strong institutional and regulatory framework to support effective implementation of the AfCFTA Agreement
- Promote trade, value addition and diversification of export products and markets within the AfCFTA region
- Enhance production and productive capacity for domestic and exports markets within the context of AfCFTA

²⁶ World Bank, *Systematic Country Diagnostics for the Republic of The Gambia*, p. 28, para. 32.

- Facilitate reduction of trade transaction costs by addressing non-tariffs barriers
- Support the integration of SMEs into regional value chains through production linkages
- and awareness creation Facilitate participation of youth, women and vulnerable groups in the exploitation of existing and potential opportunities within the AfCFTA

The strategy takes into account the programmes already being implemented through The Gambia’s National Development Plan 2018-2021 and regional commitments made within the framework of the Economic Community of West African States (ECOWAS) to boost intraregional commerce, trade and industrialization. It is therefore envisaged that the effective implementation of the Agreement will facilitate the creation of employment opportunities in the formal sectors for unemployed youth, women and vulnerable groups in society.

Against this backdrop, the strategy identifies priority actions to be undertaken by the Government over the 10-year period from 1 January 2020 to 1 January 2030. These include measures to ensure adequate implementation of the provisions of the agreement at national levels; prioritizing products that are high value with high potential for export into various African markets; measures to improve and scale sustainable participation in regional value chains; and measures to support the efforts of The Gambia to take full advantage of the opportunities afforded by the AfCFTA. In addition, in order to ensure inclusivity and sustainability, the national strategy highlights other cross-cutting issues including gender; youth; micro-, small and medium-sized enterprises (MSMEs); and technology, as well as environment and climate change. Finally, it recommends the establishment of a national implementation committee (NIC) whose overall mandate will be to oversee implementation of the strategy and a monitoring and evaluation framework which will track progress on the implementation of the Agreement.²⁷

BOX II: Government policies and legislation in support of MSMEs

- The National Development Plan 2018-2021
- The National Trade Policy framework and the Gambia Investment Policy
- The Gambia National Policy and Strategy for Micro-, Small and Medium-sized Enterprises 2019-2024
- The National Entrepreneurship Policy 2017-2021
- The Single Window Business Registry 2013
- The Collateral Registry Act 2014
- The Income and Sales Tax Act 2004
- The Public Procurement Act 2010
- The Gambia Competition Act 2007
- The Customs and Excise Act 2010
- The Companies Act 2013
- The Gambia Standards Bureau Act 2010
- The Gambia Investment and Export Promotion Act 2010
- The Gambia Food Safety and Quality Act 2011
- The Gambia Tourism Board Act 2011
- National Employment Policy and Strategies and Action Plan 2020 (NEP/NEAP)
- The Gambia Trade

4 Existing policy frameworks supporting MSME formalization

The Government of the Gambia has developed a number of policies and enacted a number of laws and regulations aimed at supporting MSMEs, both directly and indirectly, with formalization being at the heart of a number of these

²⁷ The Gambia AfCFTA Implementation Strategy.

pronouncements and edicts. These instruments continue to provide required guidance and The Gambia currently has a significant number of recently updated policies, acts and reports which address private sector development, entrepreneurship, MSMEs, and youth employment, among other issues. Despite the existence of these state-of-the-art policies and pieces of legislation, The Gambia continues to face the same major challenges in these sectors, and implementation remains stalled.

Vision 2020, which was launched by the Government of The Gambia in 1996, underscores the role of the citizenry in the drive towards sustainable development, with particular emphasis on unleashing their potential for creativity and innovation. It postulates that every individual can contribute to this development and will enjoy the dividends of being able to operate in a free and competitive environment. Vision 2020 therefore places entrepreneurship at the centre of a long-term strategy directed towards inclusive and sustainable private sector-led growth. The Programme for Accelerated Growth and Employment 2012-2015 (PAGE) operationalized the vision in the medium term, laying emphasis on inclusive growth and employment. Building on this, the Private Sector Development Strategy (PSDS) proposed concrete measures for enhancing the impact of the Programme for Accelerated Growth and Employment. The Gambia's Trade Policy (2011) zeroed in on the creation of employment and reduction of poverty through the use of trade potential so as to enhance The Gambia's integration into the world economy. The Export Strategy 2013-2017 applied the aspirations of Vision 2020 to export development, identifying target sectors in agriculture, light manufacturing and logistics²⁸

The Government of The Gambia continues to seek to increase the contribution of MSMEs to the growth and performance of the economy in critical areas such as job creation, equity and access to markets. Accordingly, the National Employment Policy, Strategy and Action Plan 2010 (NEP/NEAP) elaborated a set of actions to reverse the unemployment trends by providing a framework for increasing both employability and self-employment through emphasis on the development of vocational skills and support to sectors that generate increased economic growth and employment. The Government then formulated a National Policy for MSMEs 2014-2018 which firmly established the role of MSMEs as the key to the country's economic development. This was recently updated to become The Gambia National Policy for MSMEs 2019-2024, with the central mission of the updated policy being "to inculcate a deep-seated culture of entrepreneurship in MSMEs, reduce bureaucracy to improve the ease of doing business, build capacity, and provide timely and relevant support by forging strategic partnerships and linkages with key sectors within the economy".²⁹

A number of acts and regulations aimed at improving the business environment have been promulgated, these including the Companies Act 2013, the Single Window Business Registration Act 2013 and the Single Window Business Registration Regulations of 2014.³⁰ Pursuant to these acts and regulations, the Government launched the Single Window Business Registry (SWBR) under the Attorney General's Chambers and Ministry of Justice, with its main office in Banjul and a branch office in the Kanifing municipality.

These laudable efforts provide a good foundation for addressing a number of the constraints that are preventing MSMEs from experiencing high productivity and having an enhanced impact on GDP, a key constraint being the continuing informal status of the majority of these MSMEs. It is evident that effective implementation of these policies remains the major challenge and, now more than ever, concerted action needs to be taken to provide an enabling environment conducive to the prosperity of the MSMEs, taking into account the severity of the impacts of COVID-19 on the economy and the opportunities offered by the AfCFTA.

²⁸ Ibid.

²⁹ Ministry of Trade, Industry, Regional Integration and Employment. The Gambia, "The Gambia National Policy for MSMEs 2019-2024" (n.d.). P. 13, para. 2.3, "Mission". Available at https://en.unesco.org/creativity/sites/creativity/files/qpr/msme_policy_2019_-_2024.pdf.

³⁰ The Gambia National Entrepreneurship Policy and Strategy 2019-2024.

The Gambia Investment and Export Promotion Agency, (GEIPA) is the institution mandated with providing support to MSMEs, while implementation of the policies and strategies is carried out mainly in partnership with development partners, who provide the funding for some of the priority actions identified. In this connection, GEIPA has established the Empretec Programme whose objective is to unleash the potential of the MSME sector through the provision of training and business support services.³¹

Below is a brief description of some of the policies and acts supporting MSME formalization in the Gambia.

4.1 The National Micro, Small and Medium Size (MSME) Policy and Strategy 2019 to 2024

The aspirations expressed in The Gambia MSME policy are centred on moving The Gambia towards an entrepreneurial MSME sector that fuels economic transformation through innovation, creativity and high performance. In realizing those aspirations, the MSME policy will advance the country's vision of positioning MSMEs as constituting "a vibrant and sustainable sector that embodies the concept of 'inclusive growth'" (MSME Policy, para. 2.2) as enterprises continue to increase their contribution to employment and poverty reduction. A key goal of the policy is the creation of an enabling business environment that results in growing levels of formality in the economy. Other goals include increased availability of innovative and inclusive financial systems which are appropriate, affordable and accessible throughout the MSME business life cycle; strengthened access to timely, relevant and measurable business development and capacity-building serving the MSME sector countrywide; facilitation of the development of a culture of entrepreneurship and innovation that promotes creativity, research and development in business operations and throughout the education system; facilitation of the development of a social safety net to cover social protection, pensions and health for MSMEs; and promotion of the integration of cross-cutting issues in the sector to ensure inclusive growth.³²

4.2 The National Entrepreneurship Policy and Strategy 2017- 2021

The Government recognizes that entrepreneurship is a critical driver of economic development through its fostering of growth, job creation, technology adoption and innovation as well as poverty alleviation. This growing recognition of the sector as a potential key contributor to development has led to an awareness of the need for the Government to place greater emphasis on it, and has led to the development of the National Entrepreneurship Policy (NEP) and Strategy 2014-2018, which was recently updated through use of the United Nations Conference on Trade and Development (UNCTAD) Entrepreneurship Policy Framework (EPF) methodology.

With respect to formalization, the 2018 NEP policy and strategy aims towards building a national entrepreneurship ecosystem in The Gambia that is conducive to the creation of new start-ups and promotes the formalization and growth of MSMEs, in support of inclusive and sustainable economic growth and development; improves the general conditions for enterprise creation and enterprise growth, taking into account the social and environmental challenges in The Gambia associated with the legal, social and regulatory barriers to equitable and effective economic participation, with emphasis on women and youth, including groups prone to migration, who represent the main drivers of new enterprise development; and focuses on advances in technology and innovation, finance and capacity-building, education and skills development, and the promotion of an entrepreneurial spirit at the national level. NEP provides a concrete set of actions for "optimizing the regulatory framework". This includes the reduction of the regulatory and administrative hurdles for business start-ups through the streamlining of procedures, expanding access to information, reducing costs, increasing the benefits of formalization, facilitating formalization for entrepreneurs - with a focus on women and youth - and improving the predictability and enforcement of contracts.

³¹ Gambia Investment and Export Promotion Agency (GIEPA), "Empretec Gambia". Available at www.giepa.gm/Empretec%20Gambia%20Services.

³² National Policy for MSMEs.

Education is seen as key to formalization and increasing productivity, which would lift aspiring entrepreneurs from poverty. In this regard, the policy places a high priority on (a) enhancing entrepreneurship education through the recognition of entrepreneurship as a subject and integration of its teaching across other disciplines at all levels of formal education and technical and vocation training; and, in parallel, on (b) pursuit of the strengthening of non-formal training and skill development systems through wide-ranging promotion of learning-by-doing methodologies such as Empretec, MyFarm and ILO programme models. Equitable access for women and youth to such education will also be pursued. Similarly, promoting information and communications technologies (ICT) as an enabler for development is seen as an imperative, to be achieved through the facilitation of technology exchange and information by means of supporting public-private partnerships (PPPs) with a view to diffusing knowledge, developing research-industry collaboration and triggering innovation for sustainable, equitable and inclusive development. This includes enhanced use of ICT to develop, and distribute and deliver, new products, services and processes.

As regards improving access to finance - one of the most fundamental challenges faced by MSMEs - the objective is to develop targeted financial solutions for entrepreneurs (such as through innovative start-ups and green and inclusive businesses), including women, the differently abled and the youth. A parallel objective is to strengthen the capacity of the financial sector to serve the private sector in general by promoting increased diversity of financial products and services available to all levels of society at affordable cost.

Overall, it is envisioned that the successful implementation of the NEP will result in a thriving and sustainable middle-income economy for The Gambia - an economy growing by at least 7 per cent and driven by self-reliant and innovative local entrepreneurs and an enabling and strengthened ecosystem, which embraces all parts of the country - by 2026. It was expected that this transformation would contribute to improved social and equitable conditions, in particular for disadvantaged groups such as women and youth, and sustainable solutions to current social and environmental challenges³³ although given the impact of the COVID-19 pandemic on the economy, this target will now have to be reviewed.

4.3 The Single Window Business Registration Act, 2013

The overall goal of the Single Window Registry Services Act is to streamline the registration process by providing a one-stop shop for MSMEs and reducing the time spent on registration. The Single Window Registry is expected to deliver its services through e-government registration; maintain the Company and Non-commercial Registers; provide company incorporation and other services specified under the Companies Act, 2013; provide the services specified under the Partnership Act; receive and process applications for trade licenses and deliver licenses on behalf of municipalities; receive and process applications for taxpayer registration and deliver the taxpayer registration certificates on behalf of the Commissioner General; receive and process applications for business employer registration under the Social Security Fund Regulations enacted under the Social Security Act, 2010; provide information on public sector licenses and permits and facilitate access to public sector documents intended for public access and use; put in place a system for the collection, and distribution to relevant institutions, of fees paid for the use of the Single Window Registry services; and maintain an electronic payment system.³⁴

While these are the desired results, in practice, the SWBR has encountered a number of obstacles and experience points to non-harmonized registration processes with different government entities, including the municipalities, and the length of time required for registering businesses equal to that pre-SWBR.

4.4 The National Trade Policy, 2018

The Gambia's Trade Policy of 2018 has the overall goal of transforming The Gambia into a competitive and export-oriented economy which is led by private sector growth and generates employment and reduces poverty through

³³ The Gambia National Entrepreneurship Policy and Strategy 2019-2024.

³⁴ The Gambia Single Window Business Registration Act, 2013.

trade. The policy outlines the following six outcomes: diversified and increased domestic and export trade; diversified export markets; increased competitiveness in the domestic market; increased participation of MSMEs in both domestic and export trade; a reduced trade deficit; and increased productivity and productive capacity of the private sector.

The National Trade Policy identifies the following key sectors for trade development: agriculture, fisheries, tourism, energy, ICT (e-commerce) and manufacturing. For agriculture and fisheries, the trade policy advocates for a more business-oriented approach to interventions which include PPPs and business partnerships between government and the private sector. For tourism, the policy supports increased sectoral linkages with the agricultural sector and the diversification of tourism products. For energy, the trade policy prioritizes a reduction in the production costs associated with energy consumption by the manufacturing sector and MSMEs through the diversification of the country's energy mix. For ICT, the trade policy supports development of infrastructure for e-commerce. For manufacturing, the trade policy supports the promotion of value addition in the agricultural sector.³⁵

4.5 The Gambia National Development Plan, 2018-2021

The Gambia National Development Plan (NDP) (2018-2021) is the first five-year national development of the post-Jammeh period. The NDP, which underscores the historic transition to full democratic civilian rule under the coalition government, is structured based on goals of good governance and accountability, social cohesion and national reconciliation and a revitalized and transformed economy for the well-being of all Gambians.

With regard to the productive sectors, the NDP outlines efforts to enhance and improve value chains for agriculture, livestock, fisheries and aquaculture transformation as well as the contribution of tourism. These efforts include the introduction of a consolidated agricultural policy together with subsector policies, and a revised policy and act and revised regulations for fisheries, as well as the introduction of an Animal Health Act and a Phytosanitary Act. The efforts also include interventions to improve infrastructure (i.e., electricity, transport and ICT) as well as interventions in support of private sector diversification of local production to encompass more high-value products, and to create linkages with agriculture and trade across borders. The NDP also includes measures to empower women and youth, boost social protection, support MSMEs and promote environmental sustainability and climate-resilient communities.

In the National Development Plan 2018-2021, transforming the private sector and trade into the engine of growth, transformation and job creation was identified as one of the Government's eight strategic priorities. The aim of The Gambia has been to transition from a predominantly agriculture-based economy to a modern economy that is linked to global markets and value chains.³⁶

5 Current programmes and initiatives in support of MSMEs

Most of the MSMEs in The Gambia are at a nascent stage and in order to grow their businesses, they require capacity development support in a number of areas including formalization.

According to The Gambia Chamber of Commerce and Industry (GCCI), three sectors have been identified as having the potential to promote growth of MSMEs, namely, agriculture, tourism and ICT. The age group with the highest proportion of MSME owners in those three sectors (41.0 per cent) comprises persons aged 18–35 years.³⁷ Yet, despite the predominance of youth and middle-aged persons actively engaged in entrepreneurial activity, the MSME mapping study found that only 34.4 per cent of enterprise owners had any formal business training.

³⁵ The Gambia National Trade Policy 2018.

³⁶ The Gambia National Development Plan 2018-2021.

³⁷ <https://gcci.gm/wp-content/uploads/2019/10/February-E-Bulletin.pdf>.

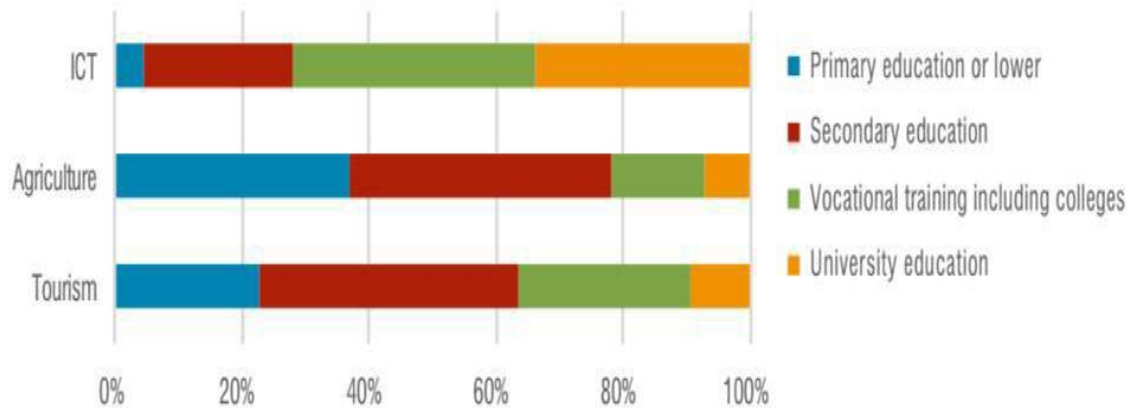


FIGURE IX: Level of education of employees by sector

Source: The Gambia, ITC SMECS, 2017.

Against this background, a series of studies conducted in The Gambia over the past several years confirm the fact that some of the most pressing issues for youth and youth enterprise development are capacity development and access to finance. The term "capacity development" is understood here in the broader sense, as encompassing the different skills, both soft and technical, which are key to the formalization process.

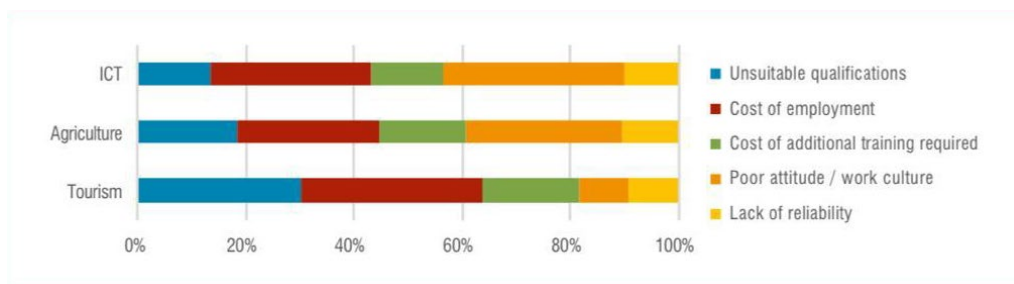


FIGURE X: Overview of barriers to employing young people, by sector

Source: The Gambia, ITC SMECS, 2017.

The Gambia Investment Promotion Agency (GEIPA) exercises its mandate, which is to support MSMEs, through the direct implementation of capacity-building programmes and through working in coordination with other government agencies, the private sector and international development partners.

Table 7: Institutions and programmes providing support services to entrepreneurs in The Gambia

Governmental institutions	MOTIE facilitates trade and promotes labour-intensive employment initiatives by leveraging the country's resources and forging strong partnerships with the private sector for the transformation of The Gambia into a trading and export-oriented nation
	GIEPA is the national agency responsible for promoting and facilitating investment, business and export development, support to MSMEs and regulation of designated export processing zones in The Gambia
Private sector institutions	The Gambian Chamber of Commerce, Industry, Agriculture and Employers' Association (GCCI) is a non-governmental voluntary and private sector organization representing trade and commerce, agriculture, industry, transport, telecommunication services, banking and finance
	The American Chamber of Commerce (AmCham) is a non-governmental organization which aims towards promoting and facilitating trade between The Gambia and the United States of America
Programmes	The Empretec programme in The Gambia was set up in partnership with UNCTAD. It is funded by a number of agencies including the United Nations Development Programme (UNDP), the International Trade Centre (ITC), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) (German Agency for International Cooperation), the African Development Bank (AFDB) and the Government of The Gambia, and is anchored at GIEPA. It has been operational since September 2014 and has trained over 736 entrepreneurs, including 164 farmers, which, in many cases, has led to newly achieved business success
	The National Enterprise Development Initiative (NEDI) was established in 2004 under the Office of the Vice President. It also reports to the Ministry of Youth and Sports (MOYS). Its main purpose is to empower the Gambian youth and women through the provision of training in business entrepreneurship, and funding to enable them to operate businesses in the informal sector, as well as provision of business-related advice to ensure sustainability
	The Youth Empowerment Project (YEP) was launched in The Gambia in February 2017 with funding from the European Union Emergency Trust Fund for Africa. The International Trade Centre is the implementing agency in collaboration with the Ministry of Trade, Industry, Regional Integration and Employment and the Ministry of Youth and Sports of The Gambia
	The Startup Incubator - a private sector-led initiative - is designed to support the successful development of young Gambian entrepreneurs through an array of business support services.

Source: The Gambia National Entrepreneurship Policy 2017– 2021 (adapted).

Below is a summary of some of the programmes that focus mainly on capacity development which are currently being implemented.

5.1 Empretec

The Empretec-Gambia project, which is implemented by GIEPA and supported by UNCTAD, is an integrated capacity-building programme which provides demand-driven training and business development services to different stakeholders including entrepreneurs, private sectors firms, civil servants and farmers. The project is being implemented with the application of the Empretec model already tested and proved in Latin America, Africa and the Middle East under the guidance of UNCTAD.

Empretec provides support for MSMEs, mainly through courses in the area of soft skills for entrepreneurship. The programme, which has been running for many years, has successfully graduated a large number of students (as many as 2,000 in 2016 alone). Business advisory services have been provided to 331 existing and start-up businesses in 2017. The advisory services are provided by 63 business development services advisers spread across the country.³⁸

UNDP has provided support to Empretec and the Gambia Songhaï initiative through its Entrepreneurship and Private Sector Development Project. Under this project, Empretec focuses on entrepreneurship skills development while The Gambia Songhaï Initiative addresses agro-tech and agribusiness. Development of demand-driven technical and vocational education and training (TVET) skills are also an integral part of the project.

The first monitoring and evaluation reports indicate that 60 per cent of businesses receiving advice through BDS are now keeping basic books of accounting. Sixty-nine business owners have opened business accounts; 17 are in the process of opening business accounts; and 57 have formalized their business with the registrar of companies (through Single Window Business Registration), while 20 are processing their registration. Many of the businesses have reported an increase in sales of about 10 per cent and another 10 new businesses have been created.³⁹

The major constraint faced by Empretec is related to sustainable funding, an issue that will need to be resolved by the government, including through establishment of innovative and sustainable sources of funding. Empretec Gambia has great potential for exerting a positive impact throughout the country. Scaling up the programme could facilitate the integration of entrepreneurship training in non-formal education.

³⁸ www.giepa.gm/Empretec%20Gambia%20Services.

³⁹ Ibid.

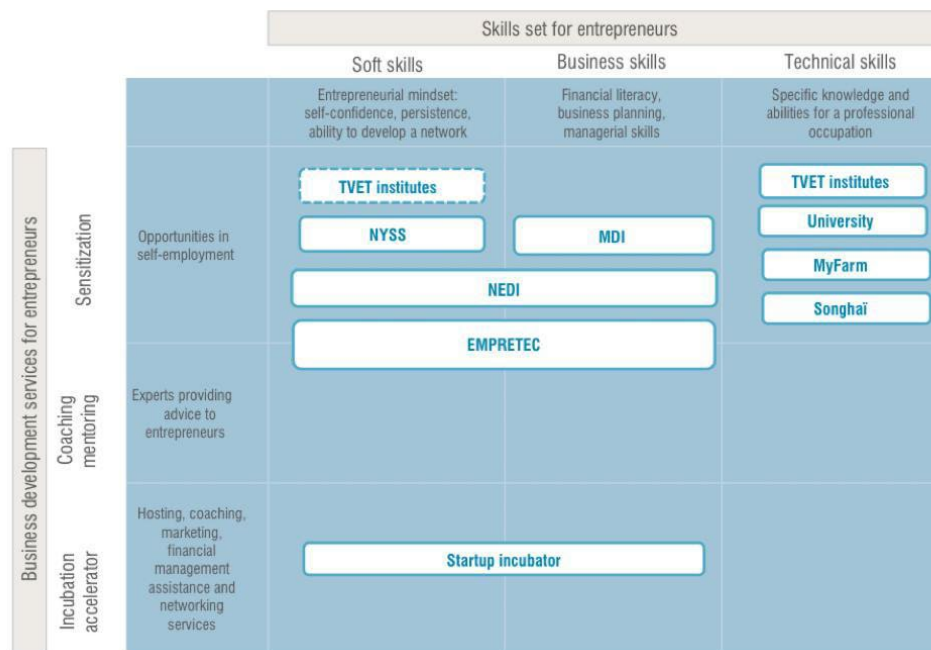


FIGURE XI: Entrepreneurship services in The Gambia

Abbreviations: MDI, Management Development Institute; NEDI, National Enterprise Development Initiative; NYCC, National Youth Service Scheme; TVET, technical and vocational education and training.

Source: Strategic Youth and Trade Development Roadmap of The Gambia 2018-2022.

5.2 The Youth Empowerment Project

The Youth Empowerment Project (YEP) was launched in The Gambia in February 2017 with funding by the European Union Emergency Trust Fund for Africa. The International Trade Centre (ITC) is the implementing agency in collaboration with the Ministry of Trade, Industry, Regional Integration and Employment and the Ministry of Youth and Sports of The Gambia. YEP directly supports the development of the local economy by (a) enhancing employability and self-employment opportunities of youth, with a focus on vocational training and the creation of micro-, small and medium-sized enterprises (MSMEs), and by (b) creating and improving employment opportunities in selected sectors through value addition and internationalization. The project, which takes a market-driven approach, focuses on traditional sectors such as agriculture and tourism while also promoting diversification by supporting promising “new” sectors including the creative and digital services industries. The project tackles both demand- and supply-side issues in the priority sectors. On the supply side, it improves productive capacities and strengthens the soft and hard infrastructure for skills development. On the demand side, the project identifies market potential, creates linkages and channels back requirements to producers and service providers.⁴⁰

In 2019, the Government of The Gambia supported by the European Union launched The "Make It in The Gambia - Tekki Fii" programme, a new initiative whose objective is to significantly scale up economic and social opportunities available for young Gambians, especially in rural areas of the country. The three-year programme is designed to

⁴⁰ The Gambia and International Trade Centre, *Strategic Youth and Trade Development Roadmap of The Gambia 2018-2022*.

equip youth with job-ready skills and entrepreneurship opportunities in a variety of sectors, ranging from solar and agriculture to tourism. It will also provide communities with relevant social and recreational facilities and activities, focusing on sports, to reinforce social cohesion and promote the role of youth in rural development. The project is led by the Government of The Gambia through the Ministry of Finance and Economic Affairs, in collaboration with business and development partners. It is funded by the European Union Trust Fund for Africa (EUTF) and implemented by the International Trade Centre (ITC), GIZ (German Agency for International Cooperation), Instituto Marquês de Valle Flôr (IMVF) and Enabel, the Belgian development agency. The project builds on existing European Union-funded initiatives such as the ITC Youth Empowerment Project (YEP) and the European Union-International Organization for Migration (IOM) Joint Initiative for Migrant Protection and Reintegration.

YEP and the Tekki Fii programme as a whole support formalization in a number of ways, especially through the grant scheme which, inter alia, assists MSMEs in going through the registration process. The grant scheme offers up to D 250,000 (approximately US\$ 5,000) in seed funding to early-stage entrepreneurs who have already completed an entrepreneurship training programme. The scheme is managed by the National Association of Cooperative Credit Unions of The Gambia (NACCUG), a national financial service provider, and grants are approved through a committee comprising representatives of different business support organizations (BSOs). This embeds the grant scheme in the local ecosystem, ensures transparency, and creates a feedback loop between access to finance and business development schemes. For entrepreneurs, the integration of training and funding creates opportunities to make changes in their business or in its scale based on learning and advice obtained from training programmes. To date, over 300 young entrepreneurs have received funding through the YEP component of the scheme and more have benefited from sector-specific grants in agriculture, solar technology, and fashion and textiles, which were created to scale the scheme created under YEP. Management of these different schemes by the same institution and through the same approval process creates important synergies and ensures coordination. The grants - which so far have led to the creation of more than 500 jobs - have allowed entrepreneurs to expand their businesses by putting learning experiences derived from support programmes into action.⁴¹

As regards ecosystem support, the International Trade Centre (ITC), through the Youth Empowerment Project, has recently completed a network analysis of institutions that support entrepreneurship in order to acquire a comprehensive picture of the entrepreneurship ecosystem in The Gambia. This analysis is key to providing targeted and responsive support to MSMEs in a number of areas, including the transition from informality, and also serves as a coordination mechanism, especially for service providers in training and business development organizations. With a density figure of 0.495 out of 1 – with 1 representing the maximum number of connections achievable within a given network – the Gambian ecosystem is at an early stage of maturity.⁴² With an emerging set of actors in the network and the increasing realization of the potential of entrepreneurship development for the country's economic growth, The Gambia needs to ensure that the ecosystem is strong enough to accommodate the upcoming challenges. The Gambia's small size, its young and creative population and the country's increasing awareness of the importance of entrepreneurship are key advantages for the Gambian ecosystem.

⁴¹ Ibid.

⁴² International Trade Centre (ITC), "Entrepreneurship Ecosystem in The Gambia: A Network Analysis of Institutions Supporting Entrepreneurship" (2020). Available at <https://yep.gm/storage/app/uploads/public/5df/390/fd4/5df390fd4f2fe746827579.pdf>.

Donors and local partners	Programme	Description	Remarks
EU MoTIE and MOYS	Youth Empowerment Project Period: 2017–2021 Budget: EUR 11 million Implementation: By International Trade Centre	The YEP aims to support the economic development of The Gambia and improve the livelihoods of its people. Specifically, the YEP will enhance the employability and self-employment opportunities for youth, with a focus on vocational training and the creation of micro and small-sized enterprises and creating and improving employment opportunities in selected sectors through value addition and internationalization.	The YEP will work on value chain development in four sectors: nuts and agro-processing, tourism, ICT and creative industries.
FAO	Capacity development in the Global Agriculture and Food Security Program (GAFSP) Period: 2013–2018 Budget: \$1,400,000 Implementation: Ministry of Agriculture (MoA)	The project's intended impact is to increase nutritional levels, food security and incomes, particularly of vulnerable populations in the three Global Agriculture and Food Security Program (GAFSP) target regions, Western Coastal Region (WCR), Lower River Region (LRR) and Central River Region (CRR), through strengthening technical and organizational capacities of targeted stakeholders.	The project has supported 30 farmer field schools for the strengthening of farmer skills and capacity to improve sustainable production (covering issues of water management and irrigation, rice, food crops, horticulture production, and poultry and small livestock production as well as post-harvest).
World Bank	Commercial Agriculture and Value Chain Management Project Period: 2014–2019 Budget: \$19.27 million Implementation: Ministry of Agriculture (MoA)	The development objective of the Commercial Agriculture and Value Chain Management Project for The Gambia is to improve productivity and access to market of targeted agricultural commodities for smallholders in the project area. The project has three components. The objective of the first component, support for development of irrigation and key productive infrastructure, is to support the rehabilitation and improvement of tidal irrigation schemes as well as key productive infrastructure to address key constraints in the agricultural production system in order to improve productivity, and to further improve the efficiency of key value chains through improved access to markets.	The project's focus is on agricultural extension, research, and other support activities (38%); crops (20%); irrigation and drainage (29%); public administration – agriculture, fishing and forestry (6%); and agricultural markets, commercialization and agribusiness (7%).
UNDP	Establishment of Empretec model of enterprise support programme Period: 2014–2017 Budget: \$2,374,748 Implementation: Ministry of Trade, Industry & Employment (MoTIRE) and Gambia Investment and Export Promotion Agency (GIEPA)	The project ended in September 2017. The expected outcome was that, by 2017, private sector-led Gambian manufacturing and service industries, especially micro and small enterprises, and rural farmers have sustainably improved their competitiveness and employment potential. Outputs: 1) Project Management Unit (PMU) for Enterprise Support Centre established by GIEPA to render technical advice; 2) Coordinated enterprise support services delivered across The Gambia through entrepreneurial training and skills development for MSMEs, including the unemployed youth; 3) Productivity and job creation capacity of MSMEs, including 40% unemployed youth, enhanced through the provision of business advisory and mentorship support services (BDS); and 4) Development of improved business environment and enhancement of policy dialogue on MSMEs' development among stakeholders.	The project was established under the Empretec framework of the United Nations Conference on Trade and Development (UNCTAD) initiative and seeks to promote entrepreneurship. The Empretec project trained 1,910 entrepreneurs and 120 business development advisors, and provided business development services to 450 businesses, while UNCTAD certified 12 trainers as national trainers. ²
	Support to entrepreneurship and private sector development for inclusive growth, employment generation and poverty reduction Period: 2017–2021 Budget: \$3,700,600 Implementation: MoTIE, MOYS, MoFEA, GIEPA, GCCI, private sector	The project will focus on a mix of upstream policy and regulatory interventions and downstream catalytic transformational interventions that will have a heavy dose of private sector participation, which will facilitate inclusive and sustainable growth. Broad outcomes: 1. Support the creation of an enabling environment for private sector development by supporting better policy programming, especially with regard to employment, livelihood creation and entrepreneurship. 2. Develop the capacity of local entrepreneurs for improved productivity and competitiveness through training and skills development by building on the developments of existing interventions like Empretec and Songhai. 3. Support better policy programming and implementation by promoting greater dialogue and sharing of knowledge and information between the public and private sectors and civil society organizations (CSOs), including women and youth groups, as well as linkages with the finance and the export sector.	Some components of the Empretec, including entrepreneurship training workshops, business development advisory services and capacity building are being supported by the UNDP under this new project.
AFDB	Agriculture Value Chains Development Project (AVCDP) Period: 2016–2020 Budget: 6,669,850 UA Implementation: MoA	The project seeks to contribute to food and nutrition security, and create shared wealth and jobs. The specific objective is to increase, on a sustainable basis, the income of rural producers, and entrepreneurs who are engaged in the production, processing, storage and marketing of rice and livestock.	Enhanced capacity along the value chain actors, particularly men and women/youth in technical and business matters. Training through farmer field schools (50% of women and youth).

FIGURE XII: Ongoing development programmes in The Gambia that impact youth employment

Source: *Strategic Youth and Trade Development Roadmap of The Gambia 2018–2022*, table 8.

5.3 The National Enterprise Development Initiative (NEDI)

The National Enterprise Development Initiative (NEDI), under the Ministry of Youth and Sports (MYS), was started in 2004. Its mission and is to empower Gambian youths and women through the provision of training in entrepreneurship and investment and grants and loans for use in operating businesses.⁴³ Since its establishment, NEDI has been working in partnership with other government agencies and partners to empower Gambian youth and women through enterprise development, as a means of fostering sustainable employment creation and better livelihoods. NEDI, a well-connected institution with a good understanding of the country's youth issues, regularly uses outreach tools including newsletters and magazines in its work. NEDI conducts training in basic business skills competences and provides youth and women with micro funding to enable them to operate small and medium-

⁴³ See NEDI web page (www.findglocal.com/GM/Banjul/985950751447965/NEDI).

sized businesses in both the formal and the informal sectors. It also provides business-related advice to youth and women entrepreneurs with a view to ensuring business sustainability. NEDI has spearheaded four phases of soft loan disbursements, which were focused on different types of businesses. So far, NEDI has supported over 150 Gambian enterprises run by youth and women across the country through microloans, mainly for retail businesses in the areas of butchery, fishing boats and equipment, bakery services, tailoring workshops, restaurants and catering, and agriculture. This investment in sectors led by youth and women is aimed at creating jobs for Gambian youth and women, ensuring the availability, accessibility and affordability of basic commodities in The Gambia, and creating meaningful employment within targeted value chain sectors.

Over the past five years, NEDI has conducted a series of youth entrepreneurship training programmes for over 2,000 youth and women entrepreneurs across the country; and in 2019-2020, NEDI provided training for 125 youth and women entrepreneurs in the Lower River Region (LRR) in the area of food processing, preservation and labelling through funding from EU TIKKI-FI, a European Union programme as implemented by GIZ.⁴⁴ NEDI has also supported youth groups across the country through provision of rice threshers, tractors, milling machines and power tillers for higher productivity along the agricultural value chain in collaboration with the Food and Agriculture Sector Development Project (FASDEP).

5.4 Startup Incubator

Startup incubator Gambia (SIG), which was established in 2015 as a project funded by the United States Embassy and The Gambian American Chamber of Commerce, is the first-ever business incubator centre in The Gambia. It provides co-working space for young entrepreneurs, including cubicles, computers, high-speed Internet and a fully equipped training room. The services offered through the co-working space and through its network of contacts include the six-month business incubation and accelerator programme which encompass hands-on entrepreneurship training and access to mentors, resources and networks. The six-month programme assists the participants in developing the appropriate mindsets, acquiring much-needed skills and making the connections necessary to ensure success in their entrepreneurial journey.

Startup Incubator-Gambia is a non-profit organization which strives to create the next generation of entrepreneurs, foster innovation and stimulate economic growth. Since its inception in 2015, the organization has incubated 62 young entrepreneurs, through its six-month incubation programme, accelerated 26 agribusiness entrepreneurs and trained 200 youth through the intensive one-week boot camp programme.⁴⁵ The organization supports existing business through technical advice, mentoring and development services. Supported sectors include fashion, ICT, construction and hospitality. It has also supported access to finance. The ITC CUBED report emphasizes the high level of commitment of the SIG team to supporting young entrepreneurs and providing them with advice and understanding.

6 Recommendations for Supporting the Formalization Process

The ILO guidance identifies a number of building blocks underpinning the process of fostering enterprise formalization. Such a multidimensional enterprise formalization process combines legal, regulatory and policy reforms with support programmes and incentives. As there are a different set of dynamics at play in each country, and within the various entrepreneurial categories, it is important to note that the interventions deployed will

⁴⁴ See FOROYAA, "General manager Abass Bah says NEDI is committed to entrepreneurship development", 24 August 2020. Available at <https://foroyaa.net/general-manager-abass-bah-says-nedi-is-committed-to-entrepreneurship-development/>.

⁴⁵ <https://www.startupincubator.gm/default>.

combine those building blocks that are relevant and tailored to the stage of formalization and the geographical context.

Moreover, formalization needs to be seen within the context of the priorities set out in the national development agenda of The Gambia, and the decisions to be taken on how to grow the economy, taking into account the regional and global sustainable development agenda. In this regard, The Gambia has served as a regional entrepôt for decades, with imported goods being transported to the hinterland using the Gambia River. The country's position as a trading hub has been supported by relatively low import taxes, a well-functioning port and customs services and limited administrative barriers. Transforming the private sector and trade into the engine of growth, transformation and job creation was identified as one of the Government's eight strategic priorities in the National Development Plan 2018-2021.

Although The Gambia still serves as the port for many countries within the sub region, its role in this regard has since declined due to lost competitiveness resulting from trade-related policy decisions. The country has not been able to take full advantage of export market opportunities owing to many inherent supply-side constraints (e.g., requirements associated with the World Trade Organization Agreement on the Application of Sanitary and Phytosanitary Measures and the WTO Agreement on Technical Barriers to Trade). The trade facilitation environment is challenged by the limited size and inefficiencies at the Banjul seaport, lack of automation, an inadequate customs system, and lack of consistency in the application of the ECOWAS Inter-State Road Transit Scheme within neighbouring countries. The intermediation role of the financial sector is skeletal and this function is performed mainly by commercial banks. Nonetheless, The Gambia continues to aim towards transitioning from a predominantly agriculture-based economy to a modern economy - one that is linked to global markets and value chains. There are several initiatives envisioned to improve the trading landscape in the country including policy reforms, diversification of local production, strengthening of market linkages and infrastructure, and exploitation of regional integration opportunities presented under ECOWAS and the AfCFTA.⁴⁶

Against this backdrop, it is imperative that the growth of MSMEs, including the process of improving the business environment within which they operate - as outlined in the MSME Policy and Strategy 2019-2024, and The Gambia Entrepreneurship Policy and Strategy 2019–2024, which uses the UNCTAD Entrepreneurship Policy Framework (EPF) - be pursued vigorously. These two policy frameworks, among others, provide a clear set of policy directives and implementation plans for the formalization of MSMEs in The Gambia. The major challenge remains the lack of implementation.

The following recommendations based on already existing policy provisions are therefore presented directly below.

6.1 Implementing the informality component of the MSME policy 2019-2024

The policy acknowledges that MSMEs that remain informal face a number of disadvantages. It states that “businesses that operate informally are forced to take actions that keep them invisible to the legal system and this leads to disadvantages such as a limited number of customers, restrictions on the size of the establishment, advertising problems, no access to government purchasing and other outcomes that undermine performance”.

It recognizes that increasing the levels of formalization will require public education, incentives and, most importantly, the simplification of existing systems and ongoing support for achieving the goal of reducing the number of enterprises that operate outside of the formal sector. Furthermore, it states that “the present body of knowledge indicates that the major barriers to formalization are regulatory and administrative fees and other financial requirements; and sociocultural and privacy issues”.

Taking these constraints into account, a key objective of the MSME policy 2019–2024 is to “(to) increase business formalization in the MSME sector by 20 per cent each year based on the 2018 MSME mapping study”. This is to be

⁴⁶ The Gambia AfCFTA Implementation Strategy.

achieved through the establishment of an enabling structure that facilitates and provides a tangible benefit for MSME formalization of their operations. To make this a reality, a number of activities have been outlined which include the following:

- I. Agree on a definition of formality across ministries, departments and agencies (MDAs) that will promote transparency and cost effectiveness in business licensing and registration and tax compliance procedures, particularly in the microenterprise subsector.
- II. Strengthen the existing incubator systems of business partners that support MSMEs throughout the entrepreneurship process, from idea generation to reaping the benefits through harvesting).
- III. Engage in public education campaigns focused on how formalization can benefit enterprise growth.
- IV. Expand the network of existing business services providers in support of formalization.

Implementing these actions will require that Government take a number of steps at the institutional level to accelerate implementation. These including the following:

BOX III: 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 MSMEs-related matters;
5. Establish relevant subcommittees 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;
9. Develop and implement a communication programme for the MSME Policy and Implementation Plan.

6.1.1 Making the national MSME policy implementation committee operational

The policy stipulates that the Government will establish the national MSME policy implementation committee, which will be responsible for oversight and coordination of the MSME Policy and Implementation Plan. The committee will be chaired by the Permanent Secretary of MOTIE who is assigned responsibility for small business development and its membership will include MOTIE as Chair and the MSME Unit of the MOTIE as secretariat, the Ministry of Finance and Economic Affairs (MOFEA), The Gambia Tourism Board, GIEPA, EMPRETEC, The Gambia Chamber of Commerce and Industry, The Gambia Revenue Authority, The Gambia Youth Chamber of Commerce, The Gambia Manufacturers Association, The Gambia Women's Chamber of Commerce, the Central Bank of The Gambia, the Association of Gambia Microfinance Institutions and The Gambia Bankers Association.

The committee, which includes all of the key stakeholders associated with MSMEs, is not yet operational. Given the important functions assigned to the committee, it is essential for it to be inaugurated. As mentioned in box 3, the committee has certain critical functions which, if effectively carried out, will lead to the growth of the MSME sector in The Gambia. With reference to formalization, the committee would provide a much needed platform for an “agreement on the definition of formality across ministries, departments and agencies (MDAs) that will promote transparency and cost effectiveness in business licensing and registration and tax compliance procedures, particularly in the microenterprise subsector”, which is an important first step in the formalization process, as outlined in the MSME policy document.

6.1.2 Strengthening the enterprise support directorate within GIEPA

A clear mandate is key to coordination, especially where there are multiple stakeholders at both the national and local levels. The enterprise support directorate within GEIPA therefore needs to be strengthened for the effective coordination of the implementation of the NEP and MSME policies. In the same vein, MOTIE would need to ensure that adequate government support and delivery mechanisms are in place. This signifies that GIEPA will have the capacity to set guidelines; and outline key elements of the institutional framework and how it will coordinate the conceptualization and design of programmes, products and services, including training, and delivery mechanisms envisaged by the NEP and MSME action plans.

In addition, as proposed by the NEP, GIEPA should continue to lead the institutionalization of the Entrepreneurship Forum as an integrator of public, private and civil sector initiatives, which should ensure coordination of activities and provision of seamless service from one institution to another, thus reducing duplication. The Forum is also important within the context of learning and knowledge sharing among a wide range of stakeholders that would not normally have the opportunity to benefit in this regard (see figure XIII below). Funding should therefore be provided for the periodic organization of the forum, as stipulated in the NEP.

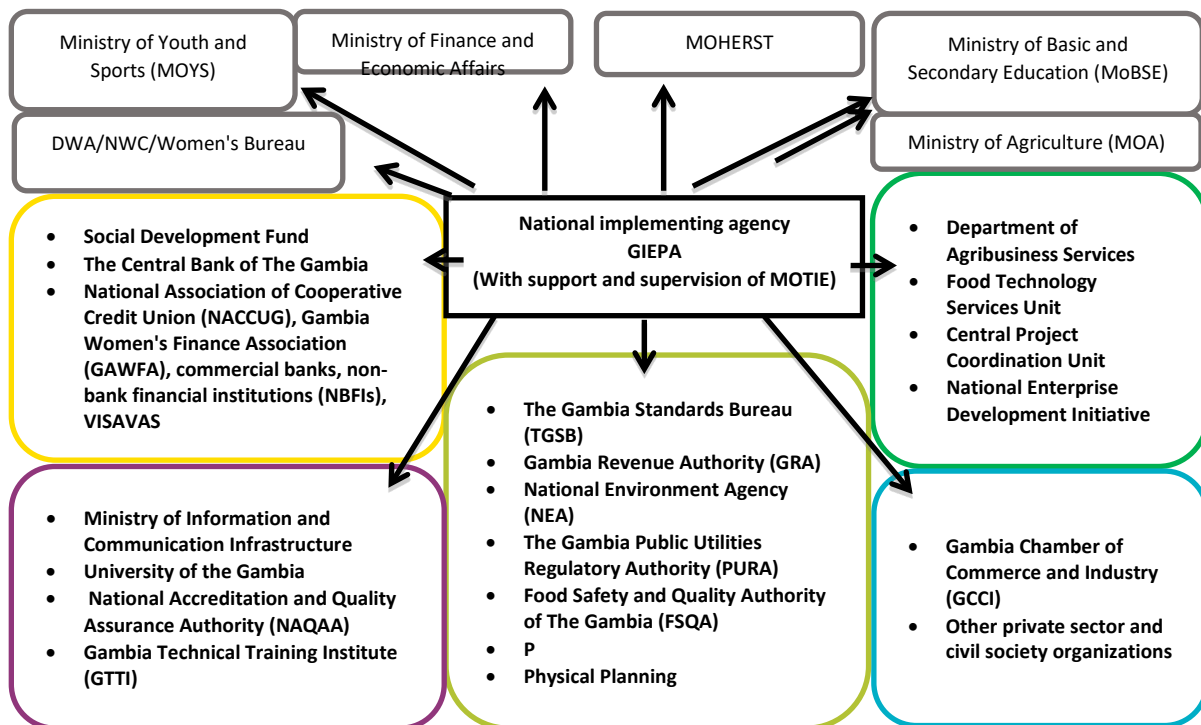


FIGURE XIII: Institutional coordination framework of the Entrepreneurship Forum for the implementation of NEP in The Gambia

6.1.3 Capacity development and ecosystem support

There are a number of training and entrepreneurship networking programmes that are currently being implemented which provide comprehensive and much-needed support, including for formalization, to MSMEs. These are funded mainly by international development partners and are affiliated with GIEPA. Sustainability of these programmes is of major concern and the Government should look into ways and means for funding them when donor support ends. One way to ensure continuous funding would be through the MSME fund which is incorporated under the GIEPA act.

6.1.3.1 Empretec and the business development services network (BDSN)

The Enterprise support team is tasked with providing business advisory and development support to MSMEs to promote growth, competitiveness and development. This service is to be provided at various levels of the business life cycle of enterprises, from idea generation, strategy formulation and business planning to implementation, fundraising, training and development, setting up of systems, and provision of coaching and mentoring. The service also includes encouragement of entrepreneurship and innovation and all other business advisory and support services required by growing MSMEs. The EMPRETEC programme is one of the mechanisms for the provision of such training, coaching and mentoring services to entrepreneurs. The training programme is backed by the business development services network (BDSN), comprising staff, entrepreneurs and consultants who provide the backup service of under the business advisory function in order to rein in the enterprise challenges and risks of failure, particularly in the early stages of establishment and growth. Leveraging technology, the BDS network with the support of the enterprise support team strives to match the requirements of the MSMEs with the skill set of the members and associate consultants listed in the BDS database. These consultants are obliged to regularly go through rigorous training, vetting and accreditation processes.

Ensuring continuity of the EMPRETEC programme will require searching for innovative funding mechanisms. One possible solution could entail requiring participants to pay a minimal fee which would then be complemented by a disbursement by the Government from the proposed MSME fund. Given the role that this flagship programme plays in both capacity development and support to entrepreneurs and MSMEs in the context of the formalization process, this would go a long way towards institutionalizing the programme in a sustainable manner.

6.1.3.2 The entrepreneurship ecosystem

The Youth Empowerment Project provides support for the development of the entrepreneurship ecosystem in The Gambia. The ecosystem is supported by a Client Relationship Management (CRM) database which is located at GIEPA. Within this context, the Youth Empowerment Project, through ITC, carried out an entrepreneurship ecosystem in the Gambia/network analysis study whose main objective is to provide an accurate description of The Gambia's entrepreneurship ecosystem of institutions, identify gaps, overlaps and provide recommendations. According to the report on the network of institutions supporting entrepreneurship, the Gambian ecosystem is at an early stage of maturity. With an emerging set of actors in the network and the increasing realization of the potential of entrepreneurship development for the country's economic growth, The Gambia needs to ensure that the ecosystem is strong enough to address the upcoming challenges. However, the rapid and unstructured growth of institutions in response to the entrepreneurship boom in the country has led to some overlaps as well as unfilled gaps.⁴⁷

⁴⁷ International Trade Centre (ITC), "Entrepreneurship Ecosystem in The Gambia".

The report has identified key gaps in the network of institutions that provide support to entrepreneurs. The first is the inadequate level of availability of incubators and accelerator programmes. Further, the report states that there are no accelerator programmes that can accompany start-ups from the viable product stage through growth. This contributes to restrictions on the resources that entrepreneurs have available to them for developing their ideas and scaling up their businesses. Linked to this, facilitation of the access to international markets is generic or virtually non-existent and needs to be better coordinated within the network. In addition, the links to investors could be significantly improved to facilitate access to finance. Likewise, in the Gambian ecosystem, compared with more advanced ecosystems, the presence of IT-focused institutions is very limited. While pitching competitions and events are being organized, they have yet to play a key role in connecting institutions and fostering collaboration among ecosystem actors. The fact that not much support is being extended to the rural area remains a major concern for most of the actors in the network. In this context, enhanced collaboration and cooperation will be needed in the future to ensure that no region is left behind. Finally, the report highlights the emergence of gender-oriented programmes which are providing female entrepreneurs with a specific type of support and access to networks.

A study such as this, which assesses the state of The Gambia's entrepreneurship ecosystem, is timely; and the recommendations made are highly pertinent to building the network. The recommended next steps taken from the study include the clarification of respective roles to facilitate the navigation of entrepreneurs within the ecosystem and promotion of the creation of institutions that can cover the identified gaps. Incubators, accelerators, tech hubs and IT- focused institutions are absent or have a low presence in the ecosystem. In addition, two key services – business scale-up and linkages to international markets – will need to be further structured and tailored to entrepreneurs' needs. The item of inclusion will need to be in the ecosystem's agenda for growth. Reaching the rural area will help the ecosystem grow and expand the scope of its maturation. In addition, bringing female entrepreneurs on board will be key to ensuring the presence of a rich pool of entrepreneurs with creative ideas in various domains. Finally, the ecosystem actors will need to embed results measurement in their operations in order to verify the direction and quality of the services provided. This will allow actors to not only refine and improve services but also showcase Gambian success internationally.⁴⁸

GIEPA should facilitate the implementation of these recommendations. They will be key to the nurturing of a well-developed ecosystem, which would, among other things, promote formalization and contribute significantly to the country's economic development.

⁴⁸ Ibid.

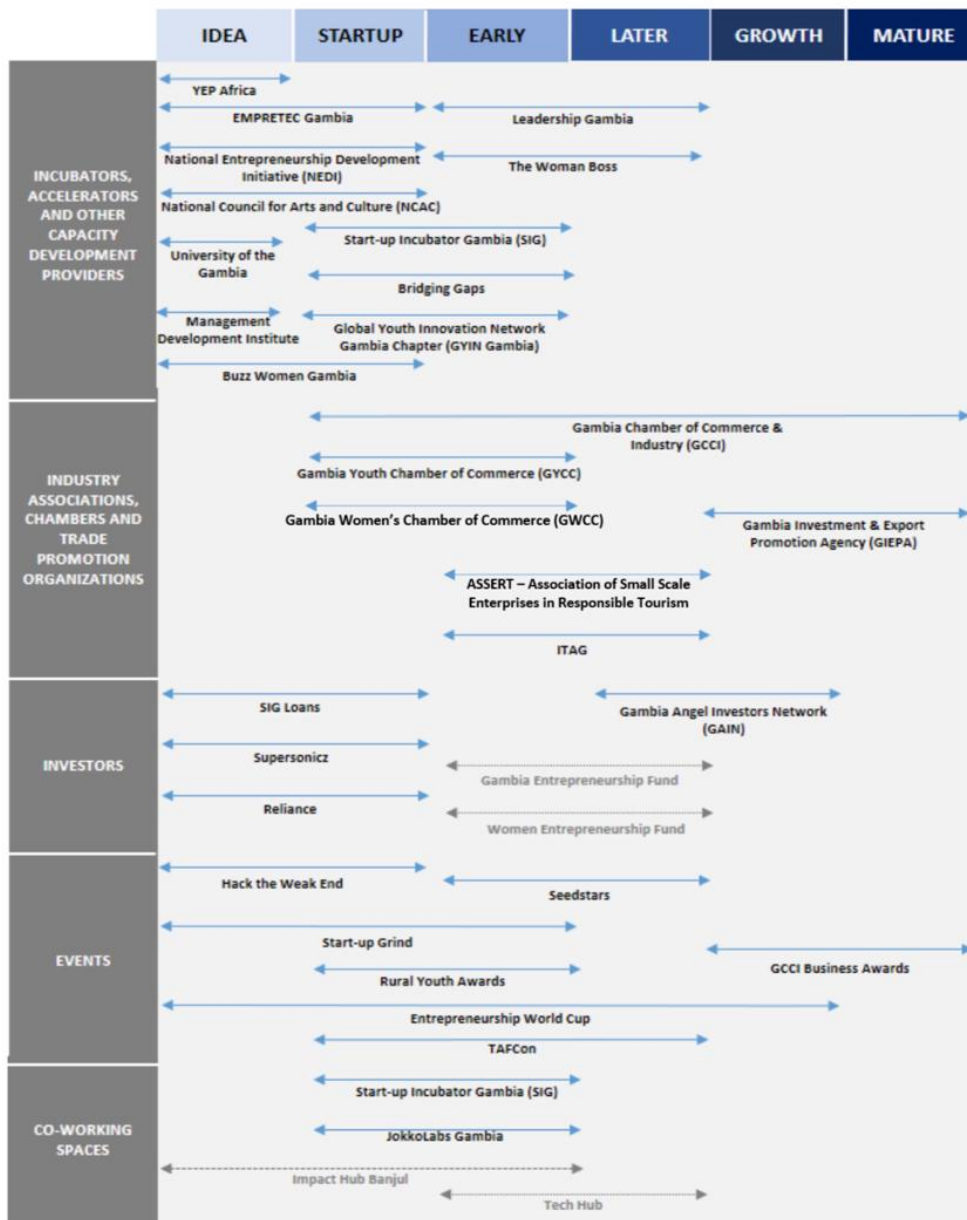


FIGURE XIV: Ecosystem actors by category and business stage

Source: ITC, Entrepreneurship Ecosystem Mapping in The Gambia.

6.2 Improving the legal and regulatory business environment

The administrative and regulatory environment for businesses in The Gambia features high level of bureaucracy and the situation is not improving. An inefficient and costly regulatory and administrative business environment retards the development and growth of businesses in general and can be disproportionately more burdensome for MSMEs than for their larger counterparts, owing especially to their earning potential, and human and financial resource capacity. Payment of taxes, for example, can be time consuming, complex and costly and can weigh heavily on the

resources of MSMEs. Furthermore, it results in a lower level of business activity and lower productivity levels and is a source of frustration for MSMEs.

From a public perspective, formalization helps broaden the tax base and allows the government to make better-informed public policy and investment decisions based on greater knowledge of the private sector.

Improving the regulatory and administrative environment for businesses requires a whole-of-government approach which will ensure efficiency and the cost effectiveness of services provided. However, an even greater degree of targeted support for this effort should come from a number of key ministries, departments and agencies that directly interface with businesses and therefore have a critical role to play in making it easier to do business in The Gambia. These include the Gambia Revenue Authority (GRA), the Gambia Ports Authority (GPA), municipalities and the Gambia Tourism Board (GTB).

The regulatory and administrative framework adversely affects businesses in many ways; and most strategies recommended for addressing these constraints are not geared towards correcting the regulatory and administrative inefficiencies that affect only MSMEs. Nonetheless, given the disproportionate burden that is placed on MSMEs and given that this matter should be treated with a sense of urgency, tackling the major impediments in the regulatory and administrative environment needs to be a policy imperative.

Table 8: Costs of doing business and formalization

<i>Policy objective</i>	<i>Identified constraints</i>	<i>Priority actions</i>
Reduce the cost of doing business and increase benefits of formalization	Cumbersome bureaucratic procedures persist despite reforms No monitoring of costs and benefits for different categories of business in order to facilitate formalization and compliance with specific regulations	<ol style="list-style-type: none"> 1. Reduce the number of procedures legally recognized (company seal) 2. Upgrade the Single Window 3. Enact a social enterprise promotion act, with special provisions for women and youth 4. Support efforts to digitalize, automate and integrate post-registration procedures for land 5. Facilitate the fast-track introduction of benchmarking and e-government services in the context of establishment of businesses 6. Strengthen The Gambia Standards Bureau (TGSB) 7. Introduce preferential measures and special incentives to encourage business formalization, with a focus on women and youth

Source: National Entrepreneurship Policy 2017-2021.

6.2.1 Business registration services

The Government has identified the issue of improving the business environment as a priority reform area with a view to helping create a more conducive enabling environment. Accordingly, The Gambia introduced reforms in 2013 focusing on elimination of onerous requirements through the Single Window Business Registry (SWBR) Act. While this is an important milestone, there is still room for improvement in enabling the electronic submission of documents, without the need for physical paper trails, or physical visits to SWBR offices to obtain certificates for newly registered companies. It is also imperative that SWBR offices be present in rural areas.

Within the context of the SWBR, the MSME policy has, as its main target, the reduction to one day of the time spent on processing microenterprise registration, which was to have been achieved in September 2019. While progress

has been made, this target has yet to be met. The recommended actions - which include the bolstering of capacity of service providers as well as enterprises to improve efficiency; and the promotion of greater use of technology within ministries and agencies that provide services in order to boost efficiency and reduce the cost associated with service delivery - should be implemented.

The priority actions identified under the MSME policy include the complete implementation of the electronic business registration form under the Single Window Business Registry (SWBR) to allow online incorporation of companies and registration of business names and to expand these actions to regions such as Basse, Farafenni and Soma; engagement of existing structures such as the ministries of justice, lands and regional governments, municipalities and GRA in supporting the desired business, legal, regulatory and administrative environment; encouragement of ongoing dialogue with MSMEs to sensitize them regarding improvements in the business environment and solicit their feedback on further changes to the administrative and regulatory environment that should be made; and instituting a comprehensive monitoring and evaluation system to measure progress in reducing the size of the bureaucracy and the cost of doing business for MSMEs. These actions, if taken, will considerably improve business registration processes for these enterprises.

6.2.2 Taxation

According to the World Bank, The Gambia scores below the regional average on the ease of compliance with taxation-related regulations. Companies have to comply with 15 different taxes. Firms have to make 50 payments per year and spend 326 hours processing accounts (World Bank, 2016). A reform process, which consists of establishing a value added tax and reducing the corporate income tax rates has been completed.

One of the biggest problems is the total tax rate which, according to World Bank data⁴⁹, amounts to 51 per cent of the commercial profits of Gambian companies. The tax system is a problematic issue for both the public and private sectors. Private companies have to comply with one of the highest tax rates among country members of the Economic Community of West African States (ECOWAS), creating an unfair playing field for compliant firms.

The fear among MSMEs of being caught in the Government's taxation net impacts the extent to which they embrace formalization. On the one hand, MSMEs do not have a clear conception of their tax obligations and are to a large extent uninformed in that regard; on the other hand, taxation levels, particularly at the micro- and small business levels, should not inhibit growth and the ability to compete. The MSME policy therefore recommends that government should consider establishing a taxation framework designed for micro- and small businesses which facilitates sustainable growth and competitiveness. While the GIEPA Act provides for special incentives for MSMEs, it is not being implemented and consequently the majority of MSMEs are not aware of these dispensations.

A key objective of the MSME policy is to facilitate - through stakeholder engagement and advocacy underpinned by empirical data on the national, regional and international frameworks for MSME development - the simplification and reduction of tax levels so as to encourage more MSMEs to fulfil their tax obligations. The policy further outlines a number of actions, which include promoting the development of an attractive tax framework for microenterprises which would promote tax registration and compliance; engaging with tax authorities in examining the possibility of instituting an amnesty period with a fixed duration before informal entities are required to commence the filing of tax returns, scheduled for implementation as an accompanying measure designed to simplify procedures; ensuring that all beneficiaries of government support become tax-compliant; exploring the possibility of eliminating double taxation on dividends for non-listed companies, to encourage reinvestment for the purpose of expansion; promoting the targeted use of sector incentives underpinned by empirical cost-benefit data; mounting a sustained public

⁴⁹ World Bank, *Doing Business 2016: Measuring Regulatory Quality and Efficiency - The Gambia: Economy Profile 2016* (Washington, DC, 2016), pp. 62-66.

education campaign to change the attitudes of Gambians towards the payment of taxes, emphasizing how the Government can provide support to the MSME sector if revenue inflows increase and the benefits to the country when the tax base is broadened; and carrying out studies to enable the estimation of the impact of tax and incentive support on the MSME sector.

The implementation of these policy provisions and corresponding actions, which are quite comprehensive, would greatly facilitate MSME formalization. The provision of resources through the MSME fund would expedite progress on this agenda, with the work in this regard to be led by GIEPA and the Ministry of Trade.

The Government is putting in place additional measures aimed at ushering in a policy of fair taxation which is seen as an essential element in the fight against inequality and the furthering of the implementation of the Sustainable Development Goals (SDGs). In light of the foregoing, the Ministry of Finance and Economic Affairs, under the 2020 Appropriation Bills, approved the establishment of a tax advisory committee to secure the critical resources required to speed up the progress of the tax reforms which would fully address the concerns and needs of taxpayers. The committee will extend advisory services support to MOFEA in order to tackle the following challenges: making the tax system private sector-friendly with a view to spurring economic growth; strengthening the national tax framework in order to make it more just and inclusive; advising MOFEA on how to build an informal tax administration strategy based on an examination of the relevant issues; providing advice on tax dispute management and resolution; providing advice on designing a more comprehensive framework for addressing the challenges of double taxation; providing advisory services related to a framework for broadening the tax base so as to ensure a fair and inclusive tax system; supporting a taxpayer education strategy to minimize compliance costs so as to promote compliance; synthesizing the elements necessary for building an agenda for achievement of a global consensus against "a race to the bottom" and harmful tax competition; providing expert advice on how to leverage ICT to enhance tax administration; and examining the tax system with a view to crafting a medium-term tax policy and reform strategy.

The formation of this committee will provide a major opportunity for the Ministry of Trade to address the tax-related constraints faced by MSMEs and seek workable solutions to the problems posed by those constraints.

6.3 Access to finance

Lack of access to finance is the one constraint that is prioritized by all categories of MSMEs in The Gambia. This finance-related constraint encompasses (a) non-availability of adequate financing; (b) high interest rates; (c) lack of appropriate financing, including a preponderance of loan funding and inadequacy of non-loan financing (equity) which would be better attuned to the life cycles of firms' businesses and products; (d) inability of MSMEs to access financing even when funding is available; and (e) underservice by the private financial system (financial exclusion).

The diverse categories of MSMEs face different constraints, with microenterprises, which have virtually no access to services provided by the financial sector, being the most disadvantaged. Microfinance holds the potential to reach these entrepreneurs and the segment of the population that conventional banks cannot reach. In 2012, the microfinance sector in The Gambia had a volume of outstanding loans in the amount of US\$ 2 million with US\$ 6 million in deposits (MIX Market).⁵⁰ The Gambia has many players (e.g., non-governmental organizations (NGOs), network institutions, direct providers), encompassing many approaches (village-based approach, credit unions approach, specialized microfinance institution (MFI) approach, NGO approach) based on the target (wholesale, groups, individuals), the style of service delivery (informal or formal) and the service providers. Based on all of these

⁵⁰ See

https://books.google.gm/books?id=nO96DQAAQBAJ&pg=PA41&lpg=PA41&dq=mixmarket+gambia+data&source=bl&ots=cdj3qon5gP&sig=ACfU3U3nCV5oOX9GGwDfV7oukr6X9XLF1Q&hl=en&sa=X&ved=2ahUKewjNi56roKHwAhWsyoUKHVHUA_gQ6AEwChOECAQQAw#v=onepage&q=mixmarket%20gambia%20data&f=false

factors (and the collateral required), interest rates range from 15 to 30 per cent. Seventy per cent of microfinance clients are women, most of whom live in rural areas.⁵¹ According to the Africa Development Bank, 90 per cent of microfinance credits are allocated to women entrepreneurs, and repayment rates are about 80-90 per cent. An overwhelming majority of small loans are managed with non-conventional collateral owing to the status of women in The Gambia who cannot own and control productive assets.⁵² Thus, as women are the targeted clients of microfinance Institutions (MFI), those institutions cannot use all of the usual risk-management instruments for cultural and social reasons.

6.3.1 Provision of credit

As regards terms of provision of credit, the MSME policy had targeted the establishment of systems that would have resulted by now in an increase of 20 per cent in the supply of credit to MSMEs - a target that has no doubt been impacted by the COVID-19 pandemic. However, promotion of the establishment of such systems must continue in earnest, as they are needed now more than ever, given that MSMEs themselves have been negatively impacted by the pandemic.

While a number of activities have been outlined in the MSME policy, concerted action must be taken, as directed by the Government, to encourage the making available to MSMEs of greater levels of financial resources, to be channeled through both public and private financial institutions such as the Social Development Fund (SDF) and microfinance institutions such as Reliance Financial Services and Supersonicz Financial Services. Along the same lines, GIEPA and MOTIE should continue to pursue the finalization of the MSME fund so as to facilitate access to finance by MSMEs. As the Angel Investors Network has been found to be highly effective in providing funding, GIEPA should promote the use of Angel investing (convertible debt) to fund MSMEs.

6.3.2 Interest rates

With reference to interest rates for MSME loans, the main constraint is the following: the smaller the enterprise, the higher the interest rate, owing to a higher risk as assessed by lenders. These risks result from the informality of MSMEs, particularly among micro entrepreneurs, lack of financial capability and institutional capacity of these enterprises, the low value - or lack - of collateral for use as leverage by creditors, the lack of knowledge of financial products and lack of appropriate business documents by borrowers who often have to be closely monitored to ensure that loans are repaid on time. As a consequence, creditors tend to charge high interest rates which are often above rates charged by traditional financial institutions. The imposition of such rates results in an increase in the cost of capital to MSMEs and may eventually discourage borrowing as a means of financing new developments or business expansion. The reality is that as the stability of the macro-economy has strengthened, interest rates have declined. As the stability strengthens further, the decline will continue. In the interim, however, the disproportionality with respect to the sizes of interest rates offered to MSMEs continues, and there is a case to be made for special provisions for the sector. It is recognized that repressed interest rates could lead to distortions in the allocation of resources to inefficient economic and business activities but this is not expected to be a significant factor here.

Government must continue to pursue a reduction in interest rates using all avenues, including, where possible, the establishment of systems that encourage financing institutions to offer lower interest rates to MSMEs, as outlined in the MSME policy. Such an approach could lead to the placing of limits on markups on funds being on-lent to MSMEs through approved financial institutions and state funding agencies.

⁵¹ The Gambia National Entrepreneurship Policy and Strategy 2017-2021.

⁵² National Strategic Framework for the Development of Microfinance in The Gambia 2006.

The scaling up of the business development services (BDS) available to MSMEs is a useful means of supporting enterprises so that they can better understand - and mitigate - the risks associated with their businesses.

6.3.3 Use of non-traditional collateral to access credit

Gaining access to credit from financial institutions poses a very serious challenge to MSMEs since many of them do not possess the assets typically deemed acceptable to serve as collateral against borrowing, which hinders credit flow to the sector. The inability to access adequate and/or serviceable financing on the basis of available collateral has been cited in many studies as “the most important factor determining the survival and growth of MSMEs in both developing and developed countries”.

More and more Governments have acknowledged that modernization of secured transactions regimes is one critical policy measure which could address the deficiencies associated with reforming credit practices and possibilities. In May 2014, the Government introduced a new Secured Transactions Regime through the passage of the Security Interests in Personal Property Act 2014 and the establishment of a National Collateral Registry at the Central Bank with the support of the Gambia Growth and Competitiveness Project (GGCP) funded by the World Bank. The aim was to allow for a new class of assets to be used by MSMEs as collateral against the accessing of credit. This new class would include current and future assets, and tangible and intangible ones, examples of which are machinery and equipment, inventories, consumer durables, livestock, future crops, accounts receivables and intellectual property.

However, since the establishment of the system in 2014, its use has been limited. The Central Bank of The Gambia needs to encourage banks and financial institutions to use the system to design and offer loan products to MSMEs. This should be accompanied by activities aimed at encouraging the use of the system by different stakeholders. Such activities would include capacity-building for MSMEs so that they could apply for financing and use the resources appropriately, and promoting financing for business clusters entailing use of the group guarantee which would eliminate the need for individual collateral.

6.4 Cross-cutting issues

6.4.1 Decentralization of services

The centralization of services provided to MSMEs remains a major constraint on MSME growth, as enterprises in the regions find it difficult and expensive to access such services. Most urgently needed is the decentralization of the SWBR and the efforts currently being made to open up offices in some regions will need to be escalated. The same challenges are associated with the issue of availability of capacity development services, especially BDS. The entrepreneurship ecosystem is concentrated mainly in urban areas and its expansion to include the rural areas would benefit rural MSMEs greatly.

6.4.2 Gender considerations

Whilst there are several initiatives that target women, the demand for services far exceeds what is currently available. As the statistics have shown, most of the businesses in the informal sector are women-led. The Gambia Women’s Chamber of Commerce (GWCC) and a number of other organizations are trying to provide services, but these need to be strengthened. Preferential terms should also be explored, especially with respect to access to credit, and taxation.

6.4.3 Education and skills development

The contribution of MSMEs to gross domestic product (GDP) remains low despite the fact that these enterprises make up approximately 90 per cent of the private sector, with most of them being informal. The informality has been tied to a lack of education and skills, which creates a vicious cycle of persistent poverty and vulnerability. This

has been amply demonstrated through the impact of the COVID-19 pandemic on microenterprises. Both the MSME policy and the NEP have emphasized the need for education, including technical and vocational education and training (TVET), as a key component of the formalization process. Education has also been seen as a means of increasing productivity, and as having the potential to increase the availability of decent jobs and thereby lift a key segment of the population out of poverty.

6.4.4 Information and Communications Technologies (ICT)

The use of digital services is on the increase in The Gambia as ICT capabilities continue to grow. A dynamic ICT industry can, in turn, support economic diversification and promote job creation. Youth who are empowered by digital skills and know-how will have the opportunity to explore digital entrepreneurship opportunities, as witnessed by the increase in the number of start-ups, tech hubs and co-working spaces. The mobile voice and data market is also growing rapidly, creating growth opportunities, with MSMEs actively engaging in this sector. Penetration rates for mobile services, fixed broadband subscriptions and Internet use exceed 140, 0.2, and 28 per 100 people, respectively. This has created a platform for new value-added mobile services, such as mobile money, which aim to overcome the low penetration rates for traditional financial services.⁵³

Recognizing the importance of the ICT sector in achieving the country's digital aspirations, the Government has included ICT sector development and the mainstreaming of digital technologies in key policy documents. Yet, the high cost of mobile and broadband remains an obstacle for the sector's development as well as for the adoption of digital technologies.

7. Conclusions

MSMEs in The Gambia continue to face daunting challenges, given the impact of the COVID-19 pandemic on the Gambian economy, particularly on the informal sector. The current conjunction of high debt, low investment and low productivity exacerbates the situation. With Government pursuing a strategy of private sector-led growth and most of the private sector being made up of MSMEs, the majority of which are informal, supporting these enterprises in their transition to formality constitutes one of the pillars for increasing productivity. Without this increase in productivity, most of those working in the informal sector will remain below the poverty line.

However, informality must be considered from a broader perspective which goes beyond registration to encompass other pivotal issues to be addressed, such as education and skills building. Perceptions of MSMEs and their role in the economy lie at the heart of The Gambia's informality agenda are the provision of platforms for dialogue to foster the development of a shared understanding is key in this regard. The potential of MSMEs to contribute effectively to the Gambian economy could begin to be unleashed through such dialogue, with these enterprises being incentivized and government institutions at both the local and national levels leading this process of transformation.

The building blocks for this transformation are already provided in a number of existing policy frameworks, which have set out the implementation strategies in detail, accompanied by corresponding action plans and targets. Whilst some of the actions outlined in the policy frameworks are currently being implemented with assistance from the international community, a significant number of interventions have yet to be undertaken. These require the Government's support and commitment. The availability of such support and commitment would be nothing less than a game changer for MSMEs in The Gambia.

⁵³ World Bank, *Systematic Country Diagnostics for the Republic of The Gambia*, p. 94, para. 210.

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Note for oversized charts see: Annex SDGs Formalizing MSMEs in The Gambia (separate PDF)