

SUMMARY**(1) ECONOMIC ENVIRONMENT**

1. The Gambia is a small, least developed economy, with a very narrow economic base. The external sector is heavily dependent on re-exports, tourism, and remittances from overseas. Import and export procedures are relatively simple and efficient compared with many other developing countries. The first Trade Policy Review of The Gambia was held in 2004.

2. In the past six years, real GDP growth averaged nearly 6%, driven mainly by tourism-related services, communications, and construction. Affected by the global economic crisis, real GDP decelerated to 4.6% growth in 2009 as tourist arrivals and remittances declined. These falls were partly offset by increased agricultural production. GDP growth is projected to pick up slightly in 2010 to 5%.

3. The Gambia's fiscal balance has become less dependent on external taxes during the period; trade-related taxes fell from 40% of Government revenue in 2003 to 24% in 2009, as other indirect taxes, such as sales tax, assumed greater importance.

4. Inflation peaked at 7% in February 2009, but declined to 2.6% in December, rising to around 4% in April 2010 as the Central Bank eased its previously tight monetary stance. The exchange rate is a managed float against the U.S. dollar.

5. Between 2003 and 2009, The Gambia's competitive advantage was eroded by ECOWAS tariff harmonization, increased relative efficiency of other regional ports, and real effective exchange rate appreciation. These factors impacted both formal and informal trade, with merchandise trade falling from over 70% of GDP in 2003 to under 50% in 2009.

6. With a growing trade imbalance, stemming from higher oil prices and the collapse of groundnut exports, and declines in tourist arrivals and remittances, the current account deficit rose from 5% of GDP in 2003 to over 17% in 2009. The capital and financial account remains in surplus, helped by an HIPC debt write-off in 2007. At end 2009, The Gambia's foreign exchange reserves covered more than six months of imports.

(2) TRADE AND INVESTMENT REGIMES

7. "The Gambia Incorporated: Vision 2020", adopted in 1996, remains the Government's overall guiding development policy document. It calls for the transformation of The Gambia into "a dynamic middle income country" by 2020.

8. The Ministry for Trade, Regional Integration and Employment (MOTIE) has overall responsibility for trade and competition policies, and takes the lead role in trade negotiations in collaboration with the Ministry of Foreign Affairs. Tariffs are set by the Ministry of Finance and administered by the Gambia Revenue Authority. A large number of other ministries and agencies, in coordination with NGOs and the private sector, are also involved in trade-related policy formulation through the National Committee on Trade. At present, The Gambia does not have a mission in Geneva, but MOTIE keeps close touch, directly and through the Gambian Embassy in Brussels, with developments in the WTO and other trade-related agencies.

9. A Member of the WTO since October 1996, The Gambia applies at least MFN treatment to all trading partners. The Gambia's WTO goods schedule is contained in Schedule CX and its services schedule in document GATS/SC/112. The Gambia is neither a signatory nor an observer to any of the WTO's plurilateral agreements. The Gambia has made notifications to the WTO on export subsidies and domestic support in agriculture; import licensing procedures under the Medicines Act; and its Food Safety and

Quality Bill, published in 2010. It has also supplied its most up-to-date tariff schedule and Customs legislation for this Review. It has yet to notify state trading enterprises and recent changes in intellectual property legislation.

10. The Gambia is a member of ECOWAS, whose Common External Tariff and Trade Liberalization Scheme it has adopted, and of the West African Monetary Zone.

11. The Gambia is a member of the ACP Group of States. It benefits from preferential duty-free access to the EU under the "Everything but Arms" scheme for LDCs, and, as a member of ECOWAS, is involved in ongoing negotiations with the EU for the establishment of an Economic Partnership Agreement (EPA). It also benefits from duty-free access to the United States under AGOA, although no exports have so far been recorded. India and Korea extend duty-free access to The Gambia under the GSTP.

12. Policy on foreign direct investment is governed by the Gambia Investment and Export Promotion (GIEPA) Act of 2010, which replaces earlier legislation from 2001. The Gambia is open to foreign direct investment from all sources. The Government may hold all shares in "strategic" industries and, in practice, a government-held company is the sole importer of oil products; similarly, conditions are applied to investments in mining, quarrying, and petroleum extraction. Under the Act, substantial duty and tax incentives are extended to FDI of US\$250,000 or over, under Special Investment Certificates, and to export-oriented production in export processing zones.

(3) TRADE POLICY INSTRUMENTS

13. All tax administration, including Customs, is in the hands of the Gambia Revenue Authority (GRA), under the Ministry of Finance. Since 2006, The Gambia has applied the ECOWAS common external tariff, with four *ad valorem* bands: zero rated, 5%,

10%, and 20%, corresponding to basic social goods; raw materials, capital equipment, and specific inputs; intermediate goods; and final consumer goods. In addition to the tariff, The Gambia applies a 1.55% processing fee and a 0.5% ECOWAS levy on all imports.

14. Adoption of the ECOWAS tariff has brought about significant changes in the tariff compared with 2007. Overall, the arithmetic mean rate has fallen from 19% to 14%; the number of duty-free lines has increased substantially, from under 1% to 15% of the total; the share of rates exceeding 15% has fallen from 92% to 57% of the total; and the spread of the tariff, as measured by the standard deviation from the mean, has more than doubled. There appears to be no clear pattern of tariff escalation.

15. The Gambia, with other ECOWAS member states, is negotiating the introduction of a fifth tariff band, at 35%, based on harmonization of national lists submitted by members, and of national exceptions to the ECOWAS common tariff. These changes, if adopted, are likely to provide a sharper pattern of escalation, and hence higher effective than nominal protection, to goods classed as "consumer goods" and "economic development goods", while maintaining lower rates of duty on some basic foods.

16. The Gambia's WTO bindings currently cover only agricultural goods, at rates ranging from 20% to 110%. In practice, the ECOWAS tariff, once fully in force, will effectively define the real "bound" rates of duty for The Gambia, contained in an international legal commitment.

17. The new Customs and Excise Act, 2010, incorporates the provisions of the WTO Customs Valuation Agreement, bringing The Gambia into line with other ECOWAS member states. The Act also contains WTO-related provisions for anti-dumping and countervailing measures, based on reference prices, and for safeguards. The GRA has

applied the ASYCUDA++ system of customs declaration management from mid-2010.

18. There are various schedules of exemptions and remissions, including at Ministerial discretion; in addition, goods imported for use in investment projects under SIC or for processing in EPZs are exempted from duty.

19. Excise duties and excise taxes are levied on a number of goods; excise duties at *ad valorem* rates and excise taxes at specific rates. Sales tax is generally applied at 15% on goods and services. Temporary import duties are levied on onions and potatoes in the harvesting season. Export duties are provided for in the Act, but are currently applied only to precious metal waste and scrap.

20. The Gambia maintains no MFN rules of origin. ECOWAS rules are used to identify good importable from other member states under the ECOWAS Trade Liberalization Scheme. In May 2010, Gambian and Senegalese customs authorities agreed on a six-month trial project to ease transit procedures between the two countries.

21. The Gambia maintains published lists of import and export prohibitions and conditional restrictions, but no specific import or export quotas. It is a member of, and applies import prohibitions under, the Rotterdam and Stockholm conventions on pesticides and industrial chemicals, and on persistent organic pollutants.

22. The Gambia is a member of ISO and an affiliate member of IEC, and maintains an active national Codex Committee. A road-map has been developed for the creation of a Gambia Bureau of Standards, a national electrotechnical committee has been set up with state, private sector, and NGO participation, and The Gambia is increasingly applying IEC international standards, as well as recognizing imports of equipment certified in exporting countries. The National Nutrition Agency and National Codex Sanitary and

Phyto-Sanitary Committee are working to improve SPS conditions for food and plants, with assistance from FAO, UNIDO, and WHO. All imported animal, plant, and food products must be correctly certified.

23. State-owned monopolies control the port, civil aviation, water, and electricity, as well as fixed-line telecommunications and imports of petroleum products. Petroleum prices were previously regulated, but are currently linked to world market prices. The Public Utilities Regulatory Authority (PURA) regulates water and electricity prices and oversees conditions of competition among cellphone operators.

(4) SECTORAL POLICIES

24. Agriculture accounts for one quarter of GDP and employs three quarters of the workforce. Most production is devoted to the domestic market, either for subsistence consumption, sales on local markets, or sales to the hotel trade; groundnuts remain the main export crop, although cashews (partly as re-exports) and horticultural products are also traded.

25. Duties on agricultural products are generally fixed at 20%, the highest level of duty in the ECOWAS tariff. The simple average rate on Agriculture (WTO definition) is 16.5%. All imports of animals, marine life, plants, their products, and processed foods of plant or animal origin, must be accompanied by appropriate import certificates issued in accordance with Codex Alimentarius quality control requirements. Imports of cereals, pulses or legumes, including rice, require phytosanitary certificates issued by the national plant protection service of the country of origin, and fumigation certificates issued by the exporting company or an approved company.

26. The Gambia has drawn up ambitious plans for agricultural development with FAO and IFAD assistance, including water, forestry and fisheries management, improvement of

food processing chains, development of livestock and horticulture, and expansion of regional and inter-regional trade. The objective is to complete these plans by 2015.

27. The Gambia continues to face severe difficulties in meeting export quality requirements for food-grade groundnuts. Structural problems also persist in the domestic trading mechanism. Recently, a Quality Assurance Framework for groundnuts has been proposed, which, if followed, could assist greatly in bringing the trade up to required SPS standards.

28. Rice is a staple of the Gambian diet and a major import. Improvement of domestic production and hence lower reliance on imports is a major element in Government plans, including through the New Rice for Africa (Nerica) scheme.

29. Infrastructure, including road (both main and feeder) development, will play a major role in the revitalization of agriculture. The Gambia has made great progress in improving its main road network and is working on an ambitious feeder road programme, with external assistance. Less attention has so far been paid to redevelopment of river transport, which has been identified as vital to reviving groundnut trade.

30. Fisheries are of major importance to the Gambian economy. However, the value of exports by industrial fisheries is believed to be severely underestimated, as most such fish is caught and either transhipped at sea or landed in foreign countries. A new deep-water fishing port for landing and processing industrially caught fish is due for completion by end 2010. The artisanal subsector faces different issues, in that it struggles to meet quality requirements for export markets, particularly in the EU. Recognizing this, the new Gambian fisheries policy emphasizes post-harvest quality control and the achievement of internationally acceptable standards on SPS and quality assurance.

31. None of The Gambia's tariffs on fish or fish products are bound in the WTO. All tariffs, except for sardines, are set at 20%; the simple average rate for the sector is 19.7%. The Gambia's tariff allows for duty exemption on fishing vessels, and appears to do so on other plant and equipment used in the industry, if provided in regulations and approved by MOTIE, but not on refrigerated transport trucks, which could be of major assistance to the fishing sector.

32. The authorities have introduced new fishery legislation and regulations governing gear, fish size, and net size, and introducing new surveillance provisions. Assistance has been provided to the Gambian Navy in this regard through provision of new patrol vessels. The bilateral fisheries agreement with Senegal gives mutual fishing rights with defined parameters and contains provisions for cooperation in research, surveillance, and training.

33. Historically, The Gambia had no significant extractive industries; however, since 2006, mineral sands have been exported to China. The Mines and Quarries Act of 2005 vests ownership of all mineral resources in the State. Generally, tariffs on mineral products are set at either 5% or 10%. Offshore oil exploration has been encouraged since 2004; the Petroleum (Exploration and Production) Act established a new Ministry of Petroleum under Presidential control and declared the Gambia National Petroleum Corporation (GAMPETROL) as the sole importer of oil products.

34. Manufacturing is limited to the domestic market. Generally, consistently with the structure laid down by ECOWAS, fertilizers and pesticides, specialized machinery and equipment, industrial chemicals, and drugs and medicines bear among the lowest average rates of duty, while consumer goods bear the maximum rate of 20%. However, the specialized schedules in The Gambia's domestic tariff allow for substantial tariff concessions and exceptions.

35. A recent study of the medium- and small-scale enterprise sector by MOTIE identified many legal, fiscal, and infrastructural constraints to the development of MSMEs and made proposals to encourage the development of industry. However, without more effective regional integration, the small scale of the Gambian market will remain the most significant constraint.

36. Finance, telecommunications, and tourism-related business form the principal service sectors. The banking sector has expanded rapidly, with a recent influx of firms, particularly from Nigeria. Minimum capital requirements for banks have been more than doubled, and are to be raised again in 2010. Despite the rapid banking expansion, lending rates have not come down significantly, nor does there seem to be a significant increase in lending to productive sectors of the economy. Money-laundering legislation is in place and training assistance is being extended to the Central Bank to reinforce its capacity to deal with money laundering and similar offences.

37. As in most other developing countries, mobile telephone use (a competitive market) has expanded rapidly in recent years, while fixed-line telecommunications (a State monopoly) have stagnated. The cellphone market is open to foreign investment. Internet use is growing rapidly and 3G facilities are developing. Interconnection rates are supervised by PURA, which has also introduced a "truth in advertising" code for the industry.

38. Tourism development in 2008/09 was affected by the international economic crisis, but is now believed to be recovering. Although relatively few international airlines provide long-haul flights to Banjul, the service

is improving, and many charter providers continue to serve the country, mainly from Europe. Efforts are being made to expand the tourist season to the European summer and to improve the offer of "eco-tourism" and "responsible tourism" facilities

(5) GENERAL OBSERVATIONS

39. Since the previous review, the authorities have taken serious steps to modernize The Gambia's trade and investment regime. A comprehensive Trade Policy Action Programme has been drafted and is in the process of adoption. New or amended laws or plans have been introduced in many fields, including customs and excise; investment incentives; intellectual property; standards/SPS; food health; competition; agriculture; fisheries; banking; telecommunications; and tourism.

40. These efforts have been encouraged and assisted by many international agencies, including via the Integrated Framework, where the Diagnostic Trade Integration Study, conducted in 2007, spurred many of the ongoing policy developments.

41. A plethora of new legislation has been passed, not all of which is yet supported by implementing regulations, and which also requires constant contact with international organizations to ensure that it remains up-to-date. The small administration's skilled human resources are necessarily limited, and consistency in policy formulation and implementation is handicapped by frequent reorganizations of ministries, ministers, and senior officials. A challenge for The Gambia will be to fulfil effectively the demands of the increasingly complex international trading system, both at multilateral and at regional levels.
