

## Services Trade and Domestic Regulation in the Gambia

### Introduction

The services sector constitutes a significant share of gross domestic product (GDP) in most of the countries in South Asia, Africa and the Caribbean. In the Gambia, the services sector accounts for about 50 percent of the country's GDP<sup>1</sup>. There is much at stake for these countries in the Doha Round of negotiations on services liberalisation. Among the many issues being negotiated, "domestic regulation" has become very important for the least developed countries (LDCs) and developing countries (DCs) while undertaking liberalisation of their services sector. In principle, domestic regulation has its importance in protecting national policy objectives but such regulation should not be applied as a means for exerting undue trade restrictions.

Regulation can enhance consumer welfare by ensuring quality and appropriateness of services even where there is a wide range of providers under progressive liberalisation of services. Regulatory measures can be applied to limit anti-competitive practices that may arise from market dominance by a few firms (domestic as well as foreign). There is also a rising concern about sudden repatriation of profits by foreign service providers, leading to balance of payments (BoP) crisis for DCs like the Gambia. Sound regulatory mechanisms, therefore, can help LDC governments avoid adverse BoP shocks while maintaining an environment conducive for domestic and foreign services providers.

Given the significance of services in the Gambia, this paper examines major service sectors in the country. The paper is divided into three sections. Section I is introductory section, while section II deals with the importance and contribution of services in the economy of the Gambia, including the liberalisation process and regulation in respective service sectors. Section III deals with the review of the Gambia's commitment under General Agreement on Trade in Services (GATS).

### Importance of services in the Gambian Economy

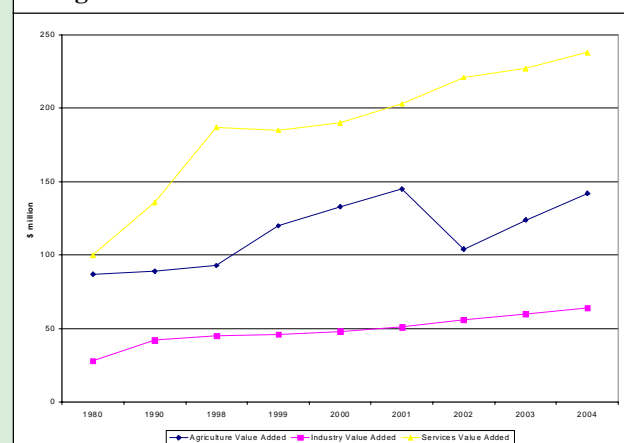
The Gambia is primarily an agricultural country: approximately 70 percent of its population depends on agriculture for its livelihood. Agriculture accounts for about 33 percent of Gross Domestic Product (GDP) and approximately 90 percent of export earnings are primarily derived from groundnuts.

The tourism sector contributes about 12 percent to the GDP and is the fastest growing sector of the economy, contributing significantly to foreign exchange earnings and generating employment opportunities for an increasing number of people, and providing the agricultural sector with backward and forward linkages. Under the influence of a thriving tourism sector, the service sector in general has, in recent years, emerged as a major economic sector, contributing almost 60 percent to the GDP.

### Contributions of the Services Sub-Sectors

The contribution and importance of services to the GDP in the Gambia is interesting to note because on analysis of the trends of the three major compositions of the GDP, it is found that services component adds more value to the GDP than agriculture and industry. It grew at a rate of 2.5 percent over the period 1980-89, 3.9 percent for the period 1990-99, and 5.9 percent for the period 2000-04, and its value has been higher than that of the agriculture and industry combined. The fastest growing component is industry; it grew at rate of 4.3 percent for the period 1980-89, slowed to 0.7 percent for period 1990-99, and then accelerated to 7.2 percent for the period 2000-04. The worst performing component is agriculture, which declined at a negative rate of -0.2 percent for the period 2000-04 and grew on an average rate of 1.7 percent.

Figure 1: Contributions of the Services Sub-Sectors



Source: UNCTAD Handbook of Statistics, 2006-07

With the support of



**Table 1: Contribution of Services in the Gambia's Total Export and Import**

	1996	2000	2005
Share of services in total exports	80.73	80.51	90.9
Share of services in total imports	18.86	24.59	15.95

*Source: WTO, International Trade Statistics Yearbook (2007)*

Distribution of services is the single most important sub-sector; they have close connections with re-exports and are closely associated with informal sector operations. Tourism (12 percent of the real GDP in 2001) is the largest gross earner of foreign exchange (60 percent of all earnings in 2000) among all service sub-sectors. As a tourist destination, the Gambia is in a highly competitive "sea-sun-sand" market, and its attraction for tourists depends on its ability to keep pace with rival destinations and to provide access to a variety of tourist activities. The divestiture process has stimulated foreign investment in the sub-sector. However, backward linkages with other sectors of the economy remain weak.

The Gambia has liberalised its financial services sub-sector. However, the banking activities, still dominated by two large players, display high transaction costs brought about by weaknesses in the judicial system. In the case of Foreign Direct Investment (FDI), although the data is quite limited in case of Gambia, various discussions demonstrate that tourism is the country's top net source of foreign exchange earnings, generating as much as all other exports combined, with significant implications for employment and poverty reduction.

### ***Types of Services in the Gambia***

The typology of services sectors in the Gambia is based on list of the international Industry Classification Benchmark (ICB) and the industries in the Priority Sectors eligible for Special Investment Incentives<sup>2</sup> at The Gambia's Department of State for Trade, Industry and Employment (DOSTIE). Furthermore, the services sector in the Gambia can be classified as below (see Table 2):

### ***Liberalisation and regulation in services sector***

In the absence of sufficient data, it is difficult to analyse if the process of liberalisation of services in Gambia is successful or not. In Gambia, the presence of a regulatory framework is essential for the country to reap the fruits of liberalisation. This finding is based on our study of various sub-sectors.

### ***Overview of Commercial Services***

In the Gambia, the commercial services may be assumed to consist of the four main sectors: oil and petroleum; technology; financial services; and marketing and consumer services.

### ***Oil and petroleum sector***

Oil and petroleum products are currently distributed throughout the country by distribution outlets of five major companies namely: (i) Shell Marketing; (ii) Elton; (iii) Castle; (iv) Elf; and (v) Total. Shell and Elf-Total have the largest

share of oil and petroleum distribution market in the country. Each of the above companies imports their oil and petroleum products (diesel/gas oil, petrol, kerosene and lubricants) from abroad as there is currently no crude oil production and processing in the country. However, due to the recent discovery of an oil pool and growing liberalisation in this sector necessary structure, mechanisms, processes and procedures are gradually being put in place.

### ***Financial Services***

The sector is the most liberalised of all services in the Gambia. As the sectoral study indicates, there are nine commercial banks in the country, seven are foreign-based banks and only the micro finance and exchange bureau services are national. There is also no discrimination between domestic and foreign banks except in the context of movement of natural persons. Liberalisation of the financial sector in the Gambia is in accordance with WTO/GATS market access and national treatment conditions. In this sub-sector, the Gambia has no specific rule or regulation that restricts market access and national treatment. There is no limitation in the cross border supply of the financial services (seven out of the nine banks are foreign-based banks) no limitation in terms of consumption abroad and no restriction in terms of commercial presence. The foreign financial services providers are treated as the national financial services providers. The only restriction, which applies to all other economic sectors, is that employment of foreign workers will cost the employer some payroll tax in lieu of a Gambian employee.

Liberalisation of the financial services often brings out more efficiency and increased output as the number of suppliers increases. It might also be associated with mergers and takeovers, which could increase the degree of monopoly and hence reduce social welfare. Although there has been an increase in the number of players, the sector has not really become more efficient over time. Financial services remain concentrated around the capital city with the majority of the population still lacking access to the formal financial sector. Three quarters of the population is non-banked.

### ***Technological Services***

In the Gambia, the qualifying sectoral activities for technology services include: computing, software and Internet services, as well as repairs and maintenance of technology equipment. There are many organisations now dealing with computing, software and Internet services but the major services providers are GAMTEL, Quantum Associates and Quantum Net. These, along with other institutes, cyber cafes and agencies, provide computing, software and Internet services across the country, especially

**Table 2: Classification of Services Sector in the Gambia**

<b>Categorisation</b>	<b>Industry</b>	<b>Sector</b>
<b>A. Commercial</b>	1. Oil And Petroleum	Oil and Distribution Services
	2. Technology	1. Computing Services 2. Software Services 3. Internet Services 4. Technology Equipment repairs and Maintenance Services
	3. Financial Services	1. Banking & Microfinance Services 2. Insurance Services 3. Property and Real Estate Services
	4. Marketing And Consumer Services	1. Wholesaling Services 2. Retailing Services 3. Advertising and Promotional Services
<b>B. Social</b>	1. Business Support Services	1. Business Training and Employment Agencies 2. Financial Administration 3. Industrial Supplies Services
	2. Food And Beverage	1. Catering Services 2. Beverage Services
	3. Utilities	1. Electricity Supply Services 2. Water Supply Services 3. Gas Distribution Services 4. Waste and Sewage Disposal Services
	4. Healthcare	1. Health Care Services 2. Medical and Drug Supply Services
	5. Education	1. Educational Services
<b>C. Infrastructure</b>	1. Transportation	1. Marine Transportation 2. Road Transportation 3. Rail Transportation 4. Air Transportation
	2. Telecommunications	1. Fixed Line Communications 2. Mobile Communications
	1. Travel, Leisure, Entertainment, Movies and Sports	1. Tourism and other Hospitality Services 2. Sports & Recreational Services 3. Movie Services 4. Night Club Services 5. Gambling Services 6. Hotel Services 7. Travel and Tour Operator Agencies Services
<b>D. Cultural</b>	2. Media and Audio-visuals	1. Print Media Services 2. Radio Broadcasting Services 3. TV Broadcasting Services 4. Publishing Services 5. Movies Services

in the city and growing towns. Sometimes there are problems with Internet connectivity in the country. Most organisations use the local area network (LAN), rather than the wide area network (WAN). With the advent of liberalisation, this sector is gradually experiencing technological development.

#### ***Business Support Services***

Business support service institutions are predominantly in the area of building capacities of micro, small and medium entrepreneurs in the private sector who wish to be served by other business service providers and promoters/facilitators. They include: Indigenous Business Advisory Service (IBAS), Micro Finance Promotion Centre (MFPC), FASE Project and

the Gambia Micro Finance Network (GAMFINET). These institutions provide training and advisory services to build clients' capacities. The government established the IBAS in 1975 as a key government arm under the then Ministry of Economic Planning and Industrial Development. After the restructuring of this Ministry, IBAS continued to operate under the Department of State for Trade, Industry and Employment. The Institution was mainly created for supporting to provide an impetus to indigenous small and medium sized enterprises (SMEs). It has a nationwide coverage with a strong extension network targeting its services at indigenous businesses and enterprises.

### ***Marketing and Consumer Services***

Various wholesaling and retailing services exist in the country, which include wholesaling and retailing in general consumer goods and merchandise. A lot of wholesaling and retailing is carried around re-export trade. Re-exports are estimated to account for about 80 percent of the country's export and contribute 20 percent of foreign exchange earnings and about 7 percent of GDP<sup>3</sup>. Information is limited about the magnitude of, composition, causes, main actors and modalities of this re-export trade as a lot of it done through smuggling. The main products of the trade are basic consumer goods for average African low- or middle-income households such as rice, sugar and flour; processed foods such as tomato paste, cooking oil, condensed and canned milk, tea, and soft drinks; fabric of various sorts; used cars; and other basic household items like batteries, candles and matches.

The re-export trade has recently been on the declining trend since its peak in the early 1990s, although it exhibits considerable fluctuation over time. The main factors for this decline include differentials in taxation of imports and the quality of trade facilitation between The Gambia and its main neighbour Senegal, as well as a hardening of the Senegalese policies towards this trade.

### ***Regulation in Commercial Services***

Financial institutions are governed by the Financial Institutions Act (FIA) 2003. It governs the banking industry and the financial and capital markets including the Islamic financial institutions. The Insurance Act provides the regulatory requirements for the establishment and operations of insurance companies. This Act now makes provision for the set up and operations of Islamic Insurance. The Central Bank formulates rules and guidelines for the micro-finance operations that comprise savings and credit associations, micro-savings and credit institutions, and cooperative credit unions. The Prudential Rules govern the banking business of the savings and credit associations. The Gambia Investment and Promotion Act 2001 and The Gambia Free Zone Act 2001 together provide the regulatory framework for investments in the Gambia.

The Government's policy of decentralisation of services, institutions, power and resources (i.e. Decentralisation Act April 2002), which is taking off gradually is geared towards reducing the cost, duration and number of procedures to establish, register and/or expand an existing business venture. This is also achieved through deregulation and continuous revisiting and revision of the regulatory and institutional frameworks to increase the effectiveness of the private sector participation in development. Some areas where regulations have had significant impact on commercial services include: i) Business Registration; ii) Repatriation of Capital, Profits and Dividend; iii) Employment of Expatriate Labour; iv) Foreign Exchange Control; v) Import-Export Regulations; vi) Investment Regulation and Investment Guarantees; vii) the personal Income Tax; and viii) The company Tax.

### ***Overview of Social Services***

The social services comprise business support services, food and beverages, utilities, healthcare and education services.

### ***Education Services***

The educational sector of The Gambia has undergone a big revolution within the past 15 years. There have been rapid increases in the number of schools (nursery, lower basic, upper basic/junior, 'madrassas', and senior secondary), institutes and university since 1994. Table 3 provides the classification of education services and the main features of this sector in the Gambia, keeping in view the process of liberalisation process under GATS.

GATS-inspired trade liberalisation is geared towards offering students in a country the opportunity to consume education services abroad. For the Gambia, this would lessen the burden on the government and relieve it of some attendant pressures and problems enumerated in the Table 3. Further, liberalisation of the Gambia's education sector may have both positive and negative effects for importation and exportation of education services.

### ***Utility Services***

The utilities of water and electricity supply have been under the management and control of the state-owned National Water and Electricity Company (NAWEC), which used to be called Gambia Utilities Corporation (GUC). NAWEC oversees the supply of pip-borne water supply, while the wells and boreholes water supply are managed and controlled by the state-owned Department of Water Resources (DWR). The other utility social services of waste and sewage disposal and gas distribution and sales services are mainly run by private sector players and municipal and Local Government Authorities (LGAs).

### ***Health Services***

Healthcare as a social service has also made tremendous strides over the past 15 years. The number of major referral hospitals has increased from two to seven. A typology in called Minor Health Service Centre and Major Health Service sector has emerged. The minor health centre is a unit for the delivery of basic health services. The national standard is a population of 15,000 for a minor health centre. The minor health centre is meant to provide up to 70 percent of the Basic Health Care needs of the population. The major health centres have a bed capacity of about 100. They serve as the referral health facilities for minor healthcare centres for such services like, obstetric emergencies, essential surgical services, and further medical care. Major health centres also serve as blood transfusion points for the area. The national standard is a population of 200,000.

### ***Regulation in Social Services Sector***

Each of these sub-sectors is regulated by a bill or act. Food and beverages and healthcare come under the Department of State for Health and Social welfare. The utilities fall under the Gambia Public Utilities Regulatory Authority Act, 2001. There is no limitation on market access and market treatment in the utilities sub-sector; the intended suppliers require only authorisation and licences to do business in the utilities sub-sector. However, the Gambia Water and Electricity Company is the sole supplier of utilities. The company now has a private partner that owns some facilities



**Table 3: Classifying System for Education Service in the Gambia and Openness to Liberalisation**

Category of Education Service	Open to Liberalisation	Explanation
(a) Primary / LBS Education (CPC 921)	<ul style="list-style-type: none"> <li>• Very limited exports</li> <li>• Yes to a limited extent for imports</li> </ul>	<ul style="list-style-type: none"> <li>• Preschool and primary school/LBS teachers are not enough in the country</li> <li>• There are some foreign teachers in Primary/LBS level</li> <li>• Some foreigners can also invest in primary/LBS education</li> </ul>
(b) Secondary (UBS and SSS) Education (CPC 922)	<ul style="list-style-type: none"> <li>• Very limited exports</li> <li>• Yes to significant extent for imports</li> </ul>	<ul style="list-style-type: none"> <li>• Secondary school teachers are not enough in the country.</li> <li>• There are lots of foreign teachers at the UBS and SSS levels if both Government owned and private owned schools are considered</li> <li>• Some foreigners can also invest in secondary education</li> <li>• Some foreign external examinations are taken in The Gambia (GCE 'O' and 'A' Levels)</li> </ul>
(c) Tertiary Higher Education (CPC 923)	<ul style="list-style-type: none"> <li>• Yes for exports to a certain degree</li> <li>• Yes to significant extent for imports</li> </ul>	<ul style="list-style-type: none"> <li>• Gambian graduates and other tertiary qualification holders are accepted in countries abroad.</li> <li>• Several Gambians acquire educational qualifications from foreigners and foreign countries, through outside colleges/institutes, universities and distance learning programs</li> <li>• Some foreign external examinations are taken in The Gambia at tertiary levels (AAT, ACCA, LCM, etc.)</li> </ul>
(d) Adult Education (CPC 924)	<ul style="list-style-type: none"> <li>• No for exports</li> <li>• No for imports</li> </ul>	<ul style="list-style-type: none"> <li>• Very little or liberalization is currently taking place for non-formal adult education</li> </ul>
(e) Other Education (CPC 929) - Madrassas (Arabic schools), Skill Centre, Vocational Training Centres, etc.	<ul style="list-style-type: none"> <li>• Doubtful liberalization in this category with The Gambia</li> </ul>	<ul style="list-style-type: none"> <li>• Mainly due to inadequacy of documentation and paucity of data for this category</li> </ul>

Source: Adapted from Jane Knight (2002)

and they jointly operate. The Electricity Bill Act, 2005 governs the electricity provision of the company. The education services have three providers, the State, the non-Governmental organisations (NGOs) and private profit making enterprises.

## Overview of Infrastructure Services

### Transportation and Telecommunication

Transportation services in the country range from water and road transportation to air transportation. Road transportation is mostly used with trucks, lorries, cars, motor cycles, bicycles and donkey/horses/ox carts. The road network constitutes the dominant mode of intra and inter-country and regional transportation for the Gambia. The primary network has considerably improved as a result of substantial investments, especially on the northern and southern banks of the River. River transportation is very important for very bulky goods, marketable products like groundnuts (the main backstay of the agricultural economy) and passengers. The water transport carriers include marine vessels/ships, ferries, boats and canoes. River transport

services provide employment opportunities for many people and a lot of revenue is earned from this. There has been some downward trend in river transportation in The Gambia but plans are afoot to revive it.

The Gambia's telecommunication services is dominated by three companies, which are the national parastatal Gambia Telecommunications Company (GAMTEL), Africell and Comium Companies which are private mobile companies. GAMTEL operates both fixed and mobile telephone lines. It controls a larger share of the telecommunication infrastructure in the country.

### Regulation in Infrastructure Services

Transportation and telecommunications services are regulated by Public Ferries Act 1966, Ports Act 1972, Gambia Public Transport Corporation Act 1975, and Telecommunications Act 2005. The Acts do not in general place any limitations on the services provisions whether on the market access or market treatment. The intended services providers in these sectors need only licences to start their businesses. The Telecommunications Bill, 2005, addresses the authorisation of telecommunications systems and

services, which include installation and provision of any telecommunication systems or services, discrimination and unfair competition in the industry. The telecommunication tariffs are regulated; the allocation of frequencies and the electromagnetic spectrum are regulated as well by the bill. Satellite services and interconnection are specified and regulated by the bill. The other rules and regulations governing the commercial services provision in the Gambia are also applicable to the infrastructural commercial services.

### **Overview of Cultural Services**

Cultural services consist of travel and leisure, entertainment, movies, sports, media and audiovisual. This sub-sector is yet to develop with the exception of tourism, which is the Gambia's top net foreign exchange earner, generating as much as all other exports combined. It is a major contributor to employment and therefore helps in poverty reduction. A total of about 110,000 tourists visited the Gambia during the 2005-06 season, while 121,000 was estimated in 2006-07 season. Cultural services that are commercial in nature are affected directly by the rules and regulations of the commercial services.

### **The Gambia's Commitments to GATS and WTO**

The Gambia has undertaken commitments under the GATS in 12 services, and thus leads the LDCs in the number of commitments in the Uruguay Round and subsequent negotiations on services. Specific sectoral commitments cover: (i) business-related services; (ii) communication services; (iii) construction and related (engineering services; (iv) distribution services; (v) educational services; (vi) environmental services; (vii) financial services; (viii) health and related social services; (ix) tourism and travel-related services; (x) recreational, cultural and sporting services; (xi) transport services; and (xii) other miscellaneous services. In almost all the sub-sectors involved, measures affecting market access and national treatment have been bound, without limitation, for modes of supply 1 to 3. In some sub-sectors, legislation and/or policy practices need to be updated to reflect the commitments made.

The Gambia national schedule has generally no limitations in respect to GATS modes 1 to 3. In addition, Gambia does respect its mutual commitments to the Economic Organisation of West African States (ECOWAS) and with Senegal. In the context of the Uruguay Round commercial presence (Mode 3) is subject to only horizontal limitations that companies and individuals should meet certain registration requirements, which include the payment of fees and deposits prior to establishment. Further, there is no commitment in respect of measures affecting market access or national treatment in Mode 4 (presence of natural persons) except in case of management and expert jobs in foreign investment sector.

### **Conclusion and Suggestions**

Unless the Gambia become markedly more competitive and able to offer products which can face international competition, even in their own markets, and to surmount all kinds of non-tariff constraints, economic collaboration with other countries may well turn out to be of little benefit to the Gambia. But competitiveness is itself dependent on the economic environment, the performance of the private sector, investments and production and marketing capacity aimed at high value-added products.

Although it is generally acknowledged that trade alone cannot solve all development problems, a favourable macro and micro economic framework leaves little doubt over the question of whether in principle economic integration and trade liberalisation can generate overall positive welfare effects. Once barriers to cross-border economic activity are lifted, this will usually result in a dynamic combination of efficiency gains, increased competition, lower prices, knowledge transfers and ultimately highly economic growth. To yield the benefits of integration certain basic institutional requirements need to be fulfilled. Its success is very much dependent on the adoption of voluntarism, sound, transparent and responsible policies on the part of the governments in close collaboration with their civil societies.

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### **Endnotes**

- 1 The Gambia: From Entrepot to Exporter and Eco-tourism, Diagnostic Trade Integration Study for the Integrated Framework for Trade-related Technical Assistance, July 2007
- 2 "The Gambia Government Investment Policy, DOSTIE, Banjul, The Gambia, June 1999
- 3 The Gambia: From Entrepot to Exporter and Eco-tourism, Diagnostic Trade Integration Study for the Integrated Framework for Trade-related Technical Assistance (Page 61)

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