

The Gambia National Policy for MSMEs 2019- 2024

ABBREVIATIONS

ADR	Alternative Dispute Resolution
BDS	Business Development Services
CBG	Central Bank of The Gambia
CBO	Community Based Organisation
GAMTEL	Gambia Telecommunications
GCCI	Gambian Chamber of Commerce and Industry
GGCP	Gambia Growth and Competiveness Project
EPZL	Export Processing Zone Licence
ESD	Enterprise Support Division of GIEPA
FAO	Food and Agricultural Organisation
FDI	Foreign Direct Investment
GCAA	Gambia Airport Authority
GDP	Gross Domestic Product
GIA	Gambia International Airline
GIEPA	Gambian Investment and Export Promotion Agency
GMD	Gambian Dalasi
GOTG	Government of The Gambia
GPA	Gambia Port Authority
GRA	Gambian Revenue Agency
IAG	Insurance Association of The Gambia
IAS	International Accounting Standards
IBAS	Indigenous Business Advisory Services
ICT	Information and Communication Technology
ITAG	Information Technology Association of The Gambia
M & E	Monitoring and Evaluation
MDI	Management Development Institute
MFI	Microfinance Institution
MOBSE	Ministry of Basic School Education
MOE	Ministry of Energy
MOFEA	Ministry of Finance and Economic Affairs
MOHERST	Ministry of Higher Education, Research, Science and Technology
MOICI	Ministry of Information, Communication and Infrastructure

MOJ	Ministry of Justice
MORAL	Ministry of Regional Administration and Lands
MOTIE	Ministry of Trade Industry, Regional Integration and Employment
MOW	Ministry of Works
MSME	Micro, Small and Medium Enterprise
MSE	Micro and Small Enterprise
NAWEC	National Water and Electricity Company
NBFI	Non-Bank Financial Institution
NEDI	National Enterprise Development Institution
NGO	Non-Government Organisation
NAQAA	National Quality and Accreditation Agency
PPP	Public Private Partnership
R & D	Research and Development
SBA	Small Business Association
SDF	Social Development Fund
SIC	Special Investment Certificate
SME	Small and Medium Enterprise
TIN	Taxation Identification Number
TGSB	The Gambian Standards Bureau
TVC	Technical and Vocational Centre
TVET	Technical, Vocational and Educational Training
USD	United States Dollar
UTG	University of The Gambia
VAT	Value Added Tax
VISACA	Village Savings and Credit Association

Table of Contents

1.0 INTRODUCTION	4
1.1 The need for a vibrant MSME Sector	4
1.2 MSME Definition	5
1.3 Characteristics of MSMEs at each level	6
1.4 MSME Sector Constraints	8
1.5 Challenges of the Business Environment in The Gambia.....	8
2.0 POLICY PRINCIPLES FOR MSMEs.....	12
2.1 General.....	12
2.2 Vision for MSMEs	12
2.3 Mission.....	13
2.4 MSME Priority Sectors.....	13
2.5 MSME Policy Principles.....	13
3.0 OVERALL POLICY OBJECTIVES	15
4.0 POLICY AND STRATEGY	17
4.1 Policy Objective #1: Easing of regulatory and legal environment to make it more business friendly for all enterprises.	17
4.2 Policy Objective #2: Enhance access to finance for MSMEs through alternative finance including guarantees, seed and venture capital, insurance in addition to debt and equity lending... 19	
4.3 Policy Objective #3: Develop a social safety net to cover social protection, pensions and health for MSMEs.....	23
4.4 Policy Objective #4: Develop a market intelligence information system to improve MSME access to market	24
4.5 Policy Objective #5: Harmonise taxation system and make it consistent with the needs of MSMEs and Foreign Direct Investment.	26
4.6 Policy Objective #6: Develop a culture of entrepreneurship in The Gambia	28
4.7 Policy Objective # 7: Encourage the use of technology, in general, and in particular ICT by MSMEs.	30
4.8 Policy Objective #8: Encourage linkages between large companies and MSMEs and facilitate MSME clusters and networks	31
4.9 Policy Objective # 9: Government to improve infrastructure to enhance the transport and marketing of goods and services.	32
4.10 Policy Objective # 10: Promote exports and competitiveness of MSME products	33
4.11 Policy Objective #11: Encourage the creation of new MSME products and services by using appropriate technology.....	34

1.0 INTRODUCTION

1.1 The need for a vibrant MSME Sector

In light of the significance of the MSME sector to economic growth and job creation, the development of appropriate policies has, in recent years, become a priority for economies worldwide as evidenced by numerous programmes and initiatives for the sector across the globe and the targeting of the sector by international development partners. In studies from a broad range of countries the following points are reinforced:

- MSMEs are essential to economic growth, wealth and employment creation as well as technology transfer in economies both large and small;
- The more vibrant the MSME sector, the healthier the national economy;
- The impacts of the MSME sector go beyond wage creation - they generate employment for poor, low-skilled workers, increase skill development and have broader social impacts, such as access to health care, improved housing, access to education and other social safety nets;
- It is not possible to say whether MSME vitality is a 'cause' or an 'effect' of healthy economic growth.

The Government of The Gambia having realized the importance of the MSME sector finalized an MSME Policy and Strategy in 2014 which provided a comprehensive, targeted and coherent framework to promote the sector, characterized by innovative and competitive businesses, and supported by a very conducive institutional and regulatory business environment.

However, since 2014 there have been a number of policy changes, legislative and regulatory adjustments, institutional reforms, macro-economic changes and special initiatives that impact MSMEs either directly or indirectly. The National Development Plan 2018 – 2021 lists one of the priority areas - making the private sector and trade as the engine of growth transformation and job creation by introducing policies, programmes and projects to improve the business environment. These developments have partially driven the need to review the 2014-2018 MSME Policy.

The review of the Policy is both relevant and timely as it coincides with the coming in of the new government with increased donor support for the implementation of the National Development Plan. It is also timely as several stakeholders including state agencies, private sector entities, foundations, international development partners, NGOs and CBOs have been doing significant work in the development of the sector. However, despite all these interventions the sector registered low development in the last five years due to the uncoordinated and adhoc support to the sector.

On the path to growth, there are significant opportunities in The Gambia that, if positioned, supported and leveraged properly, the MSME sector will be able to utilize to contribute to economic growth and wealth creation. The Gambia continues to impress in the tourism and services industry; there is increasing interest in agriculture and value added by youths. From a policy perspective, the updating of the MSME Policy is strategic as it seeks with each revision to ensure greater alignment with the vision articulated in the National Development Plan, the goal of the NDP is to “*deliver good governance and accountability, social cohesion, and national reconciliation and a revitalized and transformed economy for the wellbeing of all Gambians*”. The proposed strategies outlined in the Policy are congruent with those articulated in the NDP which sets out a set of national strategies to ensure an efficient bureaucracy, adequate access to capital, supportive trade relations, a well-functioning labour market and improved opportunities for MSMEs.

1.2 MSME Definition

- (a) There is no single globally accepted definition for MSMEs, given divergences in economic structures and stages of development. Classification of these enterprises is usually for the purpose of extending credit and formulating government policies. The definitions vary amongst countries and international organisations. What is constant, however, is that almost all countries have a specific, documented definition suitable to their economy. Individual countries develop their unique definition in an effort to craft effective and appropriate policies and programmes for MSMEs. The definition also provides a guide to researchers and policymakers as it contributes to more consistent and efficient statistical measurements in the sector.
- (b) Based on an assessment carried out by the International Finance Corporation (IFC), the most common variables in the definitions used among one hundred and twenty (120) economies are number of employees, assets, turnover, capital and investment. The majority (96% or 115 of 120) of these countries used the number of employees in their definitions and (51% or 61 of 120 countries) used Assets/Turnover/Capital/Investment.
- (c) The definition of the MSMEs is important as it will determine the policies, strategies and activities in the future. However, there is no universally accepted definition for this group of businesses.
- (d) It is proposed that the definition below (Table 1) of MSMEs is used in The Gambia. This has been adjusted to suit the situation in The Gambia based on the data obtained during the MSME Mapping Exercise.
- (e) In addition a **new enterprise** is defined as one that has been in operation for less than 12 months. An **existing enterprise** is one that has been in operation for 12 months or more. This definition applies whether they are formal (registered) or informal (not registered). New enterprises are more risky with about 50% failing in the first three years globally. This has implications for financing as new ventures

(These definitions are subject to debate and change as per the MSME Mapping exercise) require a different sort of financing (e.g. seed capital venture capital, etc.) than existing businesses (e.g. debt or equity, etc.). If a new enterprise exists for more than 42 months then its chances of survival are greatly improved, suggesting that a degree of nurturing is necessary to assist new enterprises.

1.3 Characteristics of MSMEs at each level

MSME category	Employees (Number)	Paid in capital/assets GMD	Annual sales GMD
MICRO	1 to 4	0 – 25,000	0 – 500,000
SMALL	5 – 15	25,000 – 1 million	500,001 – 2 million
MEDIUM	16 – 49	1 million – 5 million	2 million to 10 million
LARGE	50 or more	More than 10 million	More than 10 million

MSMEs contribute about 20% – 23% to GDP and form around 60% of the urban labour force, thus they are a significant part of the economy.

(a) **Micro enterprises:** These are the smallest business units that exist and they have the following characteristics:

- Mainly in the informal sector, that is, they are not formally registered;
- Have minimal capital investment, often less than GMD 10,000, and have limited access to formal finance;
- Low productivity, low volume of business and erratic turnover;
- Owners are the sole operators with possibly one or two family members to assist;
- Little or no record keeping as the function of the business is to supplement household income;
- Limited literacy, education, skills and business knowledge;
- Little or no separation between household and business accounts;
- Resilient in an economic downturn due to their flexibility.

(b) **Small enterprises:** These are larger operations, but there is a grey area between micro and small that is sometimes referred to as “very small”. Small enterprises have the following characteristics:

- More often they are registered and operate in the formal economy, but some very small operations remain informal.
- The operations with a business licence are also registered with the tax and social security.
- Have some capital invested in tools and equipment.
- Have the capacity to create job opportunities for both skilled and unskilled labour.
- Productivity can be significant and depends on the demand for products or services.
- Owners are the managers that employ staff to run the business.
- Records are kept but may not conform to International Accounting Standards (IAS).
- Literate, with technical skills and some business knowledge.
- Very often innovative with the potential to grow.
- Less resilient than micro enterprises in an economic downturn, although they do have a degree of flexibility.
- Limited access to formal finance, but may still access funding from microfinance institutions.

(c) **Medium enterprises:** these are much larger operations, clearly visible, and all registered as formal business operations. They have the following characteristics:

- Relatively high capital investment dependent on the sector.
- Employ staff on regular wages and salaries and are aware of their social responsibility.
- Use accountants and book-keepers for financial records that are usually audited.
- Use technology and labour intensive methods for business.
- Well educated with a range of skills both technical and business.
- Relatively easy access to finance from formal financial institutions.
- In economic down-turns they shed labour to stay solvent.

1.4 MSME Sector Constraints

In developing an appropriate MSME Policy the following sector specific constraints will need to be addressed:

- Inadequate access to appropriate finance, with limited access to medium and long term finance;
- Some aspects of the legal and regulatory framework for doing business are less than supportive of the MSME sector;
- Low productivity and competitiveness derived from poor quality control and management;
- Inadequate skills for diversifying product design and packaging;
- Limited technical, business management and governance skills;
- Limited ability to keep records particularly accounting records of the business;
- Often illiterate.
- Family businesses often show a decline after 3 or more generations;
- Some bottlenecks with certain businesses due to cultural barriers;
- Markets often restricted to local community as a result of limited marketing skills, knowledge and information;
- Inadequate promotional and marketing support for MSMEs;
- Insufficient and uncoordinated business development services available to support MSMEs;
- Inadequate linkages and collaboration within the sector and between MSMEs and large business operations;
- Poor physical infrastructure that prohibits timely distribution of products and services nationwide;
- High energy costs;
- High taxes.

1.5 Challenges of the Business Environment in The Gambia

A. **Access to finance/capital/credit** is important for all businesses of all sizes the following issues need to be addressed:

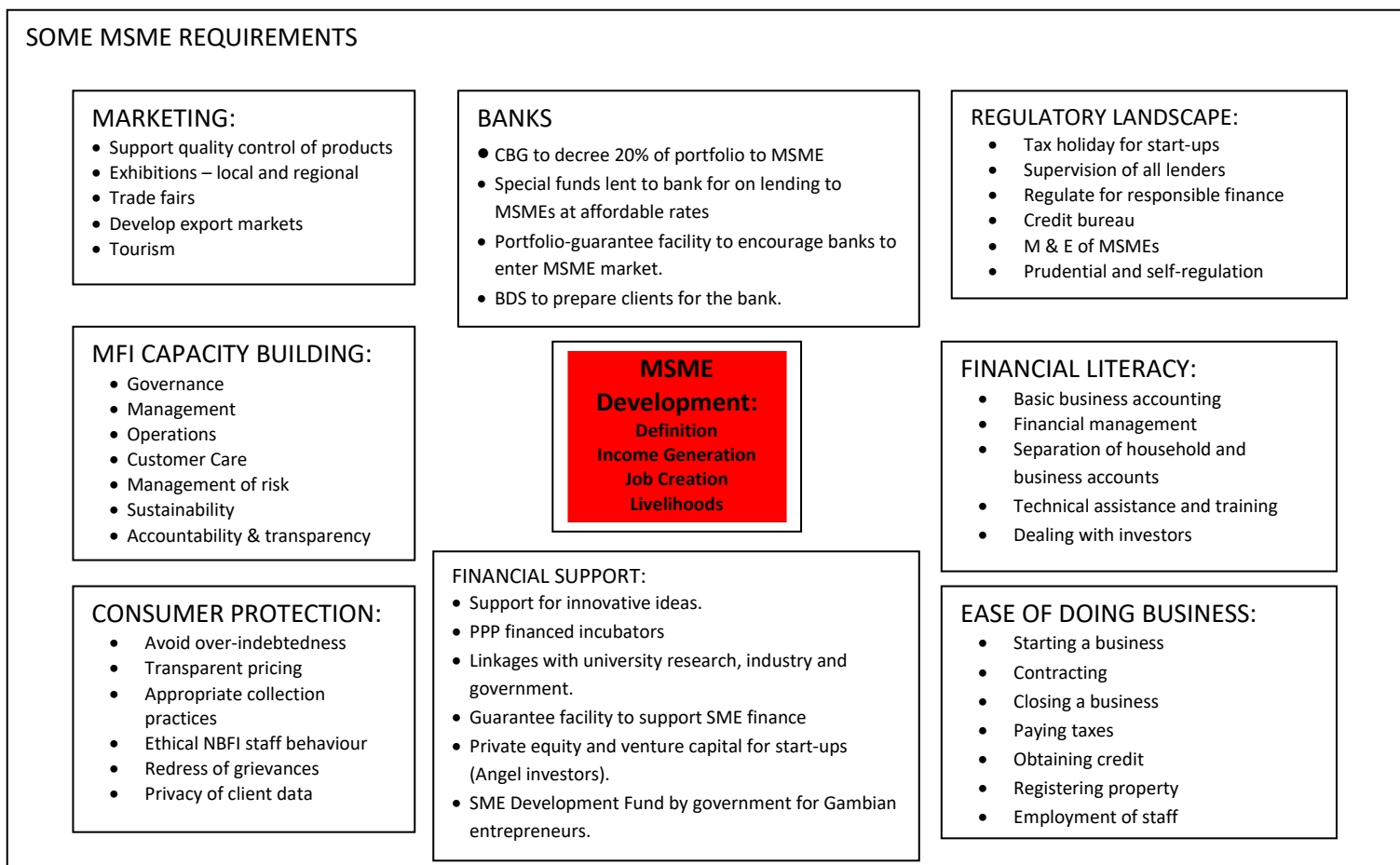
- Medium and long term finance is limited. Finance is generally a short term overdraft or Letter of Credit with average maturity of 90 days.

- Finance for start-ups (angel or venture capital) is non-existent; because of the high risk banks are not interested. Banks are risk averse to MSMEs because of lack of credit history, poor financial records, and lack of credible business plans. The micro and very small businesses can access credit more easily from the VISACAs, Credit Unions and MFIs. The establishment of the Credit Reference Bureau at the Central Bank will go some way to improve this situation, but this deals only with the banks.
- B. **Taxation** is a contentious issue. Currently it needs to be harmonised, clarified, simplified and reduced. A 5-year tax break should be given to all start-ups. Corporate taxes should be based on a fixed percentage of the profit as shown in audited accounts and practice of requesting an advance of tax and of taxing turnover should be stopped immediately. Efficient tax administration can help encourage businesses become formally registered and the economy to grow - thus expanding the tax base, decreasing evasion and increasing revenue. A system in which tax Inspectors have a degree of freedom in determining tax liability is prone to corruption.
- C. **SWBR coverage is not country wide** Countries with the most efficient registration systems use simplified and standardized documents. They operate a single electronic interface between the user and authorities. Although the Gambia has introduced reforms in 2013 by focusing on eliminating outdated requirements through the SWBR Act, there is still room for improvement in enabling the electronic submission of documents, without the need for physical paper trails, or physical visits to the SWBR to receive certificates for newly registered companies.
- D. **Poor quality infrastructure.** Customs performance, the quality of infrastructure for trade, and the existence of trade barriers impact the ease of trading among countries. The use of electronic systems to transfer and process customs information has become widespread. Most economies around the world allow traders to submit at least some export and imports declarations, manifests or other trade-related documents to custom authorities electronically. Increasingly, countries are introducing electronic single windows that connect traders not only to customs, but also to other agencies involved in the import and export processes.
- E. **Access to electricity** is low, Gambia's distribution and transmission systems are plagued with inefficiencies. Unreliable electricity supply and high tariffs are obstacles to entrepreneurial activity. Obtaining a new electricity connection can be complicated by burdensome connection processes. Once connected to the grid, firms may face

blackouts that constrain production or force businesses to resort to self-supply through generators at a significant cost. Majority of Gambian business owners consider getting electricity to be the second largest obstacle to doing business¹.

- F. **Absence of a land policy** to shape land governance including arrangements of tenure, access, use, security and administration Registered property rights are important to support investment, productivity and growth. The ability to easily access information on land ownership reduces the transaction cost in financial markets, making it easier to use property as collateral. Land registries, together with cadastres that identify the location of a property, are institutions used around the world to map, prove and secure property rights. The benefits of land registration go beyond the private sector. For the Gambia, having reliable, up-to-date information in cadastres and land registries is essential to correctly assess and collect tax revenues. With up-to-date land information, The Gambia can map out the varying requirements of cities and strategically plan the provision of services and infrastructure in the areas of each city where they are most needed.

¹WBG Enterprise Survey 2018



2.0 POLICY PRINCIPLES FOR MSMEs

2.1 General

The policy objectives for MSMEs should be consistent and supportive with the National Entrepreneurship Policy, the National Investment Policy, Trade Policy, Trade Strategy & Industrial Policy and all other sectoral policies. In particular it should be consistent with National Development Plan (NDP) the long term Vision 2020, which seeks to create a self-reliant, enterprising and middle income nation that generates growth and alleviates poverty. The alignment of the Policy with NDP 2018-21, other sectorial policies and the SDGs, highlights a national consensus that development can only be meaningful and impactful when it is inclusive, equitable and sustainable.

2.2 Vision for MSMEs

A vibrant and sustainable MSME sector that embodies the concept of "inclusive growth" as it contributes to employment and poverty reduction.

Elements of the vision include:

- (a) *A well educated population:* particularly in the context of entrepreneurship, TVET, STEM & ICT will be encouraged to develop business ideas that, with the support of professional business development service providers, will develop business ideas into growing and dynamic business operations. The human resources of The Gambia are its greatest asset and should be encouraged to become enterprising.
- (b) *The role of government:* is to provide an appropriate business-friendly environment, to enhance access to finance, capital, technology, R & D and to rationalise taxes for all MSMEs in order to encourage all citizens to participate in the country's economic development.
- (c) *Competition:* will ensure that both financial and non-financial service providers will operate efficiently and effectively to provide high quality services to clients, and in a coordinated manner.
- (d) *Government Support:* Support may be required for those organisations and enterprises pushing the frontiers of the system to remote and the poorer parts of the country.

While this vision remains in the future, it has immediate impact in guiding the decisions of today. Support to MSMEs should be compatible and consistent with the vision and should contribute to its realisation.

2.3 Mission

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.

2.4 MSME Priority Sectors

The MSME Policy strategies will focus on productive sectors (e.g. agriculture, industry, food processing etc.), services (particularly tourism and tourism related) and ICT, as these sectors are likely to create more job opportunities and livelihood.

2.5 MSME Policy Principles

- (a) MSMEs are multi sectoral operating in different economic activities and are found in both rural and urban settings. When well coordinated and integrated policies are implemented, they serve as a catalyst for poverty alleviation, wealth accumulation and income distribution.
- (b) If the private sector is seen as the engine of sustainable growth, it cannot fulfil its role without a responsive MSME sector. There is potential for partnerships and linkages between MSMEs and large companies in which both benefit. There is a need for a favourable and responsive climate for MSME development that includes:
 - Policies, legislation, regulations that consider the needs of MSMEs and promotes entrepreneurship.
 - Provision of the appropriate infrastructure to reduce distribution costs and promote competitiveness.
 - Support to enhance the quality (standards and technical regulations) of MSME goods and services so they are acceptable in regional and international markets and are similar, or better, in quality to competing products.
 - Increased investment in productive enterprises to encourage innovation.
 - Provision of key support networks, information and public procurement for MSMEs.

- Development of a culture of enterprise and the support of technical and vocational pursuits in the education system to encourage start-ups.
 - Support/ encourage MSMEs/Start-ups/scale-ups in Green economy
- (c) Many of the smaller (micro and very small) operations are considered to be subsistence businesses to supplement income and attitudes towards them are often negative. However, Some of the businesses grow and expand into larger operations. If The Gambia is to enjoy the benefits of the MSME sector then the following are essential:
- Sensitisation of public attitudes towards MSMEs.
 - Inclusion of “operating your own business” options in all apprenticeship schemes.
 - Enhancement of capacity of insitutions providing business trainings and BDS to MSMEs. In addition to the GCCI and start-up incubators, MOTIE and GIEPA shall encourage the development of similar initiatives in other regions.
 - Facilitating access to finance and other resources for MSMEs.
 - Encourage innovation in all existing MSMEs through developing linkages with relevant R & D institutions.
 - Female and youth led businesses should be encouraged in order to include the vulnerable portion of the population
- (d) In order to give the MSME sector a voice, MSMEs should be encouraged to organise themselves into Small Business Associations (SBA) or trade groupings. Using such vehicles, they can then lobby government for changes in legislation and regulations to suit their changing needs.
- (e) Government cannot take on all these roles, but it can establish the framework and mechanisms to involve the various stakeholders and delegate to the private sector, NGOs, business association and others the delivery of support services.

3.0 OVERALL POLICY OBJECTIVES

- 3.1 The Government of the The Gambia (GoTG) considers the MSME sector to be the engine of growth for the future. Examples from around the world demonstrate that a vibrant MSME sector provides the whole economy (measured by GDP) with the stimulus to become of benefit for all citizens in terms of growth and development. The MSME Policy covers the period 2019 to 2024.
- 3.2 The promotion and support of MSMEs will contribute to poverty alleviation, income generation and job creation in the context of both social and economic development.
- 3.3 The overall policy objective is to establish an efficient and effective MSME sector that both serves the needs of the poorer members of society and serves the needs of national economic growth and development. As an integral part of this policy:
- (a) MSMEs in the Gambia will be encouraged to register as formal enterprises following the decentralization of the Single Window Business Registry to the regions. Government to work towards providing incentives to all new operations to allow them to grow and mature.
 - (b) Financing instruments will be developed for MSME so that access to finance will be less of a constraint for growth and development. In particular, targeted support will be given to those enterprises involved in export or import substitution.
 - (c) Taxation will be rationalised and harmonised so that advances are not used and tax waivers may be given where feasible to all newly registered enterprises involved in export or import substitution, or in job creation, including those financed by foreign direct investment (FDI).
 - (d) A focus on business education at all levels to encourage students to develop business ideas into realistic business proposals, will be supported by a post graduate MSME Institute. In this context the Management Development Institute (MDI) should be upgraded to include a wide range of business studies culminating the preparation of a viable business plan. The private sector needs to be encouraged to assist in the establishment of incubators to complement the GCCI incubator. Links with the university and R & D centres are an essential part of the business education ethos.
 - (e) There will be a focus on women and youth in order to find work placements either in a micro/small enterprise of their own or as an employee in a client SME

operation. Banks will be encouraged to provide separate and focussed products for this segment of the population so that they are included in the financial system.

- (f) All economic sectors; agriculture, industry, tourism, trade and services, will be covered by the policy but the focus of support will be on those sectors identified as priority in the National Investment Policy and GIEPA Act and consistent with the priorities indicated in paragraph 2.4 of this document.
- (g) Facilitate access to productive assets such as land, finance and other business inputs.

4.0 POLICY AND STRATEGY

4.1 Policy Objective #1: Easing of regulatory and legal environment to make it more business friendly for all enterprises.

Policy Elements

The Government will enhance implementation of programmes aimed at simplification and rationalization of procedures and regulations so as to encourage compliance and minimize transaction costs. Currently the Government has identified improving the business environment as a priority reform area to help create a much more conducive enabling environment. As a result, MOTIE with the support of the UNDP is working on opening a Single Window Business Registry (SWBR) in Basse, in the Upper River Region. Rolling out the SWBR to Basse would be a means towards contracting the informal sector as well as the efficient delivery of government services to the public in a quick, cheap and transparent manner. 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.

STRATEGY

(a) Business Registration

- The development of a single window registration center, in each of the administrative regions of The Gambia, to register all businesses. The single window business registry will ease the process of business registration in the regions. The number of procedures to be reduced to registering the name, obtaining a business registration number, operational licence, obtaining a tax identification number (TIN) and social security reference should be carried out in one day with no cost at the SWBR. This will encourage currently informal enterprises to register by removing the barriers of time and cost.

(b) Enforcing contracts

- To strengthen the commercial court to deal with commercial disputes on a fast track basis. This development would reduce the number of procedures, the cost and the time involved.

(c) Trading across Borders (Import and Export)

- Reduce the number of documents, the time and cost of importing and exporting by both sea and air. These conditions should be made less restrictive and more efficient by reducing the number of documents required, the time and the costs. Reducing airport and fuelling costs will attract more airlines which would be of benefit both to tourism and to the export of consumable and perishable items.

(d) Registering a Property

- Improve the current system for registering a property, by reducing the number of procedures, the time and the cost. A registered property is an important asset for any SME as it may be used as the basis of collateral for a bank loan.

4.2 Policy Objective #2: Enhance access to finance for MSMEs through alternative finance including guarantees, seed and venture capital, insurance in addition to debt and equity lending.

Policy Elements

- Government to strengthen fiscal and monetary policy management through the reduction of the public domestic debt and avoidance of extra-budgetary expenditures in order to further reduce the discount rate and hence the interest rates. This is currently part of government policy on economic reforms.
- The banking system including MFIs should be encouraged to be more competitive and use innovative financial instruments targeting MSMEs to reduce transaction costs and increase productivity.
- The banking system should be encouraged to provide credit, savings and other financial products that are attractive to women youth and reduce the barriers for them to be included in the formal financial system.
- The CBG should ensure that new financial products and liquidity vehicles are introduced that would allow them to better serve the MSME sector. (to regulate and ensure fair competition).

STRATEGY

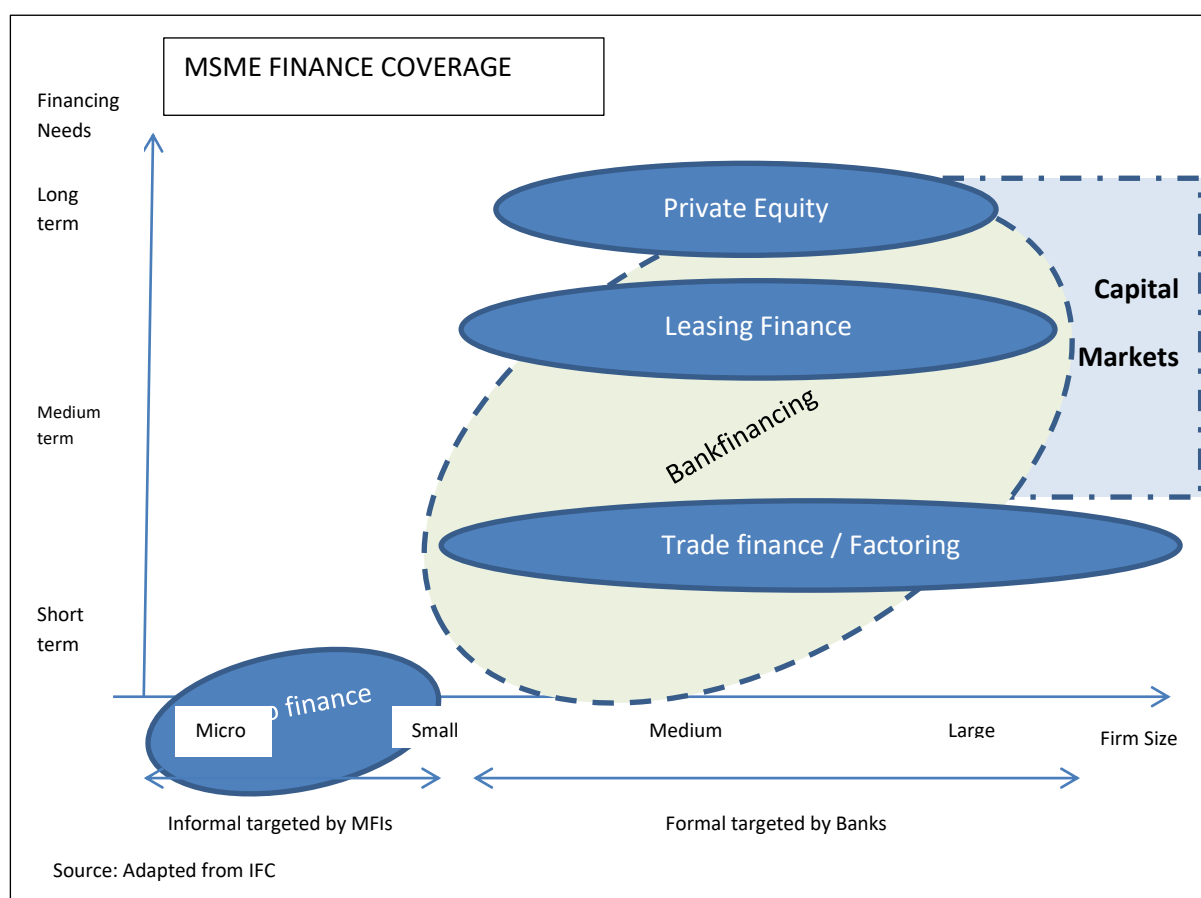
Lending at the micro level seems to be active with MFIs, NGOs, VISACAs, Credit Unions and various Community Based Organisations all involved in micro credit with SDF acting as the wholesale source in most cases. Some of this lending moves up into the small enterprise category where some lenders have had a bad experience because of lack of understanding of the larger clients.

- Whilst majority banks are currently reluctant to lend and provide other services to MSMEs for a variety of reasons this can be overcome by providing finance specifically for on-lending to MSMEs while at the same time the Central Bank of The Gambia (CBG) should encourage the banks to lend, say 15% of their loan portfolio, to the MSME sector at affordable interest rates.
- Establish an MSME Fund for the purpose of providing a line of credit to banks, which they would on lend to Gambian MSMEs at an acceptable spread. SDF as the

major apex organisation in The Gambia could be entity to manage, contract and disburse such finance obtained either from government or donors to lend to the banks or to MFIs or create an agency that will be responsible for MSME funds.

- Alternatively this fund could be used as the basis of a portfolio guarantee with the proviso that neither the credit officers nor the clients should be aware of the guarantee to avoid moral hazard. The Fund could be linked with BDS field based officers to support clients prepare business plans, cash flows and other documents for the bank/agency so that they are fully prepared for the first encounter with bank officials. These could be contracted by the bank or paid directly by the client. Therefore, Capacity building of the banks involved in MSME finance should be a priority.
- Encourage Commercial Banks to plough back part of their net profits (1 – 7%) as part of their corporate social responsibility to assist MSME development in the country. Such funds should be managed by SDF or an agency for MSME Funds..
- MSMEs often require medium term borrowing (maturity up to 5 years) and banks are reluctant to lend for this period. Once again government/Private Sector could attract donor funds that could be used for medium term loans. Whilst most working capital loans should be repaid within 12 months (lined to the business cycle and cash flow), loans for fixed assets need to be spread over a period of up to 5 years for a sensible amortization.
- Savings mobilisation is an essential ingredient of financial inclusion. Banks and Non-banks should be encouraged to attract small savings from MSME owners and operators.
- A credit reference bureau has been established by CBG that will provide client information to banks. Evidence suggest that a credit reference bureau will encourage lending. There is a need for a credit reference bureau to deal with the micro and small enterprise clients of the MFIs to ensure that clients do not visit both banks and non-banks. This could be established by the private sector as is done in other countries.
- The development of a portfolio guarantee to encourage the banks to enter the MSME market should be used in conjunction with field based Business Development Services (BDS). The BDS staff would identify, select and prepare potential clients' business plans, cash flow and collect all the documentation required by the bank.

The bank would then make the credit decision on the basis of the credit file and an interview with the client. This process implies training of BDS field based staff to work on contract with the bank. The guarantee should be administered by SDF.



- MSME start-ups require different forms of finance including seed capital from angel investors, venture capital, private equity, etc. At the present time these forms of finance do not exist in The Gambia. A specialised organisation should be established using private sector investors in partnership with government (PPP) to investigate the viability of such an operation. IFC has had some experience of developing appropriate innovative methods of venture capital in Africa in conjunction with African private equity firms. They should be encouraged to come to The Gambia.
- Financial products that focus on youth, limited to those who are 35 years old and under, could include credit (including start up credit) – with limited collateral requirements such as reliance on character, cash flow and solidarity groups; savings with a small initial deposit of GMD 3000, and this should be open to children in order to encourage them to save. (Takaful is already in place).

- Support value chain financing to ensure that all elements of the chain are financially viable. Encouragement to the banking sector will be through discussions with the Association of Bankers and CBG.
- Encourage all start-ups with BDS technical and managerial support (through mentoring, incubators, and other forms of support) particularly those that have borrowed funds for the development.

4.3 Policy Objective #3: Develop a social safety net to cover social protection, pensions and health for MSMEs.

Policy Elements:

- (a) Social protection, safe working conditions and financial security are pre-requisites for successful entrepreneurship, particularly for the smaller operations (micro and very small). This policy seeks to improve the social safety net with a range of micro-insurance facilities covering health and accidents and micro credit in MSMEs.
- (b) Safe working conditions as defined in the REVISED Labour Act should be adhered to by all MSMEs.
- (c) MSMEs should be encouraged to use mutual health schemes in their work place through the small business associations, workers confederations or trade unions.
- (d) Explore ways in which MSMEs can utilise micro-insurance schemes to cover health, accident and pension needs of the workers.
- (e) THE CREATION OF MICRO-INSURANCE SCHEMES BY CBG AND ENFORCED INSURANCE COMPANIES TO USED IT AS AN INSTRUMENT.
- (f) Savings mobilisation should be encouraged and the banks should accept small deposits to attract further savings from MSMEs.

STRATEGY

- (a) In conjunction with insurance companies study and develop social protection packages that are appropriate for MSMEs in The Gambia. The range of products to include credit-life, health and disability, pensions. MOFEA, MOTIE, GCCI, GIEPA and the Trade Unions should be at the forefront of this development together with SDF to work with insurers (both conventional and Islamic) to develop appropriate packages.
- (b) Introduce social protection packages (micro-insurance) in conjunction with insurance companies to the MSMEs and sensitise them on their adoption and existing NBFIs to be encouraged to use the packages to assist their micro clients.
- (c) Conduct social marketing through the mass media to raise public awareness of best practice in social protection.
- (d) Banks and other deposit takers should be sensitised to the need for savings by MSMEs.

4.4 Policy Objective #4: Develop a market intelligence information system to improve MSME access to market

Policy Elements:

- (a) Market research will assist the understanding of the MSME market dynamics and should provide information on the various MSME players, their activities, constraints and potential opportunities.
- (b) Many MSMEs do not have a market for their goods and services which prevents them from growing. Information on alternative markets, non-traditional export products and niche markets, including export markets, should be made available to them electronically and through all mass media channels (TV, radio and newsprint), social media platforms, government portals (trade info portals) etc.
- (c) Domestic and overseas markets (DFQF preferential Markets as Gambia's utilization rates are very low in these markets) should be explored to identify new markets for MSME goods and services. In the case of export markets the MSME products should be of an acceptable standard, and information of the standards should be readily available to the MSMEs.

STRATEGY

- (a) Undertake market research to establish current markets and identify if they are saturated or not and to investigate the potential of new markets at home and overseas.
- (b) Training in marketing for specific markets should be designed and undertaken. A contribution should be made by all trainees to the cost of the training as a matter of principle.
- (c) Encourage the creation of new MSME products using R & D from the university and other research units both local and international through an upgraded MDI and other tertiary Institutions that will pursue entrepreneurship courses. MDI to be enhanced and to be renamed as the Business and Management Development Institute (BMDI).
- (d) Market information centres to be established at strategic locations throughout the country by GIEPA, GCCI, MoTIE and other stakeholders, using suitably equipped GIEPA regional offices.
- (e) Field based BDS staff should be trained to undertake market surveys on a regular basis.

- (f) Promote the development of commercial ICT based market information services to be available to all businesses.
- (g) Trade fairs, study tours, markets and exhibitions should be a regular occurrence to give MSMEs a place to expand their markets.
- (h) Identify and prepare business plans for (a minimum of 50) investment opportunities as a pilot scheme within The Gambia for all potential MSME investors.

4.5 Policy Objective #5: Harmonise taxation system and make it consistent with the needs of MSMEs and Foreign Direct Investment.

Policy Elements:

- (a) Due to the informal nature of many MSME operations, they are not aware of any incentives that may be available. Currently Special Investment Certificate (SIC) and the Domestic Investment Certificate (DIC) give a range of incentives to MSMEs but these are focused on the larger companies by a relatively high threshold.
- (b) A large informal sector increases the tax pressure on compliant businesses thus reducing competitiveness of registered MSMEs. The tax system is the key reason for the growth of the informal economy. The costs of compliance with the tax system not only have monetary cost but there is also a psychological component that motivates MSMEs to operate informally. Compliance costs risk being largely repressive and putting a large burden on MSMEs. There is a direct linkage between a burdensome tax regime and the level of informality.
- (c) Establishing an acceptable accounting system is expensive for many of the smaller operations and also is often costly. Assistance will be needed for them to acquire accounting skills (and other financial literacy skills). Lack of such experience prevents many businesses from moving from informal to formal.
- (d) The taxation system is complex and leaves many decisions to the discretion of tax inspectors. This type of system may lead to levels of corruption. The ideal is for the taxation of businesses to be simple, clear and fair. A reform is necessary and should take place over the next five years.

STRATEGY

- (a) The tax system to be reformed in the medium term (i.e. over the next five years) and should strive to simplify and consolidate taxes so that it is easy to understand and not prohibitively expensive. GRA, MOFEA, MOTIE and GIEPA should collaborate with GCCI, local governments and small businesses to develop an acceptable, clear and transparent tax system for small businesses and the national and regional level.
- (b) Corporate tax should be based on a percentage of profit as indicated in audited accounts and not based on turnover. This is suitable for the larger businesses but not for the Micro and Very Small enterprises which largely operate in the informal sector. Presumptive taxes could be introduced for the MSME sector for the smaller operators.

- (c) No advances of any business tax should be requested as is the case at present even if after the year end it is returned. Currently new enterprises (being in existence for 12 months or less) have the tax deposit waived. This should be the case for all taxpayers.
- (d) The Tax Education programme initiated by GRA to explain why profits are taxed, and how the money is used should be linked with an on-line Tax Advisory Service.
- (e) All Start-ups should have a 5 year tax holiday in order to mature and to gain traction in the business world. 5-years will allow them to arrive at the breakeven point and make small profits and it gives time for the costs of equipment and machinery to be amortised and loans to be repaid.
- (f) The introduction of Special Investment Certificates (SIC) and Export Processing Zone Licences (EPZL) has opened the door for a more liberalised taxation system. However, a threshold of US\$ 100,000 and 80% of output exported limits the numbers of MSMEs that can apply. To enhance the MSMEs contribution to the national economy, GIEPA and GRA together with Customs should provide more support in the form of fiscal incentives:
 - Reduction in the threshold for SICs and DIC to include more businesses and greater flexibility on import duties.
 - Waiver on VAT on import of inputs (e.g. raw materials) for up to 5 years if the business employs an additional 15 employees of which 90% are Gambians. The current system of paying the VAT and then obtaining a refund ties up capital unnecessarily.
 - Government should consider a tax break for priority economic activities.

4.6 Policy Objective #6: Develop a culture of entrepreneurship in The Gambia

Policy elements:

- (a) The National Development Plan (NDP), The National Entrepreneurship Policy, Trade policy, Industrial Policy and Trade Strategy as well as the long term Vision 2020 seeks “...to transform The Gambia into a financial centre, a tourist paradise, a trading and export oriented agricultural and manufacturing nation thriving on free market policies and a vibrant private sector, sustained by a well-educated, trained, skilled, healthy, self-reliant and enterprising population ...”. If this vision is to be achieved, then free market policies should dominate the legislative process (meaning to simplify regulations and make all rules transparent) and the education system should be adapted to provide the necessary skills for Gambians.
- (b) Government, NGOs, civil society and the private sector should develop the human resource base of the MSME sector so that the aim of NDP can be achieved.
- (c) Capacity building of the MSME owners and operators should provide the skills to make Gambian products and services competitive in both domestic and international markets.
- (d) A national training needs assessment of the MSMEs (by NAAQA in conjunction with the MSME Unit at GIEPA) should be able to identify those skills that need to be developed in order for businesses to develop to their full capacity.
- (e) Develop appropriate business curricula for all levels of education, including work placements for older students, particularly those at UTG.
- (f) All technical and vocational training centres should be used to develop the technical skills needed by MSMEs. In addition, some basic business education (e.g. financial literacy) should be an integral part of the technical training.

STRATEGY

- (a) Community empowerment is the basis of the development of a culture that promotes business as a way of life.
- (b) Encourage basic secondary, and tertiary educational institutions to implement the already developed curriculum on entrepreneurship as an integral part of the education system.
- (c) Financial literacy programmes to be established for all existing MSMEs and also to be introduced into secondary schools.

- (d)Adult literacy programmes to be established to enhance the overall skills of MSME owner–operators;
- (e)Strengthen existing institutions dealing with MSMEs for new graduates to develop ideas into business opportunities and positive attitudes towards business. It could also be a source of market information, mentoring, training and technical assistance to enhance entrepreneurship and MSME growth.
- (f)Link existing institutions dealing with MSMEsto R & D from local and international research units.
- (g)Develop a post graduate curriculum for a 6 months course that will culminate in the development of appropriate business plans at UTG.
- (h)Establish an incubator to nurture the students with acceptable business plans with seed money to develop the implementation of the business.
- (i) Promote vocational and technical skills apprenticeship programmes tailored to build competencies amongst young people.
- (j) Restructure and strengthen Enterprise Support Unit Unit at GIEPA to deliver effective training, extension, monitoring and evaluation and business advisory services either through outsourcing or using in house skills.
- (k)Organise national and international study tours for selected MSME owners/operators to learn about new production technologies, product designs and their application.

4.7 Policy Objective # 7: Encourage the use of technology, in general, and in particular ICT by MSMEs.

Policy elements:

- (a) ICT has a major role to play in facilitating development goals and in encouraging the dissemination of information and particularly to enhance e-commerce and e-business.
- (b) Access to the ICT is expensive, which affects MSME operations using computers.
- (c) Many MSME operators are aware of the potential benefits of ICT in their respective businesses and they have basic ICT awareness and computer literacy. However, they will require more training and orientation to obtain the best results.
- (d) Whilst many smaller MSMEs are labour intensive, which soaks up the unemployed, in the future the use of technological developments will be necessary to provide products and services that are competitive and acceptable

STRATEGY

- (a) Government, together with stakeholders in the ICT sector, to provide a more reliable and affordable internet access for MSMEs.
- (b) To create internet access platforms/spaces in rural areas for MSMEs to enhance their online presence and promote their products with the help of Business Development Advisors.
- (c) ICT to be introduced at Basic education levels.
- (d) GCCI in collaboration with the MDI², GIEPA, MoTIE and other stakeholders to develop and elaborate a plan for e-commerce and e-business to facilitate trade both domestically and internationally including further development of the ACE Initiative.
- (e) A strong public-private-partnership (PPP) to be established to create opportunities for vocational training and professional mentoring programmes in ICT.
- (f) Implement the recommendations of the feasibility study of setting up an ICT Hub.
- (g) Enter into bilateral and multilateral agreement with international organizations involved in technology transfer and upgrading to improve access to technology by MSMEs.

² MDI to be enhanced to include business studies and should be renamed the Business and Management Development Institute (BMDI)

4.8 Policy Objective #8: Encourage linkages between large companies and MSMEs and facilitate MSME clusters and networks

Policy Elements:

- (a) The government and its agencies should endeavour to encourage MSMEs to work in clusters in designated industrial estates, in order to achieve economies of scale. The government should commit funds to implement the cluster development strategy.
- (b) Linkages should be encouraged with large companies sub-contracting MSMEs wherever possible. Government contracts should have a clause on sub-contracting especially to formalized MSMEs.
- (c) MSMEs to be encouraged to link together in networks of similar groups to benefit from training, market intelligence, access to export markets, logistics, funding and technological innovation.
- (d) There is currently a shortage of skilled Gambian workers

STRATEGY

- (a) GIEPA to lead the implementation of the Cluster Development Strategy and facilitate MSMEs operating in the same geographic location or sub-sector (e.g. carpenters, fishermen, metal workers, etc.) to establish clusters.
- (b) All stakeholders to assist in building trust, constructive dialogue and exchange of information among cluster members.
- (c) Large and medium sized companies should be encouraged to sub-contract to formalized MSMEs through providing designs and technical support.
- (d) The encouragement of clusters that could grow organically from a range of sub contracts.
- (e) Government procurement (as a large operation) should purchase at least 35% of its requirements from MSMEs. This should be reflected in the public procurement act.
- (f) It will be necessary to train Gambians, preferably through schemes that allow “on-the-job” training.

4.9 Policy Objective # 9: Government to improve infrastructure to enhance the transport and marketing of goods and services.

Policy Elements:

- (a) GOTG to improve the conditions of the roads to enhance the transportation of goods to market especially feeder roads linking farms to markets.
- (b) GOTG to encourage the development and use of river transport as an alternative to roads particularly for the transport of heavy goods.
- (c) GOTG to ensure sustainable power supply at affordable prices to facilitate production of goods by MSMEs.
- (d) Ensure efficient access to information through the sustainable development of telecommunications and information technology.
- (e) To promote investment in sustainable power supplies, e.g. solar, wind etc.

STRATEGY

- (a) GOTG, municipalities and local councils to embark on rehabilitating highway feeder roads and other auxiliary roads to facilitate the movement of goods and services.
- (b) Telecommunication services to be provided at affordable prices to enable MSME to access information on prices, markets and contacts with buyers.
- (c) In order to improve service delivery to MSMEs directly there is need for GIEPA and GCCI to establish suitably equipped offices in each of the regions.
- (d) GIEPA and GCCI to encourage government and the private sector to invest in alternative energy sources suitable for The Gambia, e.g. solar energy.
- (e) Provision of adequate energy supply at affordable prices.
- (f) Construct appropriate storage facilities for MSME products to improve quality and export competitiveness for The Gambia. In Particular fisheries infrastructure for sustainable sector development so as to increase fish export

4.10 Policy Objective # 10: Promote exports and competitiveness of MSME products

Policy Elements:

- (a) As a result of the small domestic market and the low levels of income, growth of the Gambian economy will be dependent on the production and technical capacities of enterprises to produce high quality goods on a sustainable basis for domestic consumption and export.
- (b) Exports from The Gambia are limited and are currently declining. There is a need to diversify the product base of the economy.
- (c) Exports face several constraints including high sea and air freight costs, poor infrastructure, high energy costs, inadequate storage facilities and poor quality control.
- (d) The use of river transport facilities for heavy cargoes should be considered.
- (e) Access to information on the critical requirements of exports, processors, retailers and consumers is poor in all trade sectors.
- (f) The poor infrastructure restricts access to markets especially for MSMEs

STRATEGY:

- (a) A trade information system needs to be established to provide up to date market information to producers and exporters. This is an on-going development at MOTIE.
- (b) Compliance with international standards should be improved through regional cooperation to meet the increasing standard requirements from importing countries.
- (c) Alternative international air and sea carriers should be encouraged to operate in The Gambia in order to ease in the inadequate and high cost of sea and air freight by reducing port and fuel costs. This would benefit tourism as well as the export markets.
- (d) MSME exporters should be encouraged to establish networks and cooperatives to reduce the cost of raw materials and exporting.
- (e) NAWEC should explore the possibility of using other sources of energy (renewable) to help to bring down the cost of energy.
- (f) Work towards adapting production to potential markets rather than taking a production approach and try to find markets for what is produced. For specific markets where The Gambia has preferential market access, MOTIE and GIEPA should assess what market opportunities there are for existing products.

4.11 Policy Objective #11: Encourage the creation of new MSME products and services by using appropriate technology

Policy Elements:

- (a) Whilst the MSME sector is dynamic and competitive there is a need to improve both product and service quality.
- (b) Technological capacity is enterprise specific and therefore requires a coordinated approach to maximise benefits, reduce duplication and related costs. GIEPA in collaboration with key players in the MSME sector plan (such as the BDS network) and coordinate information exchange for the improvement of technical, managerial and institutional skills of various players.
- (c) The design of new products should be encouraged in all MSMEs and GIEPA should be at the forefront in recruiting consultant designers for specific MSME activities, including quality control.
- (d) It is important that products reach the market, whether domestic or international, without declining standards. A system of warehouses to store goods prior to sale should be developed. This is particularly the case for exports at the airport where refrigerated warehouses are required.
- (e) The monitoring of product quality should be given high priority by GIEPA in collaboration with The Gambia Standards Bureau (TGSB) and the MSME players to ensure participatory monitoring.

STRATEGY:

- (a) GIEPA together with FSQA, TGSB and GCCI should develop strategies to support MSMEs in order to ensure the delivery of quality goods and services at affordable prices.
- (b) The development of indigenous appropriate technology should be the task of technical and vocational institutes and other tertiary education units in The Gambia.
- (c) The establishment of private sector repair and maintenance services for existing technologies is essential.
- (d) Information regarding new technologies should be frequently disseminated to MSMEs.
- (e) Develop strategies for the effective and sustainable use of the VTC and IC.

- (f) GOTG to ensure that sufficient attention and resources are provided to innovation, technology transfer and research and development
- (g) Improving skills to efficiently produce goods of high quality and standards.
- (h) Promote creativity and innovation in the MSME sector through establishment of annual award schemes that recognize innovations and technology development within the sector;