THE GAMBIA

The Gambia’s economic freedom score is 58.0, making its economy the 102nd freest in the 2022 Index. The Gambia is ranked 14th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

The Gambia’s economic growth rate had been relatively robust before slowing to a complete stop by 2020. Growth resumed in 2021. Economic freedom has improved over the same period. With the help of an IMF Extended Credit Facility loan in 2020 that led to a recovery in fiscal health, The Gambia has recorded a 4.6-point overall gain in economic freedom since 2017 and remains in the upper half of the “Mostly Unfree” category. Scores for tax burden and government spending are relatively good, but financial freedom and rule of law exhibit weaknesses.

IMPACT OF COVID-19: As of December 1, 2021, 342 deaths had been attributed to the pandemic in The Gambia, and the government’s response to the crisis ranked 163rd among the countries included in this Index in terms of its stringency. The economy registered no growth in 2020.

BACKGROUND: The Gambia gained independence from the United Kingdom in 1965. Dictator Yahya Jammeh took power in 1994 and after Adama Barrow defeated him in the 2016 presidential election refused to step down until other countries in the region intervened militarily to force him from office. Political tensions rose after Barrow decided to serve his full term until 2021, breaking a pledge to leave after serving for three years. In December 2021, Barrow won a second term. The government is courting Chinese investment and has signed a duty-free trade agreement with Beijing. The Gambia is surrounded geographically by Senegal, and revenue depends heavily on exports of peanuts, leaving the economy vulnerable to price fluctuations and market shocks.
Property rights and interests are clearly protected under the law, but enforcement is weak. Complex, contentious, and overlapping land tenure systems cause the enforcement of titles to be inadequate. The judiciary is independent, and the Barrow government has not intervened inappropriately in judicial affairs. Since President Barrow took office in 2017, the government has turned a blind eye to corruption, and no one has been convicted of it.

The top individual income tax rate is 35 percent, and the top corporate tax rate has been cut to 27 percent. Other taxes include capital gains and sales taxes. The overall tax burden equals 10.8 percent of total domestic income. Government spending has amounted to 23.0 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.5 percent of GDP. Public debt is equivalent to 75.8 percent of GDP.

The government has cut the average number of days it takes to start a business from 25 to two. Most Gambians work outside of the formal sector where they receive none of the protections the law provides. The government administers price controls on staple foods and essential non-food items while also subsidizing the highly indebted and state-owned water and electricity services.

The Gambia has one preferential trade agreement in force. The trade-weighted average tariff rate is 13.1 percent, and one formal nontariff measure is in effect. Other nontariff barriers deter trade flows. The law treats foreign and domestic investment equally, but government openness to foreign investment is below average. High credit costs and scarce access to financing hinder entrepreneurial activity.