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Неолиберальная траектория в Гамбии

Neoliberal Trajectory in The Gambia

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Abstract

The research is a comprehensive presentation and analysis of the impact of IMF structural adjustment programs on the economic growth and poverty in the Gambia. This study examines the short-term and long-term link between IMF's structural adjustment programs and economic growth and poverty. To achieve this, the study summarised structural policy effect by employing time series Vector Error Correction Model in the period 1970-2016. We constructed growth and poverty model. In growth model, inflation, government spending and current account balance are statistically significant in the long-run. Concerning poverty model, inflation, exchange rate and government spending are statistically significant in the long-run. None of the controlled variables is significant in the short-run. The government should change some of the existing structural adjustment policies to bring change that the previous administrations could not achieve. In a broader sense, IMF structural adjustment programs has not benefited the poor but further enriched the political elites. The policies deepened the poor people further into poverty. Policies such as exchange rate policies have exacerbated inflation in the economy, which is very harmful to already struggling poor population. Elimination of subsidies and cutting down budget harmed the poor farmers and increased inflation in the country. International institutions and the government should focus on measuring policy effectiveness in order to manage development effectively. The new administration should lay foundation that would help build up a productive based economy to the extent that the country will not be dependent on aid.

Абстрактные

Исследование посвящено комплексному анализу воздействия программ структурной перестройки международных финансовых институтов системы ООН, прежде всего МВФ, на экономический рост и борьбу с бедностью в Гамбии. В этом исследовании рассматривается краткосрочная и долгосрочная связь между программами структурной перестройки МВФ, ростом национальной экономики и борьбой с нищетой. Чтобы достичь этого, в диссертации изучен эффект структурной политики, используя временную модель коррекции ошибок изучаемого периода в период 1970-2016 гг. Мы построили модель роста и бедности. В модели роста инфляция, государственные расходы и баланс текущих операций являются статистически значимыми в долгосрочной перспективе. Что касается модели бедности, инфляция, обменный курс и государственные расходы являются статистически значимыми в долгосрочной перспективе. Ни одна из подверженных управлению переменных не является существенной в краткосрочном периоде. Поэтому делается вывод о том, что правительству следует изменить некоторые из существующих стратегий структурной перестройки, чтобы внести изменения, которые предыдущие администрации не смогли достичь. В более широком политэкономическом смысле программы структурной перестройки МВФ не помогли бедным, а еще больше обогатили политические элиты. Политики своими решениями усугубили проблемы бедности, ввергли многих в нищету. Макроэкономическая политика, например, политика обменного курса, усугубила инфляцию в экономике, что наиболее опасно для бедных слоев населения. Устранение субсидий и сокращение расходных статей государственного бюджета причинили вред фермерам и привели к росту инфляции в стране. Международные институты и правительство должны сосредоточиться на измерении эффективности политики для эффективного управления развитием. Новая администрация должна заложить основу, которая помогла бы создать экономику, основанную на производительной деятельности, в той степени, в которой страна не будет зависеть от помощи.

DEDICATION

First, I thank Almighty God for giving me good health to accomplish such an incredible journey. I dedicate this work to my beloved mother for being there for me since from cradle to this age; she has never given up on me. I also dedicate it to my late father who is not able to live to see this great achievement.

List of Acronyms

ADB	African Development Bank
ECOWAS	Economic Community of West African States
ECOMOG	Economic Community of West African States Monitoring Group
ERP	Economic Recovery Program
ESAF	Enhanced Structural Adjustment Facility
GAMCEL	Gambia Telecommunications Cellular Company Limited
GBOS	Gambia Bureau of Statistics
GCU	Gambia Credit Union
GDP	Gross Domestic Product
GGC	Gambia Groundnut Company
GIPFZA	Gambia Investment and Free Zone Agency
GNIPC	Gross National Income Per Capita
GOTG	Government of The Gambia
GPMB	Gambia Produce Marketing Board
HIPC	High Indebted Poor Countries
IDA	International Development Association
IDB	Islamic Development Bank
IMF	International Monetary Fund
MOFA	Ministry of Foreign Affairs
NAWEC	National Water and Electricity Company
NDB	Net Domestic Borrowing
PIP	Public Investment Programme
PRGP	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PURA	Public Utility Regulatory Authority
SAL I	First Structural Adjustment Loan
SAL II	Second structural adjustment loan
SAP	Structural Adjustment Programme

SPA	Strategy for Poverty Alleviation
UN	United Nations
UNDP	United Nations Development Programme
VAR	Vector Autoregression
VAT	Value Added Tax
VECM	Vector Error Correction Model
WB	World Bank
WTO	World Trade Organisation

Table of Contents

List of Tables

List of Figures

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INTRODUCTION

The policy reforms attempted in developing countries over the past three decades have yielded varied results, with some, such as in East Asia, leading to very good outcomes in terms of economic growth. However, there are many others where it has not been possible to implement reforms or where reforms have achieved poor outcomes. The record in Africa has been similar, with good responses to reform attempts in very few countries such as Rwanda, Mauritius and Botswana and disappointing results in almost the rest of Africa.

Neoliberal discourse is not a new phenomenon about the Gambia for it is among the first countries that experimented International Monetary Fund structural adjustment programs in the 1980s. Since 1980s until this date, the Gambia continues to rely heavily on loans, grants and aids to stabilise her economy. However, what has changed and why poverty alleviation continue to be a major issue in the country? This research try to answer these and other questions to fill this research gap. This study is significant because poverty alleviation and economic development is the most salient issue to the post-authoritarian government of the Gambia; hence, the research could be policy manual for policy maker in the current and future government to shape the socio-economic development of the country. The study could be used as a literature for future young researchers.

Research Objective

The main objective of this study is to construct a comprehensive presentation and analysis of IMF structural adjustment programs on the economic growth and poverty in the Gambia from 1970 to 2016. The study chose period 1970 to 2016 because The Gambia became republic in 1970 and the 22 years authoritarian regime ended in December 2016.

The specific objectives are:

1. Examining the theoretical concept.
2. Descriptive analysis of the economic reforms in the Gambia.
3. Analysis of the impact of structural adjustment programs on growth and poverty.

Research Question

1. What are the impacts of the IMF structural adjustment programs on growth and poverty in the Gambia?
2. Should the transition government persist on neoliberal trajectory, change, or both?

Research Hypothesis

i. **H_1** Structural adjustment programs of IMF is the best way to increase economic growth of developing countries.

ii. **H_2** Privatization of state-owned enterprises, goods and services leads to the achievement of greater efficiency.

iii. **H_3** IMF structural adjustment programs alleviates poverty and increases the rate of middle-income earners.

Research Method and Materials

We applied critical review, descriptive analysis and time series model to study the impact of the determinants of IMF structural adjustment program on economic growth and poverty in the Gambia from 1970 to 2016.

Concerning the materials, the research includes video materials from the Commission of Enquiry, which is formed to investigate the financial and economic dealings during the authoritarian regime. Primary documents and data from ministry of finance and central statistical bureau of the Gambia. However, most of the data is collected from the World Bank and IMF data bank. The data collected from these institutions and video recordings from the commission of enquiry will serve exclusively as an analytical tool, thus, we used the material collected in the elaboration of the concluding analysis. We used STATA statistical package to get the results.

By collecting data and observing empirical material, the author intends to conduct the analysis and answer the proposed research questions. The study conducts both qualitative and quantitative research methods.

Summary of the Current Political and Economic Situation in The Gambia

In December 2016 election, President Yahya Jammeh[1] who ruled for 22 long years lost an election to a coalition that comprises of seven opposition parties and an independent candidate. Jammeh conceded the defeat on the 2nd of December but a weak later he refused to relinquish power, considered the election void and called for a fresh re-election. However, the pressure was high from the international bodies and regional block especially Economic Community of West Africa States (ECOWAS). President-elect Adama Barrow at that time had to move with some of his coalition partners to the neighbouring country Senegal until the political impasse is settled. After more than three negotiations and visit of the ECOWAS delegation, Jammeh still decided to

[1] In 22nd July 1994, ex-president Yahya Jammeh overthrew a democratically elected government of the first republic of the Gambia. Yahya was among very young junior officers from the Gambia National Army (GNA) that successfully overthrew the government of Sir Dawda Kairaba Jawara and his People's Progressive Party (PPP), which had ruled the country since independence in 1965. Jammeh promised to rule for two years of transition and then hand over the government to a civilian leadership but in 1996, he decided to resign from armed forces and formed a party called Alliance for Patriotic Reorientation and Construction (APRC).

stay on power until ECOWAS leaders decided to send in the regional body's army called Economic Community of West African States Monitoring Group (ECOMOG). Jammeh finally decided to leave after ECOMOG entered the borders of the Gambia from Senegal. He got the timeline to take whatever and with whoever he wants to leave. He exiled to Equatorial Guinea in 23 January 2017.

Jammeh left this tiny West African country with 2 million people in shambles. The country even after a year is suffering from the twenty-two years of political and economic trauma.

Gambia got an expected and shocking change from 22 years of tyrannical dictatorship, hence the new government must have challenges in reforms and as a coalition of different political parties with different agendas, disagreement among the coalition parties was inevitable. The new government promised to make media reform, security reform, judicial and economic reform.

Current Political Atmosphere

After defeating the dictator in December 2016 election and took office in January 2017, President Adama Barrow immediately distinguish his government from the Jammeh's regime, whose security forces used arbitrary arrests and extrajudicial killings as the method to suppress activists, politicians, ordinary people, dissent and independent media during his entire 22 years reign. Among the first things the President Barrow did when he took over office was to release all the political prisoners, reversed the state of emergency that Jammeh made the blueprint national assembly to vote and disarming of the security forces.

The Break-Up of the Coalition: The first political chaos the country faces since the departure Jammeh is the shock in the coalition. The first wave of discord that hit the coalition was when People's Democratic Organisation for Independence and Socialism (PDOIS); one of the political parties of the coalition declined to take any cabinet position because it is against their party principle, instead they are interested in the parliament. Barrow's cabinet is made up of the heads of the seven parties and single independent candidate who formed the coalition.

The second crisis within the coalition was on the issue of parliamentary election. The coalition broke up ahead of the parliamentary election, although, the government is officially coalition government. Disagreements over-representation and allocation of seats had caused tensions. PDOIS leader Halifa Sallah argued that like Presidential election, the coalition candidates for parliamentary election should be independent candidates not representing individual parties. While the other party leaders such as Lawyer Ousainou Darboe the leader of United Democratic Party (UDP),[2] argued that, there was no agreement that candidates for parliamentary election will run under the flag of the coalition. Nevertheless, the coalition broke up in contesting for seats in parliamentary and UDP the former party of the current president won 31 out of 53 seats. The third chaos in the coalition government was the sacking of the minister of interior Mai Ahmad Fatty a coalition party leader of Gambia Moral Congress (GMC).

Political Development: Unlike the authoritarian regime, Gambia has regain their freedom socially, economically and politically. About political development, three new political parties were formed in just few months when President Barrow came into office. More youths and women came into politics and so many independent candidates among youths participated in parliamentary, local government and mayoral elections. All these elections were transparent without any intimidation from security forces.

[2] UDP is the biggest opposition party in the coalition and now the biggest party in new Gambia. President Adama Barrow resigned from UDP to become independent candidate under coalition flag.

Besides parliamentary election in April 2017, UDP won majority of the seats in both local government election in April 2018 (62 out of 120 seats) and mayoral elections in May 2018 (7 out of 8 seats).

Critics of the new government raised concerns about the electoral reform; the new government has not yet make reforms in the election laws such as term limit made by the dictator. Electoral reforms was the very reason a group of political activists' led by one of the leading executives of UDP Solo Sandeng went out to the streets in April 14th, 2016.[3] Therefore, President Barrow should prioritise electoral reform.

Judicial Reform: The government took some steps to reform the judiciary, which was deeply politicised during the authoritarian regime. The government appointed a slate of new judges, which includes a respected new Supreme Court judge.

Another area of criticism is the delay in granting justice to the victims of the dictator. It has been over a year since Barrow came to power but no investigation and justice process has been set up to grant justice to the victims of. Albeit, commission of truth and Reconciliation and Repatriation committee has been set in April 2018.

Media Freedom: Overall, the new government has done pretty well when it comes to freedom of expression and media freedom. The government promised to repeal laws that block

[3] On the 14th April, Solo Sandeng led a demonstration demanding for electoral reform, but they were faced with heavy military brutality and arrests. Solo Sandeng and the colleagues were arrested and tortured that led to the murder of Solo Sandeng the following day. Hearing this news, the party leader Ousainou Darboe went out to the street with his party executives in April 16th demanding the body of Solo and immediate release of the co. However, these peaceful demonstrators were arrested and sent to prison. The peaceful protesters were imprisoned until Barrow came to power after 9 months. People believe that, this last brutality of the dictator and his insults and intimidation directed to the largest ethnicity in the country united the Gambians to defeat him in the election. Five more people died since the released of the political prisoners, the death are because of 9 months torture they encountered in the prison.

freedom of expression. Many of the journalists exiled during the dictator have returned to the Gambia and media outlets are working freely without any intimidation. During dictatorship, there was only one TV station, which is state-owned. However, in December 2017, the first private TV station QTV was launched by a Gambian entrepreneur Muhammad Jah the owner of one of the private giant telecommunication company.

Security: Security also remains a challenge in the Gambia. Security remains a huge challenge for certainly there are still Jammeh loyalists among them. At least there are no arbitrary arrests, tortures and extrajudicial killings. The new government is yet to make any serious security reform except the dismantling of Junglers and the renaming of the National Intelligence Agency (NIA) to State Intelligence Services (SIS). Junglers and NIA were the two institutions that carried out all the arbitrary arrests, tortures and extrajudicial killings ordered by Jammeh. The new government has replaced the heads of the police, army, prison department and intelligence agency and some of the heads are under trials for human right violations. Between July and November 2017, Barrow government arrested 12 soldiers and took to the court on suspicion of coup plot against President Barrow. Another incident of security setback was the sneaking back of two former generals (who served under President Yahya Jammeh and went to exile with him) through the international airport unnoticed. This was seen as a major security breach and negligence on the part of the migration officials and other security personnel at the airport. In completion of one year in office, the President extended the contract of ECOMOG.

The first major clashes following months after ECOMOG military incursion was in Kanilai the birthplace of Jammeh. Two people was killed and about ten injured surrounding protests of the people of Kanilai against the ECOMOG presence in the community.[4]

Re-joining International Community: In 2013, the dictator made unilateral decision to withdraw the Gambia from Common Wealth. Besides commonwealth, in 2016, Jammeh withdrawn the country as a signatory of International Criminal Court (ICC). Among the first things the new administration did was to file the application to join 54-member community of Common Wealth, the application of which is officially accepted.

Current Gambia Economy

The Gambia has been crippling in debt because of tyrannical dictatorship and economic mismanagement. According to IMF press release, Gambia's debt stock is about 130 percent at the end of 2017 and more than half of this is owed to international lenders.[5] According to President Barrow, his administration inherited $1 billion in debt.[6] IMF further argues that this number of debt could be even worse if the books of the state-owned enterprises are opened.

On the 22nd May 2018, EU mobilises international support for The Gambia in International Donor Conference for Gambia, which was co-chaired by the Gambia and the EU. A total of $ 1.7 (EUR 1.45 billion) billion were pledged by the international conference for the Gambia in

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[4] ECOWAS military intervention, https://wikivisually.com/wiki/ECOWAS_military_intervention_in_the_Gambia

[5] IMF Press Release No. 18/166**:** IMF Staff Concludes Visit to The Gambia http://www.imf.org/en/News/Articles/2018/05/09/pr18166-imf-staff-concludes-visit-to-the-gambia

[6] News24:"A year after Jammeh's exit, Gambia emerges from the shadows," https://www.news24.com/Africa/News/a-year-after-jammehs-exit-gambia-emerges-from-the-shadows-20180119

Brussels.[7] Out of the EUR 1.45 billion on the date, EU has committed to additional EUR 140 million until 2020. EU has been one of the major donors to Gambia but it suspended its support amid human right abuses under the authoritarian regime. However, since the new government took over, EU waived the suspension and released grants to the country.

Some economic reforms took place with little stability in the economy. Few months in office, the new government waved the embargo on some food products and radically reduce and/or removed tariff on certain imported food such as flour, rice, onion and sugar. Electricity and water supply was at its worst when Barrow took over power, but due to the public pressure, there was some improvement by NAWEC and there are still funding developments on this sector. Gambia has started exploring offshore oil. To re-build investor confidence, encourage foreign investors, the new administration used tax holiday and other investment incentives in the infrastructure construction and energy sectors.

To offset the heavy debt of the country, the current government is selling off ex-president's fleet of luxury cars, three private jets and mansions. The dictator could not carry these assets when he was forced to exile. Although he took with him a cargo plane full of 13 expensive cars and large amount of cash from the treasury of the Gambia.[8] On 28th May 2017, the government signed a protocol on debt relief between the country and China.[9]

To support her economy and population of 2 million people, the Gambia primarily relies heavily on rain-fed agriculture, tourism, and remittances that constitute 20% of the country's GDP.

[7] European Commission - Press release: http://europa.eu/rapid/press-release_IP-18-3865_en.htm

[8] Quartz Africa, https://qz.com/1276580/gambia-selling-off-rolls-royce-private-jets-of-yahya-jammeh/

[9] Gambia, China signed Protocol on Debt Relief: https://statehouse.gov.gm/gambia-china-sign-protocol-debt-relief

This makes it vulnerable to the global shocks. Officially, Gambia is fairly opened to foreign direct investment but investment inflows is hindered by several factors, such as tyrannical dictatorship, economic mismanagement, poor electricity supply and weak institutions. This also resulted to migration of thousands of young Gambians to Europe through a suicidal way of Libya. Gambians now constitute Europe's second largest diaspora as a share of the home-country population.

However, the government of the Gambia is slowly stabilising her economy. Among the many deals between Gambia and China are the free trade agreement and the building of International Conference hall which worth $50 million. Foreign exchange reserves moved from less than a month of import coverage to more than four months at the end 2017. Economic growth increased back to 3.5 percent in 2017, from just 2.2 percent in 2016. Inflation declined from a peak of 8.8 percent in January 2017 to 6.5 percent in March 2018, reflecting the stabilization of the dalasi and a rebound in food supply, according to IMF report.[10] Significant financial support from donors boosted international reserves and allowed the government to reduce its reliance on domestic borrowing.

IMF has brought in a new program called Staff-Monitored Program (SMP). According to the IMP leader in Banjul Ulrich Jacoby, "performance to date under the Staff-Monitored Program has been broadly satisfactory, but progress is needed." [11]

Organisation of the Work

In sequel to the introductory section, the paper is structured is divided into four sections. Chapter 1 reviews the theoretical overview of neoliberalism and IMF structural adjustment

[10] Ibid

[11] Ibid

program, which laid path for methodology. Chapter 2 is background of economic reform in the Gambia. Chapter 3 is the methodological framework and empirical result, this chapter analysis the findings from the statistical estimation. The last section draws conclusion and policy recommendation.

CHAPTER 1: A THEORETICAL OVERVIEW OF NEOLIBERALISM

As a deductive study, this chapter reviews the theoretical overview of neoliberalism. The chapter is the landmark of the next chapters. It comprises of three sections. The first section is a brief highlight of the background of the neoliberal theory; the second section discusses the definition and usage of neoliberalism; the third section highlights role of IMF and its structural adjustment programs in Africa. Since neoliberalism is an ambiguous concept that comes in different forms, this chapter will focus more on the structural adjustment programs imposed by Bretton Wood institutions on donor receiving countries in developing countries, specifically African countries.

1.1. Background

Neoliberalism has been the dominant doctrine in both politics and economics since the late twentieth century. It is a phenomenon used by different social science scholars and critics. The foundations of neoliberalism could be traced back to the classical liberalism, which was advocated by Adam Smith, and to the specific conception of man and society on which he founds his economic theories (Clarke, 2005). The growth of large corporations, trade unions, and government programs surrounding social insurance ran counter to classical liberal ideology that centred on private property, market competition and laissez-faire (Henry, 2010).

Neoliberalism as an economic philosophy emerged with the Great Depression in the 1930s, which was a result of what economists call a "crisis of overproduction." It was an idea that emerged among the European liberal scholars in order to seek for a middle way between socialism and classical liberalism. This stream came up to avoid the repetition of economic failures in the 1930s, which was blamed on the classical liberalism. In the decades that followed, the term neoliberalism tends to refer to theories at variance with the more laissez-faire doctrine of classical liberalism and instead promoted market economy under the guidance and rules of a strong state, a model which came to be known as the social market economy. In the 1930s, specifically in response to Keynes' call for more government intervention, liberals, led by Lionel Robbins and Friedrich von Hayek, began to organize a modified liberal program that attempted to meet the "socialist" (so-called) challenge to liberal ideals while maintaining the core of classical liberalism. Contrary to most understanding, this neoliberal program was not of a singular nature (Henry, 2010). According to this view, neoliberalism thought of as an entirely new 'paradigm' for economic theory and policy-making. The ideology behind the most recent stage in the development of capitalist society - and at the same time a revival of the economic theories of Smith and his intellectual heirs in the nineteenth century, especially David Ricardo and proponents of 'Manchester liberalism' such as Richard Cobden and John Bright (Thorsen, 2010).

Keynesianism, as it came to be called, was the dominant theoretical framework in economics and economic policy-making in first few decades after World War II, but was then replaced by a more 'monetarist' approach inspired by the theories and research of Milton Friedman (Milton Friedman and Anna J. Schwartz, 1963). Neoliberalism is believed to be the dominant theory, i.e. monetarism and related theories has dominated macroeconomic policymaking. This is indicated by the tendency towards less severe state regulations on the economy, and greater emphasis on stability in economic policy rather than goals made familiar by Keynes and Beveridge, such as full employment and the alleviation of abject poverty (Thorsen, 2010).

1.2. Definition and Usage of Neo-Liberalism

1.2.1. Definition

Providing clear definitions of important concepts is one of the most important obligations of social scientists. Neoliberalism is so widely used but little debated and never explicitly defined. Neoliberalism is a loose concept largely associated with critical perspectives on the globalisation discourse. Rather than a succinct, clearly defined political philosophy (Mirowski P. and Plehwe D., 2009), it is linked with various policy positions, economic interests and cultural practices (Undurraga, 2014). It is obvious that there are the theoretical stances of neoliberalism, in other words, there is no single higher power and no single trajectory. Neoliberalism comes in many varieties to be shaped by the existing social context in which neoliberalism operates (Peck, 2004). Bell (2012) in quoting Peck (2004) argues that "there are, of course, many varieties of this 'neo-liberal model' which can only be defined in relatively abstract terms, since even the United States represents a 'case' rather than the model itself". In this case, since social contexts differ widely, the application of neoliberalism could result in uneven and varied political and economic outcomes."(Bell 2012).

"Davies argues that neoliberal idea attempts to replace political judgement and discourse with economic norms and methods of evaluation (Davies, 2014). In this sense, neoliberal is conceived as a private form of social rule marked by the dominance of giant corporations, the privatization of public firms, and the colonization of state services by new public management (Crouch, 2011). Davies (2014, p. 4) further stresses, "the central defining characteristic of all neoliberal critique is its hostility to the ambiguity of political discourse, and the commitment to the explicitness and transparency of quantitative, economic indicators, of which the market price system is the model.

Neoliberalism claims that society as a whole is best served by maximum market freedom and minimum intervention by the state, claiming that such a situation will enable individual entrepreneurial freedoms and skills to be maximally developed. In this context, the government's role is limited to providing security, protecting private property, and creating and maintaining markets (Harvey, 2005).

Neoliberalism is a sort of caricature of liberalism where liberal concerns for individual liberty, political equality and human rights have been warped into purely economic ideology whose concerns lies with the establishment of free markets and in keeping state intervention in such markets at bay (Mirowski 2009). Neoliberalism should be seen as a process rather than a taken-for-granted 'natural' end results and this process is not necessarily predetermined by some 'hidden hand'of international market forces, but rather it should be seen as a politically motivated economic outcome (Bell, 2012).

In his book 'A Brief History of Neoliberalism,' David Harvey argues "Neoliberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade" (Harvey, 2005). "The role of the state is to create and preserve an institutional framework appropriate to such practices. The state must guarantee, for example, the quality and integrity of money. It must also set up those military, defence, police, and legal structures and functions required to secure private property rights and to guarantee, by force if need be, the proper functioning of markets. Furthermore, if markets do not exist (in areas such as land, water, education, healthcare, social security, or environmental pollution) then they must be created, by state action if necessary. But beyond these tasks, the state should not venture. State interventions in markets (once created) must be kept to a bare minimum because, according to the theory, the state cannot possibly possess enough information to second-guess market signals (prices) and because powerful interest groups will inevitably distort and bias state interventions (particularly in democracies) for their own benefit" (Harvey, 2005). Harvey further argues that "Neoliberalization in short, has meant the monetarization of everything. This deepened the hold of finance over all other areas of the economy, as well as over the state"(Harvey 2005, 2). Harvey emphasises, quite rightly, that neoliberalism is 'a theory of political economic practices' rather than a 'complete' political ideology.

Blomgren's basic definition of neoliberalism overlaps, also, to a considerable degree with Harvey's definition, but emphasise more clearly the internal diversity of neoliberal thought: "Neoliberalism is commonly thought of as a political philosophy giving priority to individual freedom and the right to private property. It is not, however, the simple and homogeneous philosophy it might appear to be. According to a Belgian-American Philosopher Wilfried Ver Eecke, neoliberalism is not a description of any kind of recent contributions to liberal theory, but rather a concept reserved for a kind of liberalism, which is marked by a deep-seated commitment to laissez-faire economic policies (Eecke, 1982).

In contrast to the popular understanding among intellectuals that political and economic freedom could be separated, neoliberalism argues that economics is interconnected with politics. Friedman sought to establish an argument about the interconnectedness of economic and political freedom. It was possible, he argues, to have limited political freedom while adopting policies of economic freedom, but it was impossible to eliminate economic freedom without also infringing on the political freedoms of individuals (Friedman M., 1962). Friedman makes a historical challenge that “Historical experience speaks with a single voice on the relation between political freedom and a free market. I know of no example in time or place of a society that has been marked by a large measure of political freedom, and that has not also used something comparable to a free market to organize the bulk of economic activity (Friedman M., 1962, p. 16). Friedman further argues that “On the one hand, freedom in economic arrangements is itself a component of freedom broadly understood, so economic freedom in itself is an end. In the second place, economic freedom is also an indispensable means toward the achievement of political freedom (Friedman M., 1962, p. 15).

Friedman is ostensibly a typical representative of consequentialist neoliberalism: He favours neoliberal policies such as deregulation, privatisation, and severe tax cuts because of the perceived positive consequences such causes of political action will have for the overall economic situation, likewise economic freedom would put pressures on the political system to open. Controls lead to conflicts and special interest politics: "There is, as it were, an invisible hand in politics that operates in precisely the opposite direction of Adam Smith's invisible hand. Individuals who intend only to promote the general interest are led by the invisible political hand to promote a special interest that they had no intention to promote" (Friedman & Friedman, 1980, p. 281). Neoliberalism is perhaps best perceived of as a more radical descendant of liberalism 'proper', in which perhaps more traditional liberal demands for 'equality of liberty' and 'equality in liberty' have been bent out of shape into a demand for an almost total liberty for the talented and the ruthless, and their enterprises (Thorsen, 2010, p. 19).

A primary ambition of the neo-liberal project is to redefine the shape and functions of the state, not to destroy it. The contradiction which the neo-liberals constantly struggle with is that a strong state can just as easily thwart their programme as implement it; hence they are inclined to explore new formats of techno-managerial governance that protect their ideal market from what they perceive as unwarranted political interference (Mirowski, 2009).

1.2.2. Usage

The usage and definition of neoliberalism have changed over time. The use of the term neoliberalism can be divided into two distinct periods, marked by a structural break. Until the 1980s, neoliberalism was used primarily to signify a category of economic ideas that arose in the 1930s to 1960s, associated with the Freiburg Ordoliberalism school, the Mont Pelerin Society, the work of Friedrich Hayek and the counter-Keynesian Economics of the Chicago school (Venugopal, 2015). Neoliberalism is, according to Gide, a return to the classical liberal economic theories of Adam Smith and his attendants. After Gide, however, few make use of his concept, and usage is inconsistent, as different authors seem to emphasise different aspects of liberalism when they describe more recent contributions to liberal theory as 'neoliberal' (Thorsen, 2010).

By the early 1980s, neoliberalism was used in a very different way, as it came to describe the wave of market deregulation, privation, and welfare-state withdrawal that swept the first, second and third worlds. It then went on to expand as a concept to signify not just a policy model, but a broader political, ideological, cultural, spatial phenomenon. By the early 1990s, neoliberalism had become elevated to an epochal phenomenon and was often used as loose shorthand for a prevailing dystopian zeitgeist. This has led to characterisations of neoliberalism as capitalism in its millennial manifestation (Comaroff & Comaroff, 2000).

Before 1980, neoliberalism was an esoteric term, rarely used and then it was only used by economists. Since then, the term has become one of the most widely used across many disciplines in social sciences except in economics where it has later disappeared. During this period, there has been a steady trend to rediscover neoliberalism as more complex than previously considered and to re-theorise it as a more subtle, latent, ubiquitous, or expansive phenomenon. As a result, it has been drawn far beyond its conceptual crib in economic policy, political economy, and the states versus markets debate, towards issues of power and ideology, reflecting a shift in theoretical inspiration from Keynes towards Marx, Gramsci, and Foucault (Venugopal, 2015).

Mirowski and Plehwe (2009) argue that neoliberalism is, effectively, a "thought collective", whereby this they mean a multi-centric movement anchored in a network of think tanks and pro-market institutions that connect political, economic and scientific elites. Some of the epistemic commitments that mark this "thought collective" are: markets must be built, they do not emerge spontaneously; redefining rather than merely destroying or minimizing the state is in the best interest of the market and those that profit from it; the best solutions to problems caused by the market are themselves market-based (Mirowski & Van Horn, 2009).

Based on the above variant understanding of neoliberal concept, neoliberalism could be understood as a loosely divided set of political beliefs which most prototypically and prominently include the belief that the only legal purpose and role of a state is to safeguard individual freedom and liberty, understood as a sort of mercantile liberty for individuals and corporations. It is obvious that neoliberalism comes in different forms based on the social contexts. Because of this growing conceptual ambiguity, neoliberalism is now widely acknowledged as incoherent, a controversial and crisis-ridden term. Critics describe it as an oft-invoked but ill-defined concept (Mudge, 2008, p. 703) whose meaning 'seems to alter its shape from literature to literature (Castree, 2006, p. 1).

Neoliberal policy advocates radical market economy such as deregulation, fiscal austerity, free trade, privatisation and state withdrawal from many areas of social provision to increase the role of private sector in the economy. The most famous scholar associated with this wave of neoliberalism is Milton Friedman of the Chicago University, the then head of the Chicago school of economics. Albeit, the champions of the doctrine were Margaret Thatcher and Ronald Reagan.

Perhaps most commonly, the neoliberal project is identified with a set of policies that encapsulate the prescriptive development stance of 'Washington Consensus' institutions from the 1980's - i.e. the International Monetary Fund (IMF), the World Bank, and the International Development Bank (IDB). These policies sought a retrenchment in the state's role, privatization of public assets and cuts in public expenditure. They identified government as part of the problem of underdevelopment, citing corruption, bad distribution of resources and inefficiency (Williamson, 1990)

While Western countries like the United States and Britain have experimented with neoliberalism in their own economies, they have also aggressively – and often violently – forced it on the post-colonial world, and in even more extreme measures.

The usage of the term neoliberalism heavily declined in the 1960s. The term re-emerged in the 1980s in connection to the economic reform of the Chilean president General Augusto Pinochet, who came to power by overthrowing a democratically elected government in 1973. It was Friedman himself who advised Pinochet on economic policies even though Friedman insisted that his radical free-market fundamentalism is intended for democracies, not dictatorships. Basically, Chile was the first country this wave of neoliberalism was experimented. The term has not only come with negative connotations principally employed by the critics of market reform, the meaning had shifted from a moderate liberalism to a radical and leisure-faire capitalist set of ideas, in other words, radical free-market fundamentalism.

Argentina and Chile in the last four decades have many similarities in their political and economic history. Both countries were subject to early experiments in free market reform under dictatorial regimes in the 1970s. While the 'Chicago boys' led radical transformations under the Pinochet regime (1973-1990) in Chile, Finance Minister Martínez de Hoz attempted to implement an analogous programme under the Argentinean Junta (1976-1983). During the 1990s, both nations were held up as 'poster children' of the Washington Consensus. Following market reforms both countries have pursued agro-export strategies, reinforcing the deindustrialisation of their modes of production (Schneider 2009). The neoliberal trajectories both countries followed diverged, despite some of their capitalist commonalities (Streeck 2010). In Chile, the 'social market economy' (Muñoz Goma 2007) was supported by the political-economic elites for two decades (1990-2010), preventing major challenges to the 'market model'. Despite the fact that free market 'adjustments' produced huge costs in Chile, [12] the constrictions of dictatorship provided the conditions for private expansion (French-Davis 2007).

It might be concluded that more cautious and detailed study needs to be done on these salient matters to come with substantial and credible facts. From the literature review, we can conclude that neoliberalism is a broad phenomenon that is used by different social scientists in different contexts. Likewise, neoliberalism as a political-economic concept has been implemented and experienced differently from the different continents. Each of these continents had different

[12] e.g. the 1982 banking collapse and the high unemployment that followed

trajectories in neoliberalism. However, African countries have largely the same experience, unlike Asian tigers and China.

The neoliberal policies were implemented in Africa in the 1980s, during a time most of the African countries earned their independent and were dire need of funds to ignite their economies. The Gambia was among the early experiment of neoliberal policies in Africa from the mid-1980s, and IMF considered it as a success story considered it in that time.

1.3. Role of IMF

The history of neoliberalism on the international scene begins in 1973. Responding to the OPEC oil embargo that year, the US threatened military action against the Arab states unless they agreed to circulate their excess petrodollars through Wall Street investment banks, which they did. The banks then had to figure out what to do with all this cash and, since the domestic economy was stagnating, they decided to spend it abroad in the form of high-interest loans to developing countries that needed funds to ease the trauma of rising oil prices, particularly given the high inflation rates of the time. The banks, in other words, Bretton Woods institutions thought this was a safe investment because they assumed that governments would be very unlikely to default (Hickel 2012).

The fundamental mission of the IMF is to assist in stabilizing the international system.[13] This is done in three ways: granting practical assistance to member states, lending countries with balance of payment difficulties and keeping track of the global economy.

[13] IMF: https://www.imf.org/external/about/ourwork.htm

1.3.1. Decision Making and Values

Throughout its seven decades history, IMF has evolved along with the global economy that allow the institution to retain role within the global financial architecture. Decision making at the IMF was structured to reflect the relative position of its member states in the international economy.[14]

The IMF governance structure comprises of the board of governors, ministerial committees, the executive board and the IMF management.

The IMF's highest decision-making body is the board of governors. It consists of one governor and one alternate governor for every member state.[15] The member country appoints the governor and usually, the minister of finance or the central bank head is appointed to this position. The board of governors has the power to approve quota increases, special drawing right allocations, admitting new members and amendments to the articles of agreement. The Board of Governors and the World Bank Group meet once per annum during the IMF-World Bank Annual Meetings.

Two ministerial committees advise the board of governors, these two committees are the International Monetary and Financial Committee (IMFC) and the Development Committee. The IMFC comprises of 24 members, drawn from the pool of 189 governors, which represents all

[14] IMF: http://www.imf.org/en/About/Factsheets/Sheets/2016/07/27/15/24/How-the-IMF-Makes-Decisions

[15] Ibid

member countries. The IMFC meets twice a year during the IMF-World Bank Spring and Annual Meetings.[16]

The daily transactions of the IMF is conducted by the IMF's 24-member executive board that exercises the power assigned to it by the board of governors, as well as those degrees conferred on t by the articles of agreement. The board discusses all aspects of the fund's work. The managing director is both chairman of the IMF's executive board and head of IMF staff.

1.3.2. Structural Adjustment Program in Africa

The Structural Adjustment Programs (SAPs) contain many varieties of policies that interact with each other. Research has shown that the countries that implemented SAPs differ in terms of the nature of their economies and pre-program conditions. This is true about Africa in comparison to the West, Latin Americas and Asia.

Most of the African countries got independent in the early 1960s. Newly independent states in Africa were born with new energy for economic prosperity to catch up with the developed world. The Sub-Saharan African (SSA) countries during this period promoted state-driven development policies through Import-Substitution Industrialisation (ISI). Agriculture was ascribed a secondary role of supplying raw materials and providing tax revenues to finance developments in other sectors (Acemoglu et al., 2001). In other words, African leadership believed that private sector was too primitive and government had to be the dominant player in regulating the economy, which translated into socialist approach. Guided by this approach and with donor support, governments drew up comprehensive five-year plans, invested in large state-run basic industries, and enacted

[16] Ibid

comprehensive regulations to control prices, restrict trade, and allocate credit and foreign exchange (Owusu, 2003).

In the short-run, much was achieved through this approach. In the late 1970s, African countries faced serious economic difficulties with high inflation, high budget and balance of payment deficits. Generally, because of poor production growth, mounting debt, deteriorating social condition, over-staffing of public institutions and waning exports (Heidhues et al., 2004). To address the crisis, most SSA countries tried to remedy the crisis by implementing set of policies such as Lagos Plan of Action (LPA) and Regional Food Plan for Africa (AFPLAN), however, this policies failed to be implemented and Bretton Wood institutions and other donors refused to support the program.

The IMF, World and other international donors urged sponsored economic recovery reforms in the 1980s with condition. As stated in the World Bank's Berg Report (World Bank, 1981) Towards Accelerated Development in Sub-Saharan Africa, the Bretton Wood Institutions argued that the failure of African economies to take a satisfactory development path was because of their governments and the policies they were pursuing. The fundamental recommendation of the report was for minimal government intervention, free market economy by freeing foreign trade and flexible currency exchange rate. The aims of adjustment policies are well known to analysts of African political economy. Their theoretical foundations lie within a brand of neo-classical economics that emphasises the advantages of non-intervention in the free market and, conversely, the risks attendant on state attempts to regulate or intervene in the market (Parfitt, 1995, p. 55). The World Bank, the International Monetary Fund and Western donors developed and advocated SAPs, which emphasised macroeconomic stabilisation, privatisation and free-market development.

SAPs was the response of the World Bank (WB) and the IMF to the African economic crisis of the 1970s.

1.3.3. Theoretical Impacts of IMF Structural Programs

In this research, we focus on principal structural adjustment programs of IMF, such as first and second structural adjustment credit (SAL I and SAL II respectively), which supported the two phases of Economic Recovery Program (ERP) in the case of the Gambia. The second principal structural adjustment program is Special Program of Assistance, which in the case of Gambia followed the ERP from 1990 to 1993. The third program is Poverty Reduction and Growth Facility (PRGF), which was created in 1999. The PRGF is a low-interest lending facility for low-income countries. It is based on country-owned Poverty Reduction Strategy Papers (PRSPs) which are prepared by the government of the country concerned. PRSPs are prepared by member countries in broad consultation with stakeholders and development partners, including the staffs of the World Bank and the IMF. Updated every three years with annual progress reports (World Bank 1993).

The SAPs and Neoliberal policies, also known as “Washington Consensus”, have always been debated within African countries. While the supporters argue that the reforms were salient and there should be compliance, the critics argue that Washington Consensus paid insufficient attention to the social conditions of the development and the institutional weaknesses of developing countries. In its 1989 report on Sub-Saharan Africa: From Crisis to Sustainable Growth, the World Bank (1986) acknowledged the need for human-centred development as advocated, but nevertheless emphasised its commitment to structural adjustment and export-led development. This was further accentuated in its calls for a market-friendly approach to development (WORLD BANK, 1991). On the contrary, Mkandawire and Soludo (1999) have countered this approach with a systemic critique of structural adjustment by arguing for the necessity for African countries to compete in the global economy, not only on the basis of comparative advantages but also through a modified version of import substitution.

Early on, the WORLD BANK (World, 1994) claimed, "adjustment is working" in countries that followed its prescriptions, both in agriculture and industry. Some countries had experienced positive result such as Gambia and Ghana in the late 1980s through 1990s; they are also amongst the states that the Bretton Woods institutions (BWls) have periodically cited as success stories for adjustment (Parfitt, 1995). Some studies have argued that SAPs induced growth and reduced poverty in those African countries where they were successfully implemented.[17] Although, Klasen (2003) asserted that, these results have not clearly been linked to SAP-related macroeconomic policies. In their empirical analysis, Noorbakhsh and Paloni (1998) presented that compliance with conditionality matters for growth, compliance is an important determinant of economic performance and that the benefits of complying are to some extent persistent over time. However, they argued that a stricter degree of compliance does not appear to result in a significantly superior performance than weaker compliance.

The SAPs implemented in African countries were expected to ultimately reduce poverty by fostering economic growth and by shifting relative prices in favour of agriculture and rural areas where most of the poor life (WORLD BANK, 1981). William Easterly (2000) argues that much of the criticism of the IMF and World Bank claims that structural adjustment increases poverty, and so it is relevant to consider the effect of adjustment loans on poverty both through the growth channel and through other channels. He also stated that the results probably do not reflect

[17] Such as World Bank, (2000); Christiaensen et al., 2001

the effect SPAs on long-run growth and poverty because the poverty spells measure used is mostly for short-term data. He noted, as well, that opponents of the World Bank and IMF might misuse these results but that this possibility should not affect research conducted even within those institutions. The impact on poverty and food security arising from the shifting of relative agricultural prices has been mixed. The winners have been net surplus producers of agricultural products among rural households, particularly those with export crops, while the losers have been net consuming poor households and the urban poor (Christiaensen et al., 2001).

The issue of whether the overall disappointing performance of SAPs in Africa is due to incomplete and half-hearted implementation, inappropriate policy components of the SAPs, or adverse external factors lies at the heart of the debate. A review of the available studies suggests that in most cases a combination of these three factors is at work Heidhues and Obare (2011, p. 60). In their case study on Zimbabwe, Kawewe and Dibie (2000) found that SAPs inflates poverty, decrease the country's capability to develop a strong diversified domestic economy, increase the exploitation of workers through deregulation accompanied by environmental degradation.

The failure of SAPs as originally designed, to effectively solve the development challenges in Africa led in rethinking the strategy. Yet, it has not been abandoned completely, rather it is repackaged in a form and way to make it attractive to development stakeholders in appealing to the ownership and inclusiveness for country resource heterogeneity and addressing the most salient and current issues, such as the Millennium Development Goals (MDGs). By this context, the PRSPs can be viewed as the repackaged form of an SAP, with modifications in social content and emphasis on the issues of national ownership and consultation. Nevertheless, Adejumobi (2006) has argued that the content of PRSP, its ideological underpinnings, and the global context in which it is situated seem to involve contradictory impulses for national ownership, governance and poverty reduction in Africa. This argument, in a way, questions the adequacy of PRSPs as instruments for development in Africa.[18] In addition, among the recommended changes in policies have huge short-term effects that tend to harm a population already struggling with extreme poverty (Mohn, 1994, p. 43).

Policies and Variables

It is obvious that there are lot of factors to be considered when assessing the effect of policy changes on poverty and income distribution. Hence, country characteristics such as social and economic conditions as well as the details of reforms should be taken into account. In this section, we discuss the possible outcomes of these reforms and variables on poverty, income distribution and growth.

The policies and determinants that might affect poverty and growth are reduction in budget deficit, interest rate, currency devaluation, inflation rate, trade liberalism and changes in growth rate. Although some literatures argue that economic growth has direct influence on poverty of a country, today most scholars and policy analysts agree that neither microeconomic stability nor economic growth is enough to alleviate poverty (Gunter, Cohen & Lofgren, 2005).

One of the major target of Structural Adjustment Programs is a reduction of inflation. It is widely agreed that high inflation has negative effect on both growth and poverty. Some studies, however, find that countries, which achieve and maintain macroeconomic stability might not necessarily gain significant pay-offs in growth and poverty reduction (Gunter, Cohen, & Lofgren, 2005). In other word, low level of inflation is likely to raise the real incomes of the poor class if the increment of incomes to a rise in expenditures due to inflation is slow. According to Garuda

[18] see also Zack-WIlliams T. and Mohan G., 2005

(2000), the impact of lower inflation rates on income distribution depends on the rigidities of income to prices of each group of individuals. That means that if poorer individuals face longer adjustment lags than wealthier people, lower inflation will reduce inequality in income distribution. Bruno and Easterly (1998), as well as Sarel (1996) state that stabilization policies for controlling inflation benefit the poor instead of the rich. Gylfason (1998) and Easterly (1993) assert that low inflation and high economic growth improve the efficient allocation of resources, increase employment, enhance investment, and thus reduce poverty.

Fiscal policy is salient for IMF program aiming at reducing budget deficit either through taxation or/and reduction of public expenditure. Real expenditure reduction is generally achieved through contraction in social expenditure, public sector contraction and privatization (Handa & King, 1997). A study conducted by Johnson and Salop (1980) states that a downward adjustment of government expenditure to GDP is very likely to be borne out by public sector employees engaged in capital-intensive projects which come to be postponed (Johnson & Salop, 1980 cited by Vreeland, 2002). Changes in prices might affect real incomes of the poor in either direction, independent of their nominal incomes and therefore reduce or increase poverty (Garuda, 2000).

Access to domestic credit affects poverty and income distribution as well. Increased interest rates or bank reserve requirements, as well as imposed credit ceilings, will reduce access to domestic credit and will make it easier for large companies to get credits in contrast to small and medium-sized firms. Generally, the urban sector is favoured over the rural sector (Johnson & Salop, 1980 cited by Vreeland, 2002).

Budgetary cuts or higher levels of taxation, as well as reductions in real wages and credit restraints, are very likely to reduce domestic demand. This leads to a decrease of overall spending. Heller (1988) states that such a contraction of spending “is almost certain to lower the well-being of both labour and the poorest members of an economy". Loayza (1996)[6] and Barro (1990) conclude that increasing the revenues of the government through increasing the tax rate discourages the private investment in the country. This is resulted in decreased economic growth and thus a fall in government revenues in the long run. This limits the government capacity to invest in social and development sectors, which has the effect of more poverty.

IMF programs imply trade liberalization most of the times. Trade liberalization is likely to have two contrary effects on poverty. First, sectors, which were protected before the liberalization, will contract and lead to lower incomes in these areas. Apart from that, however, trade liberalization might benefit labour-intensive sectors and finally result in higher wages or lower unemployment (Handa & King, 1997). The effects of labour market reform are ambiguous as well. Restrictions tend improve the situation of the employed to the detriment of the unemployed (Handa & King, 1997).

Increased government spending results to a rise in aggregate demand and this could to higher growth in the short-term. In his studies, the effect of the government spending on GDP growth, Pan argues that increase in government spending has a positive impact on long-run economic growth (Pan, 2013). However, he argues that non-tax revenue expenditure has some strong positive impact on short-run economic growth, though not significantly for the long-run GDP growth (Ibid). Albeit, the findings are not all consistent, past evidence suggests that an undesirable, long-run effect from government spending, in other words, it crowds out private-sector spending and spends money on unproductive ways.[19]

[19] Does Government Spending Affect Economic Growth?: https://www.mercatus.org/publication/does-government-spending-affect-economic-growth

It is argued that government spending on productivity-enhancing investments, such as agriculture, rural infrastructure and rural development targeted directly on the rural poor, contributes to reduction in rural poverty and growth in agricultural productivity (Shenggen Fan, P. B. R. Hazell, Sukhadeo Thorat, 1998). In their studies on two provinces of Iran, Dahmardeh and Tabar conclude that constructive expenditures have positive effect on poverty reduction (Dahmardeh N. and Taba M., 2013). Awe argues that government expenditure on education, health and agriculture has significant impact on poverty reduction (Awe, 2013).

CHAPTER 2: BACKGROUND OF ECONOMIC REFORMS IN THE GAMBIA

This chapter reviews and describes the economic reforms and background that took place from the 1980s to 2016. The chapter is divided into two main parts; the first part is reforms and economic trajectory during the first republic (from 1980s to 1993) and the second part is reforms and economic trajectory during the second republic (from 1994 to 2016).

2.1. During the First Republic 1970-1994

2.1.1 Background

Until the late 1950s, the Gambia was seen as too poor, too small and too dependent on her revenue from the groundnut ever to become independent. The country moved to independence on 18th February 1965, when the first Prime Minister Sir Dawda Kairaba Jawara was elected. The Gambian economy has always depended on international trade. At independence in 1965, nearly two-thirds of domestic revenue was derived from taxes imposed on imported goods from Europe and on the principal export crop, the groundnut (Perfect, 2008). In 1970, the Gambia became a republic, hence the first Republic of The Gambia.

The Gambia's financial crisis emerged from the acceleration of its investment effort in the mid-1970s under the First Development Plan. Overextension of the public sector, combined with a series of severe drought and adverse movements in the terms of trade starting in 1979/80, led the economy into chronic fiscal and balance of payments deficits.

2.1.2 Pre-Adjustment Era: From 1974/75 to 1979/80

Public investment under the First Plan was channelled into basic economic and social infrastructure (transport and communications, public utilities, schools, agricultural extension stations, health clinics, etc.). The Gambia initially relied on highly concessional foreign loans and grants to finance about 70 to 75 percent of its investment program under the First Plan. The remainder was financed from its budgetary surplus and from domestic borrowing.

The World Bank has criticized the public investment program implemented under the First Plan for contributing to The Gambia's economic deterioration in the early 1980s because of its low rate of return on investment (World Bank, 1985). More important for the financial deterioration of the economy, was the Plan's failure to anticipate the structural economic changes in the form of higher recurrent expenditure and imports that would result from such a rapid expansionist development expenditure. These changes led to a structural situation of higher recurrent expenditure and imports.

The number of government established posts doubled from the rapid recruitment of civil servants to furnish new services. This led to the increment of recurrent expenditure by 20 percent annually. An estimated 40 percent of total public investment under the First Plan was channelled to new state-owned enterprises formed to develop new industries and the number of parastatals doubled between 1975 and 1981 (Jabara, 1990).

The consumption of import goods increased among the urban population because of the new public-sector wage earners. In addition to this, imports accounted for over 60 percent of government spending and expenditure on development initiatives. This rapid growth in the consumption of import goods caused trade deficit as the exports even in favourable years were growingly unable to generate substantial foreign exchange to cover the domestic import costs. In 1976, balance of payments went into deficit and then surplus in 1977, and thereafter it went back into deficit (Jabara, 1990).

By 1979/80, the current account deficit had increased from the average level of about 4.0 percent of GDP maintained in the early 1970s to 20.8 percent of GDP (figure1), and the overall public-sector deficit had increased from about 5.0 to 11.0 percent of GDP. Although over 90.0 percent of the deficit was financed with foreign loans and grants, the overextension of the public sector and drawdown of foreign and domestic financial reserves made it increasingly difficult for the government to meet its remaining obligations. More important, by 1979, the public sector was over-extended that it could not act as a buffer against the climatic factors and exogenous shocks that were to follow.

2.1.3 Limited Adjustment: Financial Inflows Avert Collapse 1979/80-1981/82

The Gambian economy performed pretty well until the mid-1970s despite its vulnerable state in 1965.[20] This was the effect of both high output and high world prices in groundnut, high groundnut export receipts, which in turn brought in large foreign exchange reserves. However, from the 1970s, the situation of economy deteriorated. This was partly because of roughly a decade-long Sahelian drought and world oil crisis of 1973 and partly because of an increase in government spending on unproductive public enterprises (McPherson and Radelet, 1991). The aborted coup in July to August 1981 also temporarily caused reduction in foreign exchange earnings from tourism. In 1982 the country returned from almost severe retrenchment, this is because of the high levels of official foreign aids and foreign borrowing during late 1981 to 1982.

Under an IMF standby program adopted in February 1982, the government attempted to lower the public-sector deficit through reductions in consumer subsidies and selective tax increases and to reduce its external current account imbalance through increased producer

[20] See Appendix A; figure 10.

prices for groundnuts and rice. Other specific measures included an increase in petroleum prices to cover import cost, increases in electricity tariffs, and the introduction of petroleum-related taxes both to discourage consumption and to increase revenues. To stimulate increased domestic savings, the program included a significant rise in interest rates on commercial bank deposits and the removal of interest rate ceilings on loans and overdrafts. The government was forced to make sudden cuts in expenditure and sharply curtail imports. The government took this measure as a result of further deterioration in terms of trade in 1983 and the reduction of foreign aid inflows to normal levels.

The economic situation continued to deteriorate in 1983/84 as real GDP growth stalled due to unfavourable weather conditions. A second standby arrangement was negotiated with the IMF in early 1984. Under this arrangement, the dalasi, which was pegged at D4 to £1 since 1974, was devalued by 25 percent. The government cut subsidies on rice, fertilisers and public transport. In 1985, delayed rains and pest infestation, as well as reduction in groundnut production, which led to a decreased in real GDP, further deepened the economic financial hardship.

The 1984 devaluation of the dalasi resulted in a significant reduction of domestic imports, which declined by an estimated 27 percent from 1983/84 to 1984/85. There was increased in Crop prices in June 1984; however, the 11 percent price increase for groundnuts did not offset the 25 percent devaluation of the dalasi.

Table 1: The Gambia: Exogenous Influences and Economic Adjustments 1979/80-1984/85

Economic Outcome	Overextension of public sector; emergence of chronic public sector and balance of payment deficits; depletion of GPMB reserves.	Increased public sector and current account deficits; arrears to private creditors emerge.	Fiscal deficit reduced by cuts in imports and in materials; emergence of parallel foreign exchange market as dalasi becomes overvalued; net outflows of private capital; GPMB reserves depleted as spread between world groundnut price and GPMB purchase	Current account deficit worsens with higher rice import costs; delays in transporting and processing groundnut lead to delayed export receipts; inflation rises to 16% annual rate; GPMB unable to retire crop credits on time; arrears to official	Current account deficit widens; rice and petroleum in short supply; groundnut producer prices increased, but little effect due to CFA franc premium and higher prices in Senegal; GPMB deficit-financed with bank credit; rice subsidy eliminated; increased
Multilateral Aid Adjustments	Official loans and grants financed 70-75% financed **70-75%** of development expenditure. Sevenfold increase in debt to multilateral agencies.	Exceptional foreign aid made available to avert severe adjustment; IMF Trust Fund loans; IMF Compensatory Financing Loan.	Under IMF standby program, modest increases in product prices, taxes, and interest rates	Under IMF standby program. dalasi devalued by 25%; retail rice price increased 14.6%; subsidies on fertilizer, public transport reduced; expenditure controls put in place; interest rates raised; standby program suspended June 1984 due to inability of GOTG to meet targets for net credit and external	Arrears to IMF emerge; foreign financing of development projects under revised Second Plan leads to temporary rise in net foreign assets of banking system.
Exogenous Influences		Drought; 32% decline in terms of trade; aborted coup.	Foreign aid inflows decline to more normal levels; further decline in terms of trade; improved weather and groundnut crops.	Unfavourable weather; food crop production fails; groundnut crop reduced; world groundnut reimbursement postponed for fertilizers and seeds under ADP II.	Unfavourable weather and pest infestation reduces groundnut yield.
Year	1874/75-1979/80	1979/80-1980/1981	1981/82-1982/83	1983/84	1984/85

In conclusion, following a period of relatively good performance in the early 1970s, The Gambia's economic and financial situation started to deteriorate steadily from the mid-1970s because of expansionary fiscal policies, inappropriate exchange rate policy, lax credit policy, and adverse exogenous factors. By mid-1985, the decline in the domestic economy and the gravity of the economic and financial situation persuaded the government to implement fundamental changes in economic policy. To avoid further economic deterioration, the country implemented a comprehensive economic program (ERP) in mid-1985, the sole purpose of which was to stabilize the economy and to return it to a sustainable growth path.

2.1.4. Economic Recovery Program 1985 to 1990

By the mid-1980s, the economy was close to collapse as the country faced mounting external debts and spiralling inflation and in 1985, the government was forced to implement a typical structural adjustment program, in other words-Economic Recovery Programme (ERP). The country noticed that a long-term structural adjustment would be necessary to increase foreign exchange earnings in the face of falling groundnut prices and capital flight. In mid-1985, the country implemented her economic recovery program. The IMF (1987) adjustment program consists of three interconnected elements:

1. Exchange rate and pricing policies
2. Demand management policies
3. Reduction in the size and role of the public sector to a level consistent with the small size and limited resource base of the economy

The structural program put special emphasis on mitigating constraints in supply, boost, domestic rained agricultural production, diversification of productive base and expansion of exports and improving the efficiency of the public sector. According to IMF, the success or failure of stabilization program can be judged on the extent to which it raises the prices or profitability of traded (exported and imported) goods relative to nontraded (domestic) goods and thereby alleviates domestic absorption and stimulates exports (IMF, 1989)

IMF (2000) argues, “Since Gambia is an open economy, the domestic goods sector primarily comprises of services provided by the public and private sector. However, the service sector uses both domestic labour and supplies from the import. Therefore, structural adjustment in The Gambia needed prices in the traded goods sector to be increased in relation to the returns to labour and capital in the service sector.”

Khan and Lizondo assert (1987) “a depreciation of the real exchange rate implies a reduction in real wealth, which lowers the demand for non-traded goods and reduces pressures for price increases. The larger the decline in real wealth, the larger the depreciation of the real exchange rate, *ceteris paribus*." Khan and Lizondo (1987) further argue that the lower the share of wealth kept in domestic money, the smaller the reduction in real wealth from a depreciation of the exchange rate. Therefore, in the Gambia, the smugglers of foreign currency out of the country or those who otherwise had saved foreign exchange would have been less badly affected by the ERP policies.

Inflation and Exchange Rates under Economic Recovery Program:

In the first year of the ERP, price and exchange rate policies were formulated to reduce domestic consumption and to increase the relative price of traded to non-traded goods. The increment in the general import tax and higher item-specific import duties increased the prices of most of imported consumer goods. In January 1986, the government further raised fertilizer prices, liberalized the importation of fertilizer and announced subsidies for fertilizer would be phased out by December 1986. To encourage exports, the export duty on fish was removed. Price control on rice was abolished and all restrictions on private-sector engagement in rice trade and marketing were eliminated. This new rice policy allowed the reduction in the public sector's demand for foreign exchange and increase in the consumer prices for rice, which led to the decline in import demand.

The government continued to eliminate price control on all foodstuffs including groundnut oil, meat, eggs and bread. Administered prices for petroleum products, public transport, telecommunications, water, and electricity were raised at various times to ensure the pass-through of higher import tariffs and adjustments of exchange rate. To reduce subsidies on healthcare services provided through public hospitals and clinics, fee increases ranging from 2 to 400 percent were instituted for specific services. The boldest and the most effective policy among the policies implanted to correct price distortions of the traded to non-traded goods was the liberalization of restrictions on the foreign exchange market in January 1986. The deemed such a bold step necessary to neutralize the parallel market for foreign exchange and to reduce the capital flight associated with that market. Ramamurthy (1986) states that by the early 1986, about 48 percent of the money supply was held outside the banking system.

Following The Gambia government’s payment of arrears to the IMF from 1988 to 1990, the salient priority of the extended ERP since 1987/88 has been the introduction of market forces into the groundnut marketing system and the elimination of the budgetary transfer to the GPMB. The Gambia government then lowered the producer price for groundnuts in both 1987/88 and 1988/89 to phase out the groundnut subsidy. This new pricing policy and rules introduced in the 1989/90 season eliminated the groundnut subsidy and permitted farmers, traders, or GCU agents to sell groundnuts directly to the GPMB at its depots. To minimize the impact on the farmers; the government suspended the export tax on groundnuts.

Inflation in the Gambia stayed constant at an average annual rate of 5 to 10 percent from 1979 to 1983, and then it rose in 1984 with the higher level of financing from bank needed to finance the GPMB and other government projects.[21] It then increased sharply in 1985 with the 25 percent devaluation of the dalasi. Further depreciation of the dalasi was caused by the liberalisation of currency restrictions and floatation of the dalasi in 1986. In both 1985/86 and 1986/87 inflation jumped sharply to 57 percent due to the exchange rate depreciation, adjustments in administered prices and the further increase in bank credit.

With the stabilization and slight appreciation of the dalasi since 1987/88, inflation has slowed down sharply. With regards to the major currencies, it reduced by over 50 percent its pre-float level in 1985 and 1987.

Real GDP was stagnant in the first year of the ERP, 1985/86, but it increased at a rate of over 5 percent in each of the following two years.[22] The fiscal deficit reduced from 22 percent of GDP to 7 percent. Exchange rate liberalization resulted in a real depreciation of the dalasi, and a virtual doubling in consumer prices during the recovery period. However, the decline in the real value of the dalasi has not been enough to eliminate The Gambia's current account deficit, which remains at roughly 20 percent of GDP.[23] The Gambia's external debt rose from under US$100 million in 1979 to over US$300 million in 1988.[24] "Increased adjustment-induced foreign financial inflows

[21] See Appendix A; figure 4 "Inflation"

[22] See Appendix A; figure 10 "Gambia Real GDP Growth"

[23] See figure 1 "Current Account Balance" below

[24] See Appendix A; figure 3 "Debts"

helped to cushion the social costs of adjustment to the ERP by allowing the government to stabilize the dalasi exchange rate at lower interest rates and at a higher level of real income that would have been possible if the current account deficit had had to be eliminated" (Jabara, 1990, p. 15).

Public Sector Policies:

In order to limit the rise in domestic prices of non-traded goods, the IMF urged the Gambian government to freeze public-sector wages, cut development spending from the previous year's level and sharply constrained the growth of non-interest current expenditure. In 1985/86, government workforce reduced by more than 24 percent though firing of 2,300 temporary and daily labourers and 460 civil servants in the established posts. The creation of any new state-owned enterprises were ban and the government started a program to privatise and rationalise existing parastatal corporations.[25] Albeit, the general freeze on government wages and salaries continued. Government staff levels further reduced by the termination of 750 established civil servants, by the firing of 340 temporary and daily-paid labourers, and by the closure of 750 vacant posts (Herlehy, 1988).

To encourage savings, the interest rate paid by banks on savings was raised from 8 to 15 percent and the interest rate changed on certain loans was raised from 10 to 22 percent in September 1985. These ceilings were abolished in February 1986, and minimum deposit rates ranging from 15 to 17 percent were introduced to support the liberalized exchange rate system and to reduce capital outflows. The interest rate on Treasury bills and on central bank advances was also increased from 8 percent to 15 percent.

[25] See IMF report "The Gambia Enhanced Structural Adjustment Facility Policy Framework Paper, 1999–2001"; Prepared by the Gambian Authorities in Cooperation With the International Monetary Fund and World Bank Staffs November 8, 1999.

2.1.5. Analysis

In the first two years of the ERP, increases in agricultural (groundnut) prices relative to the prices of consumer goods helped to stimulate production of export earnings from groundnuts. This temporarily shifted the rural-urban terms of trade in favour of the agricultural sector. This shift helped to reduce the disparity between urban and rural incomes as most of the poor in The Gambia live in rural areas.

The second ERP favours the urban population while the rural farmers were hurt, although overall economy received a positive outcome. "In the urban areas, the regular (daily-wage) formal-sector workers, whose earnings are about half those, of other formal-sector workers and possibly of those employed in the informal sector, appear to have been worst hit by declining real incomes and consumer price inflation in the early years of the ERP. Consumer prices rose particularly sharply during the period between 1985 and 1988 and were particularly regressive. This was especially true of food, energy, and basic healthcare costs. The price of imported rice, the urban staple grain, more than doubled" (Jabara, 1990, p. 16).

It seems clear that structural adjustment has stabilised the economy of The Gambia, but at a level where they remain disadvantaged by reliance on traditional exports that are vulnerable to recession. Albeit, in the short-run, conditions for growth were met in the country and some of the factors that led to instability in the first place (notably dependence on a narrow range of primary exports with variable prices) were left intact. This raises the question of what Gambia might do to improve her economic prospects if structural adjustment fails to stimulate growth and poverty.

2.3. During the Second Republic 1994-2016

2.2.1 Background

Since under the ERP until the mid-1993, the country has made a significant progress in liberalisation of the economy, reduction of financial imbalance and strengthening positive durable economic growth. The implementation of the Economic Recovery Program from the 1985/86 to 1990 was supported by the international communities, particularly by the IMF with a three-year arrangement under the Enhanced Structural Adjustment Facility (ESAF) and by the World Bank through structural and sectoral lending, including the second structural adjustment loan (SAL II), which was completed in 1992.

From 1998-2000, the authorities were determined to take the necessary measures to achieve macroeconomic stability and establish the conditions for strong and durable economic growth. The aim was to further bring the unsustainable budget deficit down to allow a much-needed cut of domestic public debt and implement strict demand management to keep low inflation. However, this measurement failed as the country further went into deep budget deficit by 7 percent from 2000 to 2001.

The important historic connection of United Kingdom to the Gambia had declined, since Gambia has increasingly turned to seek the IDA and aid from the European Development Fund, Germany, France, Switzerland, Japan and Arab donors. In July 1994, the military coup resulted to the suspension of new products and termination of budgetary aids by most of the traditional donors and creditors. In response to the coup, the international donors further imposed sanctions on the new regime; this resulted to the decline in tourism as well. This Western aid sanctions after 1994 military coup led The Gambia to seek new donors such as Taiwan, Libya, Cuba, Nigeria, and Iran for economic support. However, the sanctions were later lifted, and the economy partially recovered, with the decline in groundnut exports being offset to some extent by a recovery in tourism, which is an increasingly important sector of the economy.

The military transition government took two years, after which presidential and parliamentary elections took place in the early 1997. The military government took some corrective policies to restore the economic stability and started to normalise relations with the international donors. Among their steps was to seek aid and grants from alternative donors such as Taiwan. The corrective policies they took resulted to the declined of the total budget deficit by 4 percent of GDP in fiscal 1996/97 to 1998.

The government of the second republic had continued to follow similar economic trajectory to its predecessor but one unique development initiative has been the launching of 'Vision 2020' in 1996. The purpose of this project was to transform the Gambia into a dynamic middle-income country by 2020 by developing it as a financial hub, a key tourist destination and a thriving export-led agricultural and manufacturing nation. In general, this project has only been on paper and campaign slogan of the ex-president, limited progress has taken place until Jammeh left the office.

2.2.2 External Policies

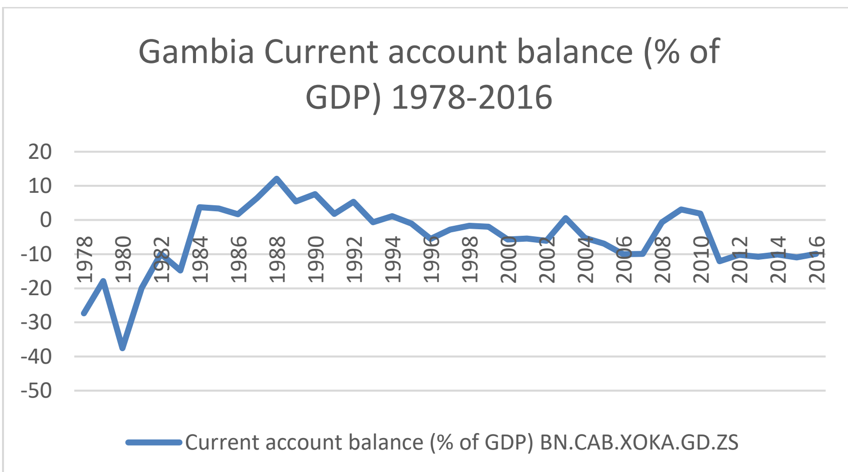
The Gambia has become part of the world trade organisation (WTO) in October 1996; therefore, it committed itself to the tariff reform programme introduced on a gradual basis over the period, which led to the decline of the tariff band down to a maximum of 18% in 1999. In early 1999, the Gambia introduced a simplified import tariff structure with duty rates from 0 percent to less than 20 percent. At the same time, all duty exemptions that were not required by international treaties were eliminated, and a limited number of excise taxes (on alcohol, tobacco, and vehicles) were introduced to dampen the negative impact on government revenue. In October 1999, the government's new scheme to monitor imports and boost the customs revenues has failed drastically. It caused the increase in cost of imports and the trade routes changed to Senegal. As a result, port traffic dropped by 22.5% between December 1999 and January 2000. The scheme was later eliminated to recover transit trade, which once thrived prior to this scheme.

As in many cases, policies are drafted on paper, but they become ineffective because of the miscalculated decision of the ex-president Jammeh. In 1999, the government accused a Swiss-based company called Alimenta of money laundering and seized the processing plants belonging to the company. Alimenta used to take part in groundnut processing and marketing in the Gambia. The company disrupted harvests from 1998 to 2000 and challenged the allegation to the international courts, and urged government to pay the company $11.4 million for lost earnings and investment. The dictator is known for this kind of indiscipline approach and has exasperated the international donors by issuing directives without any administrative consultation. Similar cases like Alimenta continued to happen during the entire time of President Jammeh; some investors lost their companies to him, which scared investors away. This Alimenta saga made the government to miss IMF performance criteria in 2001. From 1999 to 2000, tourism dropped because of another miscalculated policy dictated by President Jammeh, i.e. banning of all-inclusive holidays over the fears that all the profits were taken by foreign tour operators.

In 2002 the government embarked on a new effort to attract foreign investment, called the Gateway Project, financed by a World Bank loan. The Gambia Investment Promotion and Free Zone Agency (GIPZA) was established, with the first free zone planned for Banjul Airport. Incentives for locating in the free zones include exemptions from taxes and customs duties, a ten-year tax holiday, and a reduced 10% corporate income tax rate for investments in the tourist sector.[26]

The external current account deficit (excluding official transfers) was targeted to narrow further toward levels that can be financed by net inflows of private capital and concessional external project aid. The flexible exchange rate policy has continued in the context of the interbank exchange market. The current account balance came from all-time high 12 percent in 1988 to all-time low -12 percent in 2011 (figure 5). This was caused by drought throughout the region. The Gambian current account balance stayed very low since 2011 to 2016, the year the second republic ended.

Figure 1: Current Account 1978-2016



2.2.3 Fiscal Policy

To increase government savings and bring about a much-needed stabilization and the reduction of the government's domestic debt, fiscal policy aimed at reducing the overall fiscal

[26] See "2012 Investment Climate Statement-The Gambia; Bureau of Economic Affairs (2002), https://www.state.gov/e/eb/rls/othr/ics/2012/191152.htm

deficit (excluding grants) from 7¾ percent of GDP in 1997 to 4 percent in 1998, and further to 2 percent by 2000.

In January 2013, the Gambian government introduced Value Added Tax (VAT), a policy IMF through its resident representative has spoken positively. IMF stated that the new tax reform has the "potential to create greater revenue for the country." This policy slightly pushed inflation from 4 percent to 6 in late 2013 to 2014 (figure 8). Since the population depends largely on food imported especially rice, the VAT caused increased in the food price. On the contrary to what IMF speculated, real GDP growth declined from 4.6 percent in 2013 to 0.8 percent in 2014 (figure 14).

Real exchange rate suffered in 2013 from 43 percent to 39 percent in 2014, likewise, foreign exchange reserve dropped by 14 percent from 2013 to 2014 (figure 5). This is largely caused by the directive action of the ex-president who single-handed forced exchange rate down from D34 per dollar to D28 per dollar; he claimed his move was against "hoarding." For 15 days local exchange bureaus did not operate. The ex-president did the same directive in 2015 without any warning.

To achieve the targeted fiscal adjustment, the government was fully committed to implementing a very tight spending policy, predicated on adhering to strict budgetary discipline. The wage bill and all low-priority outlays, including on travel, were strictly contained in order to provide adequately for health, education, and the public investment program (PIP). Particularly, the wage bill for 1998 provides for neither a general wage increases nor for net recruitment, except for the hiring of teachers and nurses.

Despite the introduction of midyear policies to consolidate the fiscal deficit, the budget implication in 1999 suffered several setbacks. The original budget for 1999 was subsequently weakened by the larger-than-envisaged adverse revenue impact of a reduction in the maximum import duty rate to 20 percent effective January 1, 1999, and by a cut in petroleum product prices aimed at passing through the decline in world market prices. To rectify this, the government adopted supplementary measures in June to strengthen customs revenue collection and contain recurrent expenditure. On the expenditure side, the wage bill for 1999 slightly exceeded the target because of higher payments for statutory gratuities, pensions, and the hiring of new teachers. Overall, other recurrent expenditures exceeded the program target by D 46 million (0.9 percent of GDP), including additional domestic interest payments. Therefore, the government net domestic and external borrowing exceeded its targeted programs (figure 3).

A little recovery was made in 2000 because of good harvest in 1999, but then the budget deficit increased by 8 percent of GDP in 2001 (figure 2). The country continues to suffer drastic budget deficit until 2007 when its budget deficit reduced by 6 percent from 2005, since 2007, the budget deficit continues to increase until 2017 when the new government took over.

2.2.4. Privatization

The major long-standing issue in the structural benchmark for reaching High Indebted Poor Countries (HIPC) completion point is to bring Gambia Groundnut Corporation (GGC) to the point of sale. The government announced the invitations for Expressions of Interest to be pre-qualified as a strategic investor for 51% shareholding, and as institutional investors for 29 per cent shareholding.[27] Notwithstanding the moderate progress registered on the divestiture front, a multi-sector utility regulatory agency (PURA) was set up to regulate tariffs, competition issues and other

[27] See IMF Country Report No. 11/27 “The Gambia: Poverty Reduction Strategy Paper” 2011

related matters in the electricity and telecommunications sub-sector. The pace of implementation has suffered serious delays due to frequent sackings of the Director-General. GAMCEL and NAWEC were partly privatised, however, later revoked by the directive of the president.

2.2.5. Monetary Policy

The priority of fiscal policy to curtail government's domestic borrowing requirement ties in well with the monetary policy objective of controlling money supply growth (IMF). IMF argues that this is because, with reduced government's domestic borrowing requirement, the Central Bank would control the growth of the money supply without having to resort to very high-interest rates and the crowding out of private sector from the credit markets. One of the aims of IMF is keeping low inflation rates; hence, controlling the growth of the money supply is essential to achieve low inflation rates.

A key objective of monetary policy during 2000 is to maintain low inflation and strengthen external reserves. The monetary authorities still have maintained a tight monetary policy, thereby containing inflation and preserving a large measure of exchange rate stability. The containment of the annual inflation at about 3 percent while maintaining an adequate level of gross official reserves is the main aim of monetary policy.

Almost all the increase in the fiscal deficit was financed with domestic borrowing, which as a percentage of GDP rose from 2.5% in 2002 to 5.5% in 2003 (figure 10). Of this, more than 75% was funded from the Central Bank by drawing down its external reserves, which stood at US$107 million in 2000 to US$39 million by the end of 2003. This resulted in very high broad money growth of 35% in 2002 and 43% in 2003 (figure 7), triggering a sharp exchange rate depreciation and rapid inflation, over the period. The recovery started to take hold by the end of 2003, as revenue collections increased significantly. By end 2004, the inflation rate was on a downward trend towards single digit, reaching 8% at the beginning of 2005 and decreasing further to around 2% at end 2005 as the macroeconomic stability continued (figure 4). To maintain the macroeconomic recovery that started at end 2003, monetary policy was much tighter in 2004 than in 2003.

The good harvest in 1999 contributed to a moderation in the end-of-period inflation to below the program target of 2 percent (0.8 in 2000). Among the Sub-Saharan countries that implemented radical reforms, Gambia tend to have the lowest inflation rate during this period to 2005. In 2004, average inflation remained relatively high at 14 percent in relation to 17 percent in 2003. The inflation rate continued to fluctuate substantially until at 8.3 percent in 2017.

In 2002, exchange rate crisis and fiscal expansion followed the drought. This crisis was put under control in 2003 as both the monthly inflation rate and the exchange rate stabilized. This stabilization was further enhanced by the good groundnut harvest in 2003 to 2004 groundnut season, hence boosting the GDP growth by 10 percent (figure 10). In general, the economic performance in 2004 was positive.

Exchange rate policies that sharply overvalued the Gambian Dalasi have also contributed to financial strains and balance of payments imbalances. Central Bank official foreign reserves have declined significantly (figure 10), with the periodic imposition of currency controls since 2013, and over-valuation (against the US dollar) of as high as 30% over pre-peg, market-determined rates. The lifting of currency controls in January 2016 should have facilitated a rebuilding of reserves over time, but end of Jammeh regime came with more challenges as it was announced by the central bank and the minister of foreign affairs in the new administration that the ex-president has looted the countries entire reserves when he was going to exile. He syphoned off at least $ 50 million from the country's social security, ports and national telecommunication company (Maclean, 2017).

External and Internal Debt Management

A round of loans and credits for spending on schools and hospitals were approved from African Development Bank (ADB), OPEC and the Islamic Development Bank (IDB). IMF also consented to a second annual loan of $11.8 million under the ESAF. However, in March 2000 the government was reeling from accusations of embezzlement of some $2 to $3 million of Nigerian oil aid. According to the commission of inquiry 2018, both Edward Singhateh and Bala Gaba Jahumba (Minister of Finance 1995-1996) admitted that Ebou Jallow absconded with $3 million off the 32 million of dollars of a Taiwanese loan (GRTS, 2018). The government was also accused of money laundering in connection with the privately held peanut processing and marketing company, GGC.

In 1999, the EU intended to spend $20 million on poverty alleviation, and the African Development Bank sponsored a $1 million rehabilitation program for the fishing industry. In 2000, The Gambia was slated to receive $91 million in debt relief under the International Monetary Fund (IMF)/World Bank Heavily Indebted Poor Countries (HIPC) initiative, intended to reduce poverty and stimulate economic growth. The IMF began a three-year $27 million Poverty Reduction and Growth Facility (PRGF) Arrangement with The Gambia in 2002

As shown in figure 3, The Gambia received largest net flow of external debt in 2002; this was after the 2001 election. The government committed itself to poverty reduction strategy paper I in 2002, but this program did not materialise due to excess government expenses on other aspect as well as financial embezzlement. Other factors that constrained the implementation of PRSP I are human resource scarcity, major capacity constraints which was caused by high attrition rate and turnover of staff in the civil service, scarce technical and financial resources. Serious human resource constraints across all the sectors resulted to sector investment programs being undeveloped, non-existence of linkages between the sector policy and their budgets and non-finalization of the provisional costing of the PRSP I program.

In 2011, Gambian government experienced the lowest net flow of external depth because of many factors, such as human right abuses, poor government and transparency, and heavy indebtedness. The government relied heavily on domestic loan provided by financial sectors and bilateral grants from the Gulf States and Taiwan. In 2014, the EU unanimously decided to suspend development aid to the Gambia, this aid amounted to 150 million euro. The suspension was lifted in the beginning of 2017 when the new administration took over.

The government of the Gambia took some initial measures in addressing its heavy debt burden. In the first half of 2012, net domestic borrowing (NDB) was reduced to 1.2 percent of GDP, compared with 2.3 percent of annual real GDP during the same period in 2011 (IMF, 2012). Updated external debt indicators also show progress has been made toward reducing The Gambia's debt vulnerability.

The macroeconomic framework continues to be characterized by high levels debt which was over 120 percent of GDP in 2016 (figure 3), crowding out public and private investment and creating significant risk of debt distress. Debt service consumes an inordinate share of available resources, which is 46 percent of taxes in 2016, leaving very little fiscal space to improve service delivery and undertake the public investment needed in physical and human capital to support the emergence of a thriving private sector. More than half of the debt is held by domestic banks 55 percent in 2016, which undermines the stability of the banking sector.

2.2.6. Analysis

The key long-term development challenges facing The Gambia are related to its undiversified economy, small internal market, limited access to resources, lack of skills necessary to build effective institutions, high population growth, lack of private sector job creation, and high rate of outmigration.

The Gambia's fragility indicators have steadily worsened. The legacy of authoritarianism has shown up as the most salient cause of state fragility, evident in its weak public institutions, political instability, and the limited capacity of its public administration. The fragmentation of public service delivery across a huge number of agencies reduces expenditure efficiency, increases the administrative complexity of the public sector, limits the transparency of resource allocation, and obscures accountability for specific outcomes. Moreover, decades of undemocratic governance have weakened Gambian civil society, diminishing its capacity to advocate for good governance.

The Gambia's growing debt leaves little fiscal space to reinvigorate the economy and ensure inclusive growth, particularly by investing in energy, modernizing agriculture, and providing resources for the poor. Its heavy dependence on agriculture, tourism, and a small service sector-coupled with a legacy of unsustainable macro-fiscal management has increased the economy's sensitivity to external shocks. The country's vulnerability is further aggravated by its high susceptibility to multiple forms of environmental damage and environmental degradation.

Gambians are now Europe's second-largest diaspora as a share of the home-country population. The implications are mixed for fragility and resilience. While the loss of skilled labour has long slowed the country's economic development, remittance income is an increasingly crucial component of household consumption. Emigration has also alleviated pressure on the labour market and eased the rising social discontent caused by the deteriorating economic situation.

The productive sector was identified as one of the areas of focus for PRSP II. The key objective in this regard is to increase incomes of the people engaged in the productive sectors. This is the priority of the coalition government. The coalition government has already taken measures to make the country attractive to foreign investment as well as domestic investment. However, poor transport infrastructure (roads, water, and air), unreliable electric power supply, and high cost of utilities discourage some investors, thereby adversely affect the country's investment growth, and consequently job creation.

CHAPTER 3: METHODOLOGY AND EMPIRICAL RESULTS

The chapter comprises of two major parts, methodological framework and empirical results. The methodological frame is the detailed description of time series method. Empirical results is the findings from the date we applied in STATA statistical software.

3.1. Methodological Framework

This study chose to test three major models, such as poverty model, income distribution model and economic growth model. The GDP growth measures economic growth and dependent variable for poverty model is gross national income per capita.

3.1.1. Variables and Data

This study collected data from the World Bank Development Index dataset (WDI). Regressands and regressors are carefully selected based on previous literatures.

Dependent variable in poverty model is gross national income per capita. The study initially took house survey poverty indicators but due to lack of data on poverty gap and poverty headcount ratio, the study is constrained to run models on these poverty indicators. This is one of the limitations of the study. GNI per capita is taken as an alternative to measure the poverty because it is largely considered a better indicator to account for the income available to the dwellers of a country, for the fact that it captures the incomes related to the mobility of factors of production.[28] Although it is understood that GNI per capita does not capture the informal activities especially low-income countries, it is still proven to be a useful measure of the quality of life.

[28] see UN 2008 and IMF 2009

STATA is the statistical package used in this study to apply necessary econometrics tests and regressions. As shown in the following section, the study applied Dicky-Fuller Generalised Least Square (DF-GLS) unit test to test the null hypothesis that the variables are nonstationary, in other word, a variable has unit root.

Table 2: Variable Description

Variables	Definition	Data Source
GDP	GDP growth (annual %)	WDI
gnipc	GNI per capita, Atlas method (current US$)	WDI
exch	Official exchange rate (LCU per US$, period average)	WDI
infl	Inflation, GDP deflator (annual %)	WDI
intr	Real interest rate (%)	WDI
gov	General government final expenditure (annual % growth)	WDI
bop	Current account balance (% of GDP)	WDI

3.1.2. Model Specification

In the existing empirical studies, the effect of structural adjustment program on economic growth, poverty and income equality is typically estimated using Solow Growth Model. Robert Solow and Stewart Swan developed the Solow-Swan Growth Model, which involved a series of equations which showed the relationship between labour-time, capital goods, output, and investment. In equation form the Solow growth model start with a production function:

Y= f(K, AL)………..(1)

We present the basic Solow growth model into growth multivariate time series regression model that take the following general form:

$$\mathbf{Y_t = \beta_0 + \beta_1 X_{t1} + \beta_2 X_{t2} + \ldots\ldots + \beta_k X_{tk} + \mu_t \ldots\ldots\ldots\ldots (2)}$$

Where:

Y = is the dependent variable in the respective models, such as GDP growth at time t for growth model, GNI per capita at time t for poverty model and GINI index at time for income equality model, X_t is a matrix of independent variables at time t, β = is a vector of coefficients to be estimated, μ_t is the idiosyncratic errors or idiosyncratic disturbances. The independent variables are carefully chosen, based on previous literature and availability of data for the selected period.

The importance of the model to the introduction of the structural adjustment programs is that the Bretton woods institution assumed that the only way that developing countries can grow is through capital accumulation. Capital accumulation is achieved through savings. Therefore, they advocated for the reduction of government budgets and the elimination of subsidies to agricultural sectors.

Model 1: On Growth

$$\mathbf{gdp_t} = \beta_0 + \beta_1 \mathbf{gnipc_t} + \beta_2 \mathbf{exch_t} + \beta_3 \mathbf{infl_t} + \beta_4 \mathbf{intr_t} + \beta_5 \mathbf{gov_t} + \beta_6 \mathbf{bop_t} + \mu_t \ldots..(3)$$

Model 1: On Poverty

$$\mathbf{gnipc_t} = \beta_0 + \beta_1 \mathbf{gdp_t} + \beta_2 \mathbf{exch_t} + \beta_3 \mathbf{infl_t} + \beta_4 \mathbf{intr_t} + \beta_5 \mathbf{gov_t} + \beta_6 \mathbf{bop_t} + \mu_t \ldots(4)$$

3.1.3. Estimation Techniques

The study examined the impact of structural adjustment policies on economic growth, poverty and income equality in the Gambia. To achieve this, the study use time series regression model for data spanning from 1970 to 2016. To examine level of consistency in the time series involved in this study, we applied group of tests such as unit root test.

Unit Root Test and Cointegration Test:

To examine the integrating level of the variables, standard unit root tests like standard tests like Generalised Least Square Dicky Fuller test (DF-GLS) is employed. Although mostly in literature, to find out the order of integration ADF (Dicky & Fuller, 1979) and PP (Philip & Perron, 1988) tests have been used extensively, ADF-GLS and Ng-Perron unit root are preferred, as the results tend to be consistent relatively. Due to their poor size and power properties (i.e., the tendency to over-reject the null when it is true and under-reject the null when it is false, respectively), both ADF and PP are unreliable for small sample data set (Harris R. and Sollis R. , 2003). For this purpose, newly proposed tests DF-GLS unit root test is applied.

The null hypothesis for the test is that the variable has unit root or is non-stationary and the alternative hypothesis is that variable is stationary or does not have unit root. If the variable has unit root, then first difference should be applied to make the variable stationary.

Vector Autoregression (VAR) and Vector Error Correction Model (VECM):

To assess the validity of our VAR, we test for stability and for autocorrelation of the residuals. The stability condition examines the dynamic stability of the system. We reject the hypothesis if the eigenvalues is equal less than one, in this case, our system is stable. After knowing the stationarity level or order of integration of different time series involved in the study, we conducted Vector Autoregression regression (VAR), then to investigate joint statistical significance, VAR Granger-causality test. The study is not interested in using VAR to test long-run equilibrium relationships, hence, the study uses only integrated order zero-I(0) and integrated order one-I(1)(stationary). This means that first difference of the process is weakly dependent (and often stationary).[29] However, VECM is preferred when a degree of Cointegration is found.

3.2. Analysis of Empirical Results

As indicated above, the study used STATA statistical package to run the respective models. The study examined the short run and long-run impact of the determinants of IMF's structural adjustment program in the Gambia. To achieve this, the study use time series regression modelling for data spanning from 1970 to 2016. Tests of normality, unit roots test and cointegration test were applied to determine the properties of the data. Upon the proof of Cointegration, vector error correction model was estimated to link the short run and the long run relationships. The details of the results are shown in the appendix. In this section, only relevant outcomes are presented for discussion.

Table 2 below shows the result of DF-GLS test at level and at difference, this test the null hypothesis that a variable is non-stationary. Prior to testing for a causal relationship and cointegration between the time series, the first step is to check the stationarity of the variables in the model. The goal is to verify whether the series have stationary trend and to establish orders of integration of nonstationary. The study used DF-GLS unit root test and found all the variables to be nonstationary at level except GDP growth, inflation, interest rate and government spending. The result shows that the variables are nonstationary (presence of unit root) at 5 and 10 percent level of significance, this requires for first differencing of these nonstationary variables. As shown in table 2, all the variables are stationary are first difference. However, Johansen tests for Cointegration is required to establish orders of cointegration, which is shown in table 3.

[29] See Wooldrige "Inductory Econometrics: A Modern Approach", 5th Edition

Table 3: DF-GLS Unit Root Test

Variables	At Level		Comment	At First Difference		Comment
	t-stat	5% level		t-stat	5% level	
gdp	-6.323	-3.255	Stationary	-	-	Stationary
gnipc	-2.107	-3.255	Nonstationary	-3.330	-3.264	Stationary
exch	-1.545	-3.255	Nonstationary	-3.811	-3.264	Stationary
infl	-4.035	-3.255	Stationary	-	-	Stationary
intr	-4.064	-3.255	Stationary	-	-	Stationary
ms	-0.538	-3.255	Nonstationary	-4.286	-3.264	Stationary
gov	-3.416	-3.255	Stationary	-	-	Stationary
bop	-1.828	-3.255	Nonstationary	-5.451	-3.264	Stationary

Note: DF-GLS unit test is based on 5 percent critical value.

The study identify cointegration vectors by Johansen's technique and examine long-run relationships by setting up VECM. Table 4 shows that trace test indicates 2 cointegration equations at 5 percent critical level.

Table 4: Johansen Tests for Cointegration

Maximum Rank	Eigenvalue	Trace Statistic	5% Critical Value
0	-	176.3978	124.24
1	0.77449	109.3745	94.15
2	0.63169	64.4269*	68.52
3	0.49191	33.9572	47.21
4	0.34398	14.9867	29.68
5	0.24059	2.6022	15.41
6	0.05587	0.0150	3.76

3.2.1. Model 1-Economic Growth Model

The fact that some variables in the models are cointegrated, and then it is evident that an error correction model is specified to link the short-run and the long-run relationships. The error residuals from the cointegration regression generates an error correction term (ECM), which is inserted in the short-run model. In VECM, all the variables are lagged by default. The study suggests two-period lag.

Table 5: Long-run and Short-run Relationship-Model 1

Regressors	**Long-run Relationship**		**Short-run Relationship**	
	Δgdp		**Δgdp**	
	Coefficient	P-Value	Coefficient	P-Value
ECM			-1.247623	0.000*
Δgdp	1	-	0.1652443	0.355
Δgnipc	-	-	-0.0014464	0.918
Δexch	-0.1174658	0.337	0.442725	0.232
Δinfl	-0.766459	0.000*	-0.0755209	0.358
Δintr	-0.1509496	0.502	-0.1944338	0.142
Δgov	-0.1951759	0.054**	-0.0332015	0.525
Δbop	0.2148342	0.017**	0.0294375	0.714
Constant	8.672995	-	-.5793398	0.409

, **, ***, denote significance level at 1%, 5%, 10% respectively.

Short-run Relationship:

The result in table 5 indicates that in the short-run none of the variables except the error correction term has significant effect on economic growth. The ECM measures the speed of adjustment to the long-run equilibrium in the dynamic model. The ECM is negative and significant, which shows that when the disequilibrium occurred in the previous period, the economy will be closer to the equilibrium automatically. In order word, it implies that there is a negative gradual adjustment to the long-run equilibrium. The result shows that the other variables do not have short-run effect on economic growth; hence structural adjustment program has no short-run effect on economic growth in the Gambia. This finding is in conformity with the descriptive analysis of the economic reform. IMF focus largely on the budget balance and the GDP indicator instead of institutions and poverty status of the population at household level.

Long-Run Relationship:

The finding indicates that in the long run, exchange rate and interest rate (**intr**) are negatively related to growth but insignificant. Although interest is found to be insignificant, its coefficient indicates that the higher the interest rate the lower the growth, this is in consistent with many findings such as Johnson and Salop (1990), they argue that increased interest rates make it hard for small and medium-sized companies to get credit and invest. This is true in the case of Gambia where domestic businesses find it hard to get credit due to high-interest rates.

Inflation rate (**infl**) is negatively related to growth and significant at 1 percent significant level. The result is as expected in hypothesis that higher inflation discourages investment and growth in less developed and import-oriented countries, likewise inflation reduces real wages. On the other hand, moderate inflation might favour export-oriented countries, in other words, export prices become cheaper while the prices of import goods increases. As it is discussed in chapter one, one of the aims of the IMF structural program in developing countries is to keep inflation rate low, the result confirmed this hypothesis. Hence, in the long-run, reduction in inflation rate, the higher the growth in the Gambia, holding other factors constant. The result shows that, in the long-run, a unit increase in inflation leads to 0.766 decrease in growth. We can conclude that Gambian economy does not show “Tobin effect” in the long-run.

Government spending (**gov**) is negatively related to growth and statistically significant at 5 percent significant level. Large amount of Gambia's spending goes to the investors and other creditors because the government has very high debt and high bond yields, hence this spending has negative effect on growth. Another factor is the unproductive way of spending of the Gambian government.

Current account balance (**bop**) is positively related to economic growth and statistically significant at 5 percent significant level. In other word, surplus in current account has positive effect on the economic growth of the Gambia.

3.2.2. Model 2-Poverty Model

Table 6: Long-run and Short-run Relationship-Model 2

Regressors	**Long-run Relationship**		**Short-run Relationship**	
	Δgnipc		**Δgnipc**	
	Coefficient	P-Value	Coefficient	P-Value
ECM	-	-	-4.731659	0.087***
Δgdp	-	-	2.366254	0.192
Δgnipc	1	-	.3600849	0.012**
Δexch	33.98611	0.023**	-4.503174	0.231
Δinfl	77.49294	0.000*	-1.182404	0.156
Δintr	-27.66811	0.312	-.3368418	0.802
Δgov	22.9771	0.063***	-.5544179	0.296
Δbop	-17.88248	0.103	.9972844	0.222
Constant	-1354.631	-	2.122636	0.766

, **, ***, denote significance level at 1%, 5%, 10% respectively.

Short-run Relationship:

The result in table 6 shows that in the short-run all the variables are insignificant except the error correction term and lagged gross national income per capita (gnipc) which have effect on poverty in the short run. The ECM is negative and significant, which shows that when the disequilibrium occurred in the previous period, whereas previous year gnipc positively related to current gnipc.

Long-run Relationship:

Like in growth model, interest rate is found to be an insignificant policy on the poverty in long-run. In this model, it is also found to have negative impact on poverty but statistically insignificant. This is for the fact that, most of the population do not have transactions with banks and local businesses hardly get loans from the banks, hence interest rate is mostly relevant to government institutions. Unlike model one, current account balance is also insignificant although has negative relationship with poverty.

Exchange rate in poverty model is statistically significant at 5 percent level in the long-run. Which means exchange rate has positive relationship with poverty in the Gambia. If harvest were good, currency devaluation is favourable for the poor rural farmers producing goods for export, unfortunately, Gambian farmers have been facing poor harvests due to many external factors, hence, they do not benefit from devaluation. Since most of the population rely on imported goods, devaluation raises prices of imported goods.

Inflation rate is strongly significant at 1 percent significant level. The result indicates that in the long-run an increase in inflation rates increases poverty, this is in line with the hypothesis that inflation reduces real wages and reduces the purchasing power of people. Since most of the goods consumed by people in the Gambia are imported especially food, higher inflation courses them to spend more for the same products before increase inflation, hence poverty rises. The result shows that, in the long run, a unit change in inflation leads to 77.5 increase in poverty.

Government spending (**gov**) is positively related to poverty and statistically significant at 10 percent significant level. The result shows that, in the long-run, higher government spending leads to higher poverty holding other factors constant. This must be the fact that the government of the Gambia spent on white elephant projects that do not have significant positive effect on the poor. This finding is in consistent with some findings in the literature. In nutshell, constructive spending that can directly benefit the poor would reduce poverty.

CONCLUSION AND POLICY RECOMMENDATION

The research is a comprehensive presentation and analysis of the impact of IMF structural adjustment programs on the economic growth and poverty in the Gambia. This study examines the short term and long-term link between IMF's structural adjustment programs and economic growth and poverty. This study reviews theoretical concept of neoliberalism and IMF structural adjustment programs, the economic reforms in the Gambia and analyse the impact of structural adjustment programs on growth and poverty in the Gambia. The study summarised structural policy effect by employing time series Vector Error Correction Model in the period 1970-2016.

It is evident that structural adjustment has stabilized the economy of The Gambia during the first and second ERP, however, a group of the population tend to be on the disadvantaged side. In the first two years of the ERP, increases in agricultural (groundnut) prices relative to the prices of consumer goods helped to stimulate production of groundnuts and export earnings from groundnuts. This temporarily shifted the rural-urban terms of trade in favour of the agricultural sector. This shift helped to reduce the disparity between urban and rural incomes as most of the poor in The Gambia live in rural areas. The second ERP favours the urban population while the rural farmers were hurt, although overall economy received a positive outcome.

It is evident that IMF structural adjustment programs often put attention on a long-run effect, as well as the general structure such as real GDP growth as the focal focus of achievement. It is evident that many a times, the policies have short-term adverse effects on the population struggling with abject poverty.

There is no clear finding on the achievements of IMF structural adjustment during the Jammeh era since many unmeasurable factors are involved such as hostile political environment, corruption, financial mismanagement and authoritarian distortion of policies single-handedly. It was hard to capture clearly the effect of the policies through descriptive review during this era because of poor data and record system.

The study applied VECM to test the effect of structural adjustment program determinants on economic growth and poverty. In the short run, none of the determinants of structural adjustment programs is significant except error correction term that is negative and has significant effect on economic growth. The result shows that the other variables do not have short-run effect on economic growth; hence structural adjustment program has no short-run effect on economic growth in the Gambia. This finding is in conformity with the descriptive analysis of the economic reform. The impact of structural adjustment is not felt on the economic growth in the short-run. Similarly, in poverty model, in the short-run, all the variables are insignificant except the error correction term and lagged gross national income per capita (gnipc) which have effect on poverty in the short run.

Inflation rate is negatively related to growth and significant at 1 percent significant level in growth model. The result is as expected in hypothesis that higher inflation discourages investment and growth in less developed and import-oriented countries like Gambia. Hence, in the long-run, reduction in inflation rate leads to higher growth in the Gambia, holding other factors constant. Inflation is also strongly significant at 1 percent significant level in poverty model. The result indicates that in the long-run an increase in inflation rates increases poverty, this is in conformity with the hypothesis that inflation reduces real wages and level of poverty.

Government spending is negatively related to growth and statistically significant at 5 percent significant level in growth model. However, government spending is positively related to poverty and statistically significant at 10 percent significant level. As stated in literature, the most common fiscal policy is cutting government spending such as subsidies. The result shows that, in the long-run, higher government spending leads to higher poverty holding other factors constant.

Current account balance in long-run is positively related to economic growth and statistically significant at 5 percent significant level in growth model but found to be insignificant in poverty model.

Exchange rate in long run is statistically significant at 5 percent level in poverty model. Which means exchange rate has positive relationship with poverty in the Gambia. If harvest were good, currency devaluation is favourable for the poor rural farmers producing goods for export, unfortunately, Gambian farmers have been facing poor harvests due to many external factors, hence, they do not benefit from devaluation. Since most of the population rely on imported goods, devaluation raises prices of imported goods.

This research is constrained to capture certain important household variables to assess the link between structural adjustment policy and poverty. We intended to choose household survey variables such as poverty gap and poverty headcount ratio to measure poverty model but we experienced data constraint since Gambia like many underdeveloped countries has problems of collecting and keeping data. Because of data limitation, we also dropped a third model to record the link between structural adjustment programs and income distribution with GINI index as the independent variable. Another limitation to the research is the inability to make a survey and interview in the Gambia; this will be interesting to do in the future research. As data becomes available on these variables, it would be interesting to cover them in future research. Applying panel model in future research will solve this data omission problem. Another constraint is misspecification issue during estimation process. The measurement of reforms has been controversial and hard to capture some important factors without misspecification.

As you can see, this study is just a tip of an interesting field of study. There is a much left for further research. This research focuses only on the so-called first generation structural adjustment programs such as liberalisation since most of the existing researches covered these components and they are the variables with data available on Gambia. However, it would be interesting to evaluate the effects of second-generation reforms (e.g. institutional change, governance, and competitiveness). Such study could properly evaluate the link between corruption and structural reforms.

The technocrats and policymakers may use this study to show if the policies implemented brought the desired outcomes. This could also help both the international institutions and the government of the Gambia the incentive to think about changes in policies and approaches that may lead to better long-term results.

Policy Recommendation

The third administration (coalition government), should change some of the existing structural adjustment policies to bring change that the previous administrations could not achieve. In a broader sense, IMF structural adjustment programs has not benefited the poor but the further enriched the political elites. The policies deepened the poor people further into poverty. Policies such as exchange rate policies have exacerbated inflation in the economy, which is very harmful to already struggling poor population. Elimination of subsidies and cutting down budget are common conditionality of the structural adjustment programs in the Gambia, this conditionality harmed the poor farmers and increased inflation in the country.

It appears that for structural adjustment programs to be effective in the development and poverty alleviation in the Gambia, the country need to build up and strengthen institutions and capacities. It is evident from the economic review that weak institutions and lack of transparency largely hindered economic development and poverty alleviation goals in the country. IMF and World Bank should not only give loan and imposed policies that are not directly benefiting the population but the elites, rather they should strictly make sure there is transparency in using loans and aids to avoid corruption and financial mismanagement by the African politicians and civil servants. SAPs should not necessarily be to reduce the role of the state in a hope that markets will develop to take the responsibility of the state, rather to reposition the states activities to become a facilitator of development. Taking East Asian countries as a model, The Gambia like any other African countries should employ a combination of credit flows, subsidies, ownership, discipline and ethics to encourage movement up the technological and productive ladder. Rwanda, one of the fastest growing economy in Africa has followed similar model.

International institutions and the government should focus on measuring policy effectiveness in order to manage development effectively. They should develop a system that will track the progress of PRSP to generate a trustworthy data on the progress variables. Finally, the government should lay foundation that would help build up a production based economy to the extent that the country will not be dependent on aid in order to provide basic services to her poor population. The third administration (coalition government), should change some of the existing structural adjustment policies to bring change that the previous administrations could not achieve.

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Appendix

A. Graphs

Figure 2: Budget Balance 1990-2018

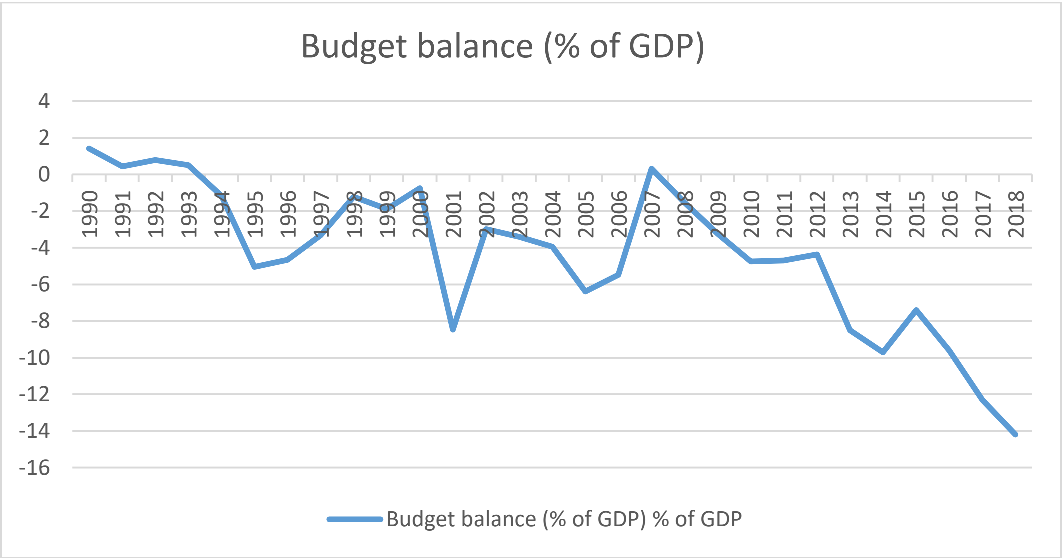

Figure 3: Debts

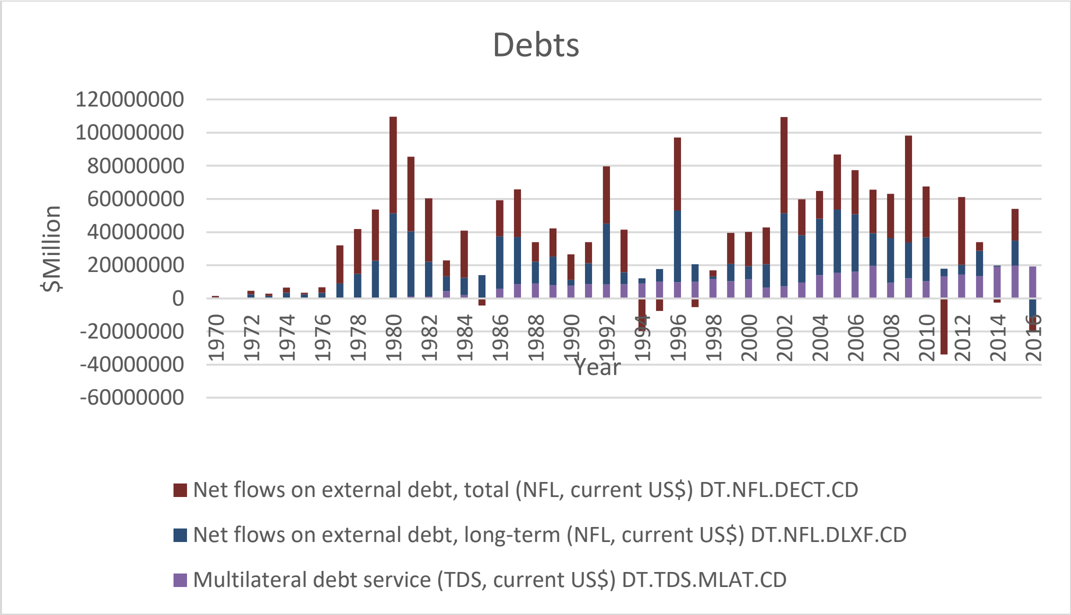

Figure 4: Inflation 1970-2016

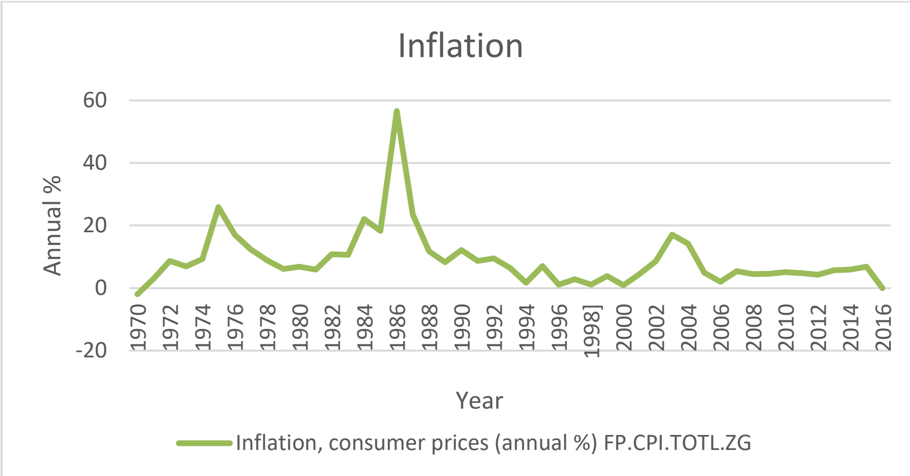

Figure 5: Gambia Real Effective Exchange

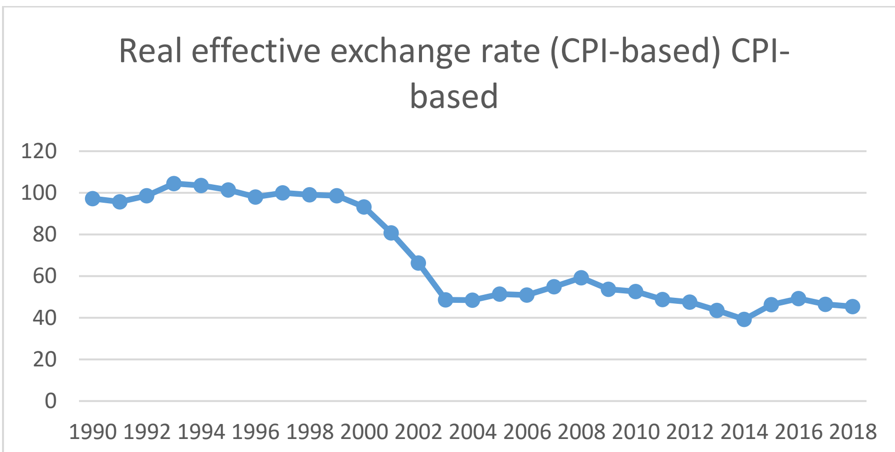

Figure 6: Gambia Foreign Exchange Reserve

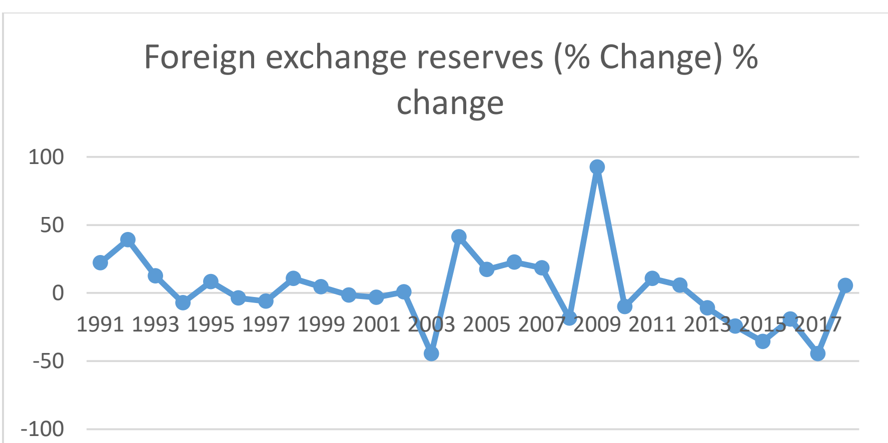

Figure 7: Broad Money Growth

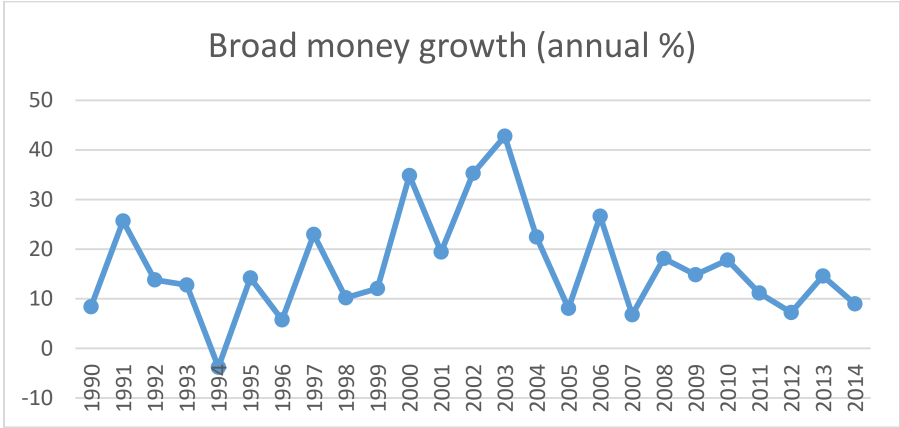

Figure 8: Domestic Credit to Private Sector

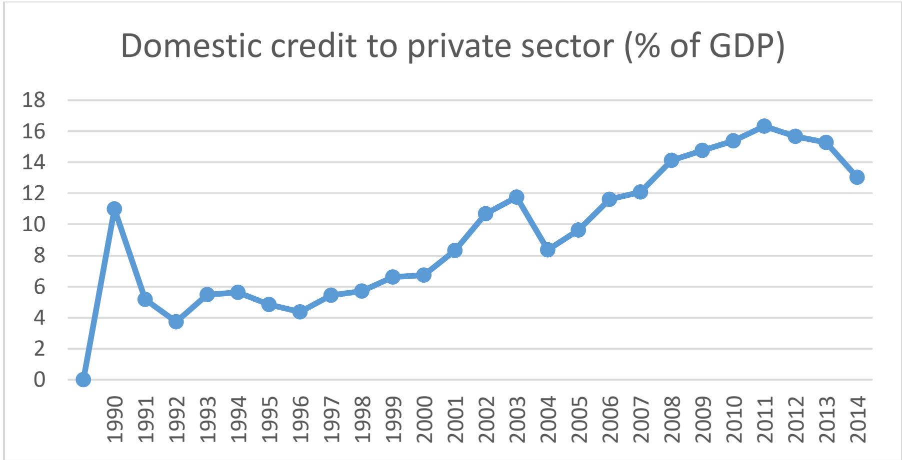

Figure 9: Domestic Credit and Broad Money

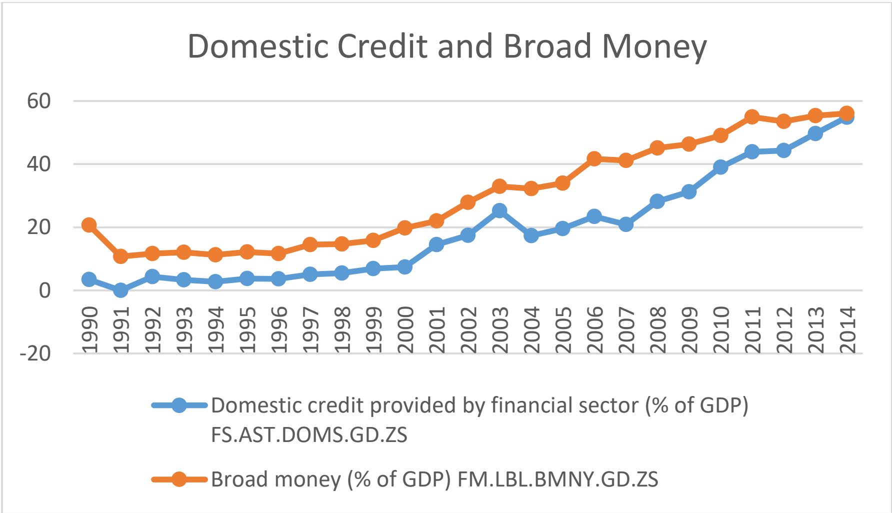

Figure 10: Gambia Real GDP Growth (% Change) 1990-2018

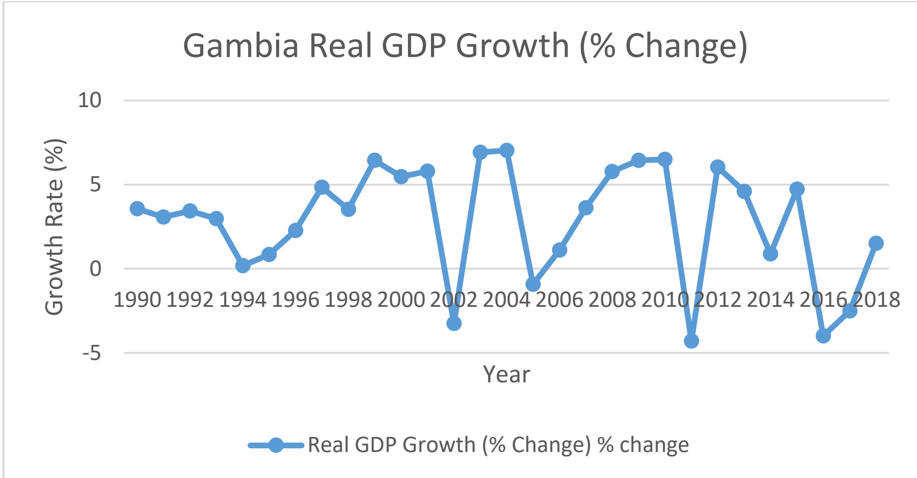

Figure 11: Export, Import and Trade Balance

B. STATA Output

Johansen tests for cointegration

Trend: constant Number of obs = 45

Sample: 1972 - 2016 Lags = 2

maximum rank	parms	LL	eigenvalue	trace statistic	5% critical value
0	56	-1094.3037	.	176.3978	124.24
1	69	-1060.792	0.77449	109.3745	94.15

2	80	-1038.3183	0.63169	64.4269*	68.52
3	89	-1023.0834	0.49191	33.9572	47.21
4	96	-1013.5981	0.34398	14.9867	29.68
5	101	-1007.4059	0.24059	2.6022	15.41
6	104	-1006.1123	0.05587	0.0150	3.76
7	105	-1006.1048	0.00033		

Vector error-correction model

Sample: 1972 - 2016 No. of obs = 45

AIC = 49.70303

Log likelihood = -1038.318 HQIC = 50.90038

Det(Sigma_ml) = 2.60e+11 SBIC = 52.91488

Equation	Parms	RMSE	R-sq	chi2	P>chi2
D_gdp	10	3.81783	0.5413	40.12584	0.0000
D_gnipc	10	38.7784	0.5885	48.62331	0.0000
D_exch	10	1.91397	0.4168	24.29853	0.0068
D_infl	10	20.674	0.5849	47.90311	0.0000
D_intr	10	11.4332	0.5890	48.73108	0.0000
D_gov	10	11.9676	0.2847	13.53088	0.1955
D_bop	10	7.77269	0.2216	9.677199	0.4693

| Coef. Std. Err. z P>|z| [95% Conf. Interval]

-------------+--

D_gdp |

_ce1 |

L1. | -1.247623 .2719074 -4.59 0.000 -1.780552 -.7146947

|

_ce2 |

L1. | -.0095468 .0021794 -4.38 0.000 -.0138183 -.0052753

|

gdp |

```
         LD. |   .1652443   .1786885     0.92   0.355    -.1849787    .5154673
             |
       gnipc |
         LD. |  -.0014464   .0140434    -0.10   0.918     -.028971    .0260782
             |
        exch |
         LD. |    .442725   .3701413     1.20   0.232    -.2827386    1.168189
             |
        infl |
         LD. |  -.0755209   .0820948    -0.92   0.358    -.2364238     .085382
             |
        intr |
         LD. |  -.1944338   .1323638    -1.47   0.142    -.4538621    .0649946
             |
         gov |
         LD. |  -.0332015   .0521942    -0.64   0.525    -.1355002    .0690972
             |
         bop |
         LD. |   .0294375   .0804278     0.37   0.714    -.1281981    .1870731
             |
       _cons |  -.5793398   .7023095    -0.82   0.409    -1.955841    .7971616
-------------+----------------------------------------------------------------
D_gnipc      |
        _ce1 |
         L1. |  -4.731659   2.761811    -1.71   0.087    -10.14471    .6813916
             |
        _ce2 |
         L1. |  -.0162427   .0221363    -0.73   0.463     -.059629    .0271435
             |
         gdp |
         LD. |   2.366254    1.81497     1.30   0.192    -1.191023    5.923531
             |
       gnipc |
```

LD. | .3600849 .1426415 2.52 0.012 .0805126 .6396571

|

exch |

LD. | -4.503174 3.75959 -1.20 0.231 -11.87184 2.865488

|

infl |

LD. | -1.182404 .8338515 -1.42 0.156 -2.816723 .4519153

|

intr |

LD. | -.3368418 1.344443 -0.25 0.802 -2.971901 2.298218

|

gov |

LD. | -.5544179 .5301455 -1.05 0.296 -1.593484 .4846482

|

bop |

LD. | .9972844 .8169193 1.22 0.222 -.603848 2.598417

|

_cons | 2.122636 7.133481 0.30 0.766 -11.85873 16.104

-------------+--

Cointegrating equations

Equation Parms chi2 P>chi2

_ce1 5 100.0515 0.0000

_ce2 5 125.3104 0.0000

Identification: beta is exactly identified

Johansen normalization restrictions imposed

----

beta | Coef. Std. Err. z P>|z| [95% Conf. Interval]

-------------+--

_ce1 |

gdp | 1 . . . . .

gnipc | 0 (omitted)

```
        exch |  -.1174658   .1224139    -0.96   0.337    -.3573926    .1224611
        infl |   -.766459   .1452514    -5.28   0.000    -1.051147   -.4817714
        intr |  -.1509496   .2246012    -0.67   0.502    -.5911598    .2892605
         gov |  -.1951759   .1013987    -1.92   0.054    -.3939137    .0035619
         bop |   .2148342   .0900269     2.39   0.017     .0383847    .3912837
       _cons |   8.672995          .        .       .            .           .
-------------+----------------------------------------------------------------
_ce2         |
         gdp |          0  (omitted)
       gnipc |          1          .        .       .            .           .
        exch |   33.98611   14.92298     2.28   0.023     4.737609     63.2346
        infl |   77.49294   17.70701     4.38   0.000     42.78785     112.198
        intr |  -27.66811    27.3802    -1.01   0.312    -81.33232     25.9961
         gov |    22.9771    12.3611     1.86   0.063    -1.250204    47.20441
         bop |  -17.88248   10.97481    -1.63   0.103    -39.39272    3.627749
       _cons |  -1354.631          .        .       .            .           .
------------------------------------------------------------------------------

   Lagrange-multiplier test
  +--------------------------------------+
  | lag  |      chi2    df   Prob > chi2 |
  |------+-------------------------------|
  |   1  |   43.7368    49     0.68579   |
  |   2  |   40.4843    49     0.80161   |
  +--------------------------------------+
   H0: no autocorrelation at lag order
```