

# **ECONOMIC IMPACTS OF THE STATE DURING THE PERIOD OF THE PUBLIC EMERGENCY IN THE GAMBIA**

## **Abstract**

The President of the Republic of The Gambia, acting under the constitutional powers vested on him, declared a State of Public Emergency on the 27<sup>th</sup> March, 2020. This declaration was made to serve as one of the preventive measures to combat and avoid the mass spread of the 2020 novel coronavirus pandemic (COVID-19). The declaration triggered brouhaha among The Gambian populace especially those that are hardly hit with it thereby lamenting the implications it could subject them to. This paper intends to examine the economic impacts of the State of Public Emergency on The Gambian populace.

## **Introduction**

Section 34(1) of the 1997 constitution of the Republic of The Gambia stipulates that the “President may, at any time by proclamation published in the Gazette, declare a State of Public Emergency”.<sup>1</sup> This constitutional provision was not spared after The Gambia confirmed cases of COVID-19 and the fear for its mass spread rose hence the President without hesitance declared a State of Public Emergency. The Declaration is based on five key components and this includes;

- ❖ All non-essential outlets in all markets and enclosed shopping areas shall be closed.
- ❖ All non-essential public places, such as bars, cafeterias, video clubs, gymnasiums, museums, night clubs, public swimming pools, event halls, casinos, gaming parlours and sporting venues shall be closed.
- ❖ All public places of worship shall be closed.
- ❖ The number of people attending any social gatherings (weddings, naming ceremonies and funerals) shall be restricted to maximum of ten (10) people.
- ❖ All public transport shall carry half of the total number of passengers they are allowed to transport by law.

## **Economic effects of the State of Public Emergency**

The economic effects of the state of emergency are staggering and health recovery must be prioritised. These impacts cannot be over emphasized, however, the following are some of the economic effects the state of emergency might have on The Gambian populace.

**Decline in Domestic Tax Revenue and Economic Growth:** the outbreak of COVID-19 and the subsequent declaration of State of Emergency will deeply impact The Gambia’s economy with the non-essential services expecting a significant decline in revenues, falling demand and job losses. The economic shock of the State of Public Emergency is sudden and unprecedented. The Gambia is projected to lose one (1) Billion Dalasis in terms of revenue performance for the year

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<sup>1</sup> Section 34: 1997 Constitution of the republic of The Gambia.

(equivalent to one month of GRA revenue collection in 2020) if the virus is not contained in the next three months.<sup>2</sup> The economic growth in 2020 is estimated to decline to 3% as opposed to the previous forecast of 6% at the beginning of the year.<sup>3</sup> The decline in economic growth is estimated to emanate from Trade, Remittances, construction, Hotels and Restaurants.<sup>4</sup> In addition, mild effects are anticipated in the manufacturing sector as supply side constraints through the lower supply of production inputs and other supplies will run low for most factory floors.<sup>5</sup> All non-essential outlets that are required to halt business during this period are potential tax payers to both the revenue authority and the local government. Due to the sudden and extensive economic impacts, local governments will see their revenues drop, particularly those revenues associated with economic activities.

## **Unemployment**

Africa's economies are dominated by their informal sectors which account for between 30% to 90% of all non-agricultural job and more than 40% of many African countries' gross domestic product.<sup>6</sup> Millions of Africans are unable to survive without some form of daily trade and don't have the luxury of bank savings, credit cards and online commerce to be able to stay indoors or "social distance" for extended periods.<sup>7</sup> The Gambia is not an exception to this. The closure of all non-essential services and outlets apparently increased the rate of unemployment. All those employees in this category lose their jobs and sources of income during this period. Average families in The Gambia survive by earning their living on a daily basis, i.e. work for today to provide for the family tomorrow. The standard of living of these families will inevitably fall, poverty will rise and eventually causing a recipe for decline in both the marginal propensity to save and consume.

The businesses that falls under this category can experience financial peril with forty five (45) days denial from operations. The question is how the non-essential services can and informal traders fully comply with the State of Public Emergency for the stipulated period given their precarious financial realities especially without stimulus packages. The lack of full compliance to the declarations might put the country at risk. These risks are now being heightened by recent concessions made by governments across the continent, in recognition of the economic

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<sup>2</sup> Finance Minister: The impact of COVID-19 in the country's Economic 2020, 17<sup>th</sup> March 2020

<sup>3</sup> Finance Minister: The impact of COVID-19 in the country's Economic 2020, 17<sup>th</sup> March 2020

<sup>4</sup> Finance Minister: The impact of COVID-19 in the country's Economic 2020, 17<sup>th</sup> March 2020

<sup>5</sup> Finance Minister: The impact of COVID-19 in the country's Economic 2020, 17<sup>th</sup> March 2020

<sup>6</sup> Quartz Africa: Across Africa, a reliance on the informal sector threatens effective coronavirus lockdown, <https://qz.com/africa/1831785/coronavirus-citizens-in-africas-informal-economy-try-to-survive/> Retrieved: 10<sup>th</sup> April, 2020.

<sup>7</sup> Quartz Africa: Across Africa, a reliance on the informal sector threatens effective coronavirus lockdown, <https://qz.com/africa/1831785/coronavirus-citizens-in-africas-informal-economy-try-to-survive/> Retrieved: 10<sup>th</sup> April, 2020.

vulnerability of informal businesses and traders. Authorities in Nigeria have announced a partial opening of markets amid the lockdown. In Mauritius, the government has created a calendar allocating market shopping days to citizens based on the first letters of their surname and, in South Africa, restrictions on informal businesses and small convenience stores locally known as *spaza shops* have now been eased.<sup>8</sup>

## **Transportation**

The impact of the declaration did not exclude the public transportation in The Gambia. Economics is a behavioral science that responds to stimuli. The declaration made by the president on the transportation sector has hugely impacted the industry. Transport fares marked up, vehicle owners seize to enter traffic and commuting becomes a nightmare hence the movement of people to run essential services hindered. The drivers laments that the declaration without being backed by stimulus packages such as strategizing the price level of fuel is not sustainable.

Most of the people in The Gambia use public transport services to run their daily activities. The struggle in the public transport services hugely affects the essential workers in their daily transportation to and from their respective work places. The drivers set themselves their own fares to buffer the losses they incur in carrying half the number of passengers they are licensed to carry by the law. This increment of transport fares has added more problems especially for the poor who are already struggling financially to make ends meet. It has caused the scarcity of commercial vehicles in traffic, problems between passengers and drivers on transport fares and most importantly adding more crises on the financial realities of our populace.

## **Tourism**

The travel industry has been badly damaged, with airlines cutting flights and tourists cancelling business trips and holidays. Governments around the world have introduced travel restrictions as part of measures to contain the virus. Data from the flight tracking service Flight Rader 24 shows that, the number of flights globally has taken a huge hit.<sup>9</sup> The tourism industry in The Gambia contributes over 20% of the Gambia's GDP to the economy.<sup>10</sup> It offers gainful employment to citizens both directly and indirectly and is a source of the much needed foreign currency which helps the country to settle the yearly balance of payment and solidifies the national foreign reserve.

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<sup>8</sup> Quartz Africa: Across Africa, a reliance on the informal sector threatens effective coronavirus lockdown, <https://qz.com/africa/1831785/coronavirus-citizens-in-africas-informal-economy-try-to-survive/> Retrieved: 10<sup>th</sup> April, 2020.

<sup>9</sup> BBC News: a visual guide to the economic impact, <https://www.bbc.com/news/business-51706225> Retrieved 12th April, 2020.

<sup>10</sup> APA-Banjul (The Gambia) Gambia's Tourism industry report.

The State of Public Emergency has hindered these opportunities and rendered many Gambians jobless ranging from hotel workers, restaurants, clubs, casinos and even local “bumsters” who tries to make ends meet from tourists and the whole industry at large. Even though The Gambia is not in her peak season in receiving tourist but the industry continues to remain a vibrant source of earning incomes to many Gambians who serves the local people and even the few tourists who visits the country regardless of the peak season. Places like nightclubs, restaurants, casinos, etc. continue to render its services even beyond the peak season. However, the President’s declaration has laid most of the workers in the industry off their work thereby blocking their sources of income, increasing poverty and reducing standards of living.

### **Inflation, Hoarding and Smuggling**

The State of Public Emergency has induced panic food buying by many families in The Gambia and this could ignite inflation even though the government has measures in place to avoid over pricing of commodities, hoarding and smuggling. These measures among others, is the Emergency Powers Regulations Act, 2020. The panic buying is not a supply issue but rather a behavioral change over food security. Many panic buyers are stocking their food stores to avoid any possibilities of food shortage during the period of the state of emergency. The government has put in strict measures such as coming up with commodity pricing of essential commodities and penalties to prevent such economic shocks from happening. However, the market forces of demand and supply from the global market to the local markets determine the economic shocks.

The natural forces of demand, supply and prices dictates the market and not the state authorities hence a perfect competitive market. The increasing demand for essential commodities such as food stuffs and hand sanitizers might lead to the increase in prices of those commodities thereby causing inflation, hoarding and smuggling of essential commodities. The Anti-Crime Unit of The Gambia Police Force have recently arrested twelve (12) people who were mainly Gambians, Senegalese and Bissau Guineans for smuggling essential commodities such as rice, bags of sugar, bags of onions, and gallons of oils outside The Gambia.<sup>11</sup>

It is reported to have intercepted Four thousand (4,000) bags of sugar that were part of the items to be smuggled out of the country mainly to places like Cassamance, Senegal and Guinea Bissau.<sup>12</sup> These among others, are major impacts the state of emergency have on the Gambian populace and it has cause scarcity and persistent increase in the price levels of essential commodities. These unfortunate circumstances would even hit harder on the most vulnerable considering their standard of living and financial realities in this traumatizing moments.

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<sup>11</sup> Kerr Fatou: Camara Arfang ms, Police arrest essential good smugglers, <http://www.kerr-fatou.com/police-arrest-essential-goods-smugglers/>, Retrieved: 12<sup>th</sup> April, 2020.

<sup>12</sup> Kerr Fatou: Camara Arfang ms, Police arrest essential good smugglers, <http://www.kerr-fatou.com/police-arrest-essential-goods-smugglers/>, Retrieved: 12<sup>th</sup> April, 2020.

## Conclusion

The forty five (45) days state of emergency is a key measure the government put up to curb the spread of the deadly COVID-19 in The Gambia. This might be the most appropriate measure to prevent the mass spread of the virus and prioritizing the wellbeing of citizens. However, this measure is accompanied by major macro and micro economic effects on our economy and The Gambian populace. Since the first declaration by the President, public chaos became the order of the day and this was worsened by the extension of the declaration to forty-five days which left many in frustration. The partial lockdown will have both short and long run effects on our economy thereby adding more fiscal deficiencies and slowing economic growth.

The overall productivity and output of the economy declines, the GDP projected to stumble and grow by a paltry 3% as opposed to the previous forecast of 6.3% for the year 2020 due to the effects of the coronavirus pandemic.<sup>13</sup> The Gambia is estimated to lose one (1) Billion Dalasis in terms of revenue performance (equivalent to one month of GRA revenue collection in 2020) if the virus is not contained in the next three months.<sup>14</sup> This foresees a decline in economic growth. Investments declines and interest rates reduce. Unemployment and inflation rises, public transport remains frustrating and foreign exchange earnings declines hence causing more harm to our balance of payments. Poverty increases and the standard of living continue to reduce for the most vulnerable and frustration escalates by the day. These among others, are real indicators of the staggering macro and micro economic effects of the state of emergency on our economy and The Gambian populace especially without stimulus packages.

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<sup>13</sup> Finance Minister: The impact of COVID-19 in the country's Economic 2020, 17<sup>th</sup> March 2020.

<sup>14</sup> Finance Minister: The impact of COVID-19 in the country's Economic 2020, 17<sup>th</sup> March 2020.