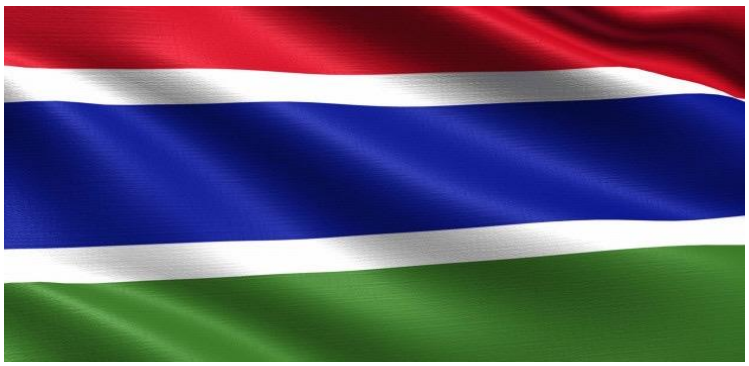

THE GOVERNMENT OF THE GAMBIA

MEDIUM-TERM ECONOMIC FISCAL FRAMEWORK

2025 – 2028

MINISTRY OF FINANCE AND ECONOMIC AFFAIRS

July, 2024

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LIST OF ACRONYMS

AfDB	African Development Bank
CBG	Central Bank of the Gambia
CDM	Clean Development Mechanism
CER	Certified Emission Reduction
COVID-19	Corona Virus Disease 2019
ECOWAS	Economic Community of West African States
EU	European Union
GBoS	Gambia Bureau of Statistics
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GLF	Gambia Local Fund
GMD	Gambian Dalasi
GRA	Gambia Revenue Authority
GSRB	Gambia Strategy Review Board
IMF	International Monetary Fund
MDAs	Ministries Departments Agencies
MoFEA	Ministry of Finance and Economic Affairs
MTDS	Medium-Term Debt Strategy
MTEFF	Medium-Term Economic Fiscal Framework
NAWEC	National Water and Electricity Company
NDB	Net Domestic Borrowing
NDP	National Development Plan
NSPS	National Social Protection Secretariat
OIC	Organization of Islamic Cooperation
PIP	Public Investment Programme
RF-NDP	Green Recovery Focused National Development Plan
SoEs	State-Owned Enterprises
SDGs	Sustainable Development Goals
UNDP	United Nations Development Program
USD	United States Dollars
WEO	World Economic Outlook

Executive Summary

MTEFF (2025-2028) is framed to ensure medium-term fiscal sustainability while also improving the delivery of basic social and infrastructure services. The projections and strategies presented in this document incorporate recent developments in the real, fiscal, financial, and external sectors as well as appropriate adjustment mechanisms.

The global economic landscape has shown notable resilience amidst disinflationary pressures. On the domestic front, the economy is on a sustained recovery. In the medium term, the economy is projected to grow at an average of 5.2 percent notwithstanding risks of climate change and uncertainties in the global economy. Inflation is expected to gradually slow down towards the CBG target of 5 percent.

The medium-term fiscal outlook, despite gains from revenue mobilization reforms, is faced with a funding squeeze due to envisaged decline in grants, and huge debt service following the expiry of debt deferrals as well as high maturing short-term domestic securities. The funding squeeze has potential to reverse the gains made so far and trigger spillover effects on the financial sector. Restoring the country on a sustainable fiscal path requires the Government to make difficult decisions. Some of these include:

- Fast-tracking the implementation of domestic revenue mobilization measures.
- Reprioritizing expenditures with a view of striking a balance between ensuring the provision of basic Government services and public investment.
- Debt restructuring that prioritizes reprofiling short-term securities into long-term and pursuing concessional external financing.

1. Introduction

MTEFF outlines fiscal policies and budgetary goals over a medium-term horizon and serves as a roadmap for managing Government finances and achieving various economic objectives. MTEFF also provides understanding of the origin and size of fiscal challenges as well as the impact of revenue and spending policy proposals before they are adopted giving early warnings about the fiscal sustainability. Successful implementation of MTEFF has many potential benefits. It helps maintaining a sustainable fiscal stance by generating a credible and predictable annual budget.

It is against this background that the Ministry of Finance and Economic Affairs (MOFEA) designed an MTEFF (2025-2028) strategy with the aim of framing short to medium solutions that will strengthen the macroeconomic and fiscal fundamentals.

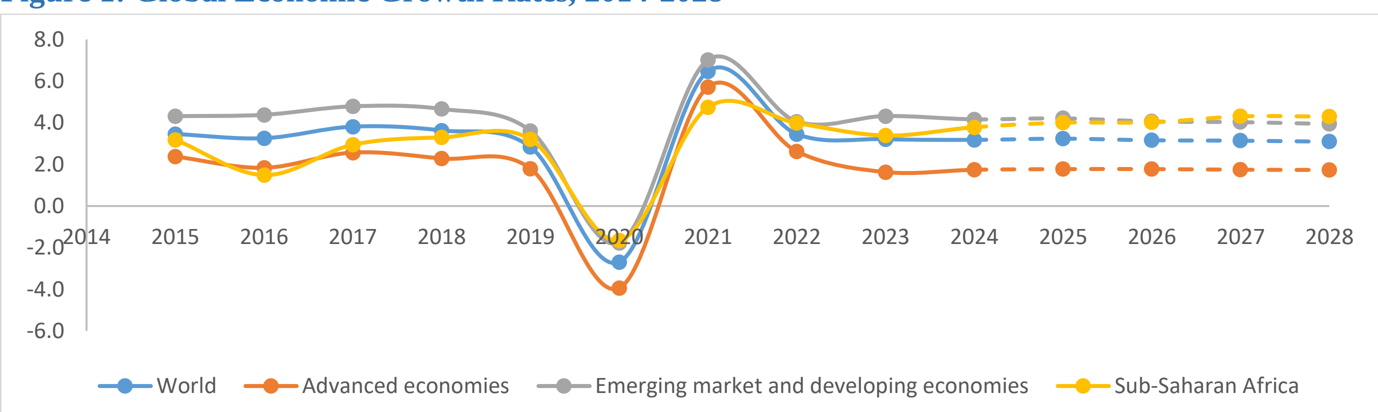
2. Macroeconomic Overview

1.1 Global Economic Developments

1.1.1 Global Growth

According to the International Monetary Fund (IMF), the global economy has shown remarkable resilience in the face of disinflation. Growth is projected at 3.2 percent for 2024 and 2025. It is expected to average 3.1 percent in the medium term. The growth trajectory is shaped by weak productivity, increasing geo-economic fragmentation, and divergent performance between advanced economies and emerging markets. Advanced economies are expected to experience a slight improvement in growth, driven by better prospects in the USA. This, however, will be offset by a slowdown in emerging and developing countries particularly, in Asia. Low-income developing countries including The Gambia are expected to experience increasing growth due to easing constraints.

Figure 1: Global Economic Growth Rates, 2014-2028

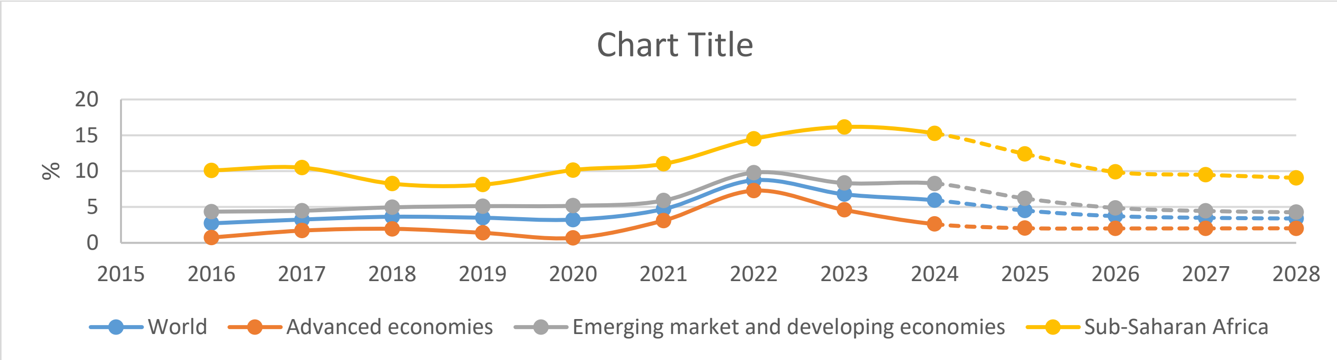


1.1.2 Global Inflation

Global headline inflation is slowing down due to fading pass-through effects from moderating energy and food prices as well as monetary policy tightening. The decrease in inflation is being seen in most regions of the world. Global headline inflation is projected to decline from an annual average of 6.8 percent in

2023 to 5.9 percent and 4.5 percent in 2024 and 2025, respectively. Disinflation is expected to be faster in advanced economies compared to other regions.

Figure 2: Global Inflation Trends



1.1.3 Commodity Prices

International commodity prices have risen in recent months driven by a supply and demand mismatch, arising from concerns over geopolitical instability and adverse weather conditions. The risk to oil price outlook remains balanced. The downside price risk may arise from an escalation of the Middle East conflict and attacks on Russian oil infrastructure while the upside risk may arise from a slowdown in Chinese oil demand and strong supply from non-OPEC countries coupled with an increase in supply from OPEC+ countries to re-claim market share.

Figure 3:Commodity Price Index

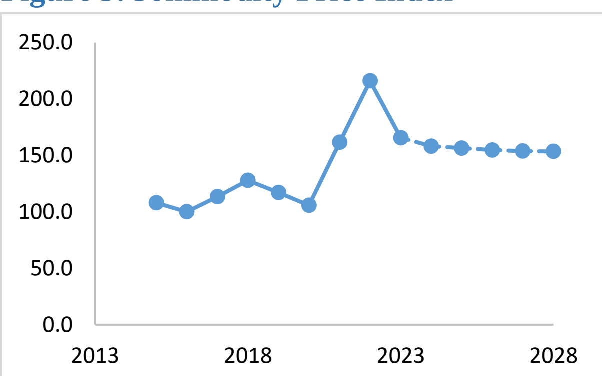
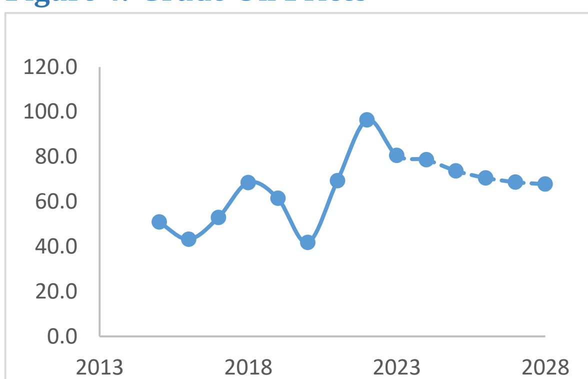
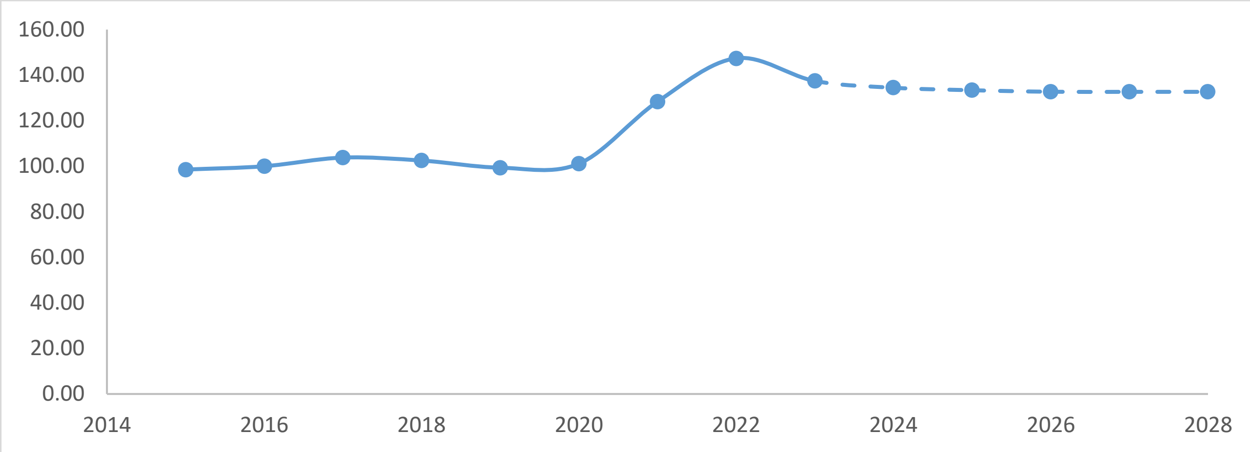


Figure 4: Crude Oil Prices



Regarding food prices, despite an increase of 6 percent during the first quarter, they are predicted to decline by 6 percent and 4 percent in 2024 and 2025, respectively. The decline will be driven by grain and oil. Risk to the overall food prices outlook remains balanced. The upside risk constitutes larger-than-expected harvests while the downside risk is dominated by new food export restrictions and trade disruptions.

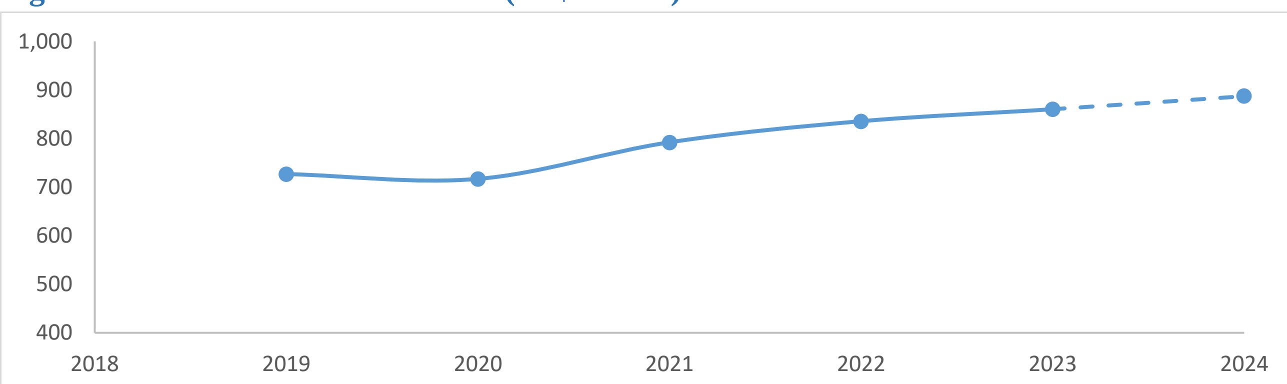
Figure 5: International Food Price Index



1.1.4 Global Remittances

In 2023, global remittance flows are estimated to have reached $860 billion driven by resilient labor markets in advanced economies and supportive measures by recipient countries. Global remittances are projected to reach US$887 billion by 2024, driven by increased international migration, globalization, and advancements in technology, which have transformed the way money is transferred across borders. The coming in of digital platforms and fintech solutions are also offering more efficient and cost-effective options for sending and receiving funds. On the downside de-risking procedures, tight Government controls, and regional variations in remittance prices may pose challenges to remittance flow.

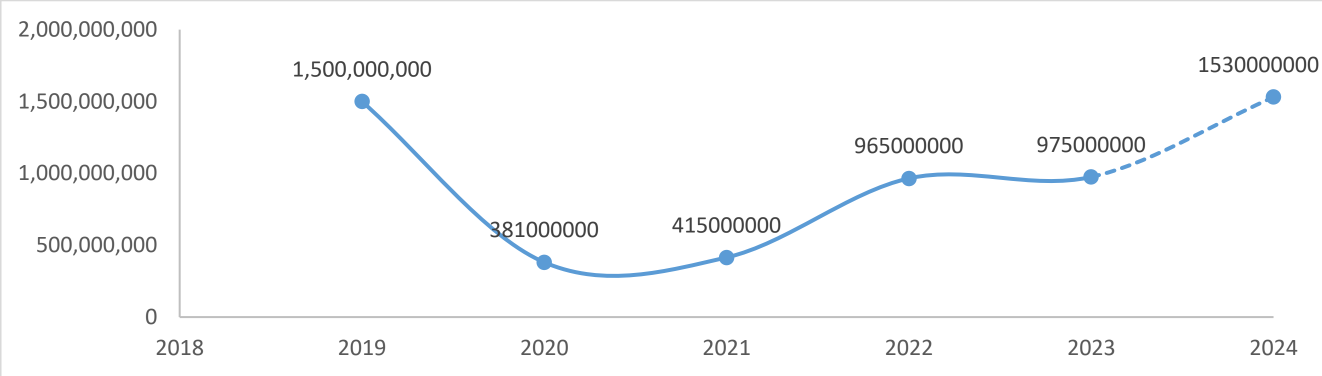
Figure 6: World Remittance Inflows (US$ Billion)



1.1.5 Global Tourism Arrivals

According to the United Nations World Tourism Organization, the travel and tourism industry in 2023 recovered 88 percent of pre-pandemic levels, supported by strong pent-up demand. Europe saw 94 percent of its 2019 levels of travel supported by intra-regional demand and travel from the United States. Africa regained 96 percent of its pre-pandemic tourism, whereas the Americas attained 90 percent. Asia and the Pacific recovered to 65 percent of pre-pandemic levels as several marketplaces and travel hubs reopened. It is anticipated that the travel, hotel, and tourist industries will grow by 18 percent by 2024.

Figure 7: Global Tourism Arrivals

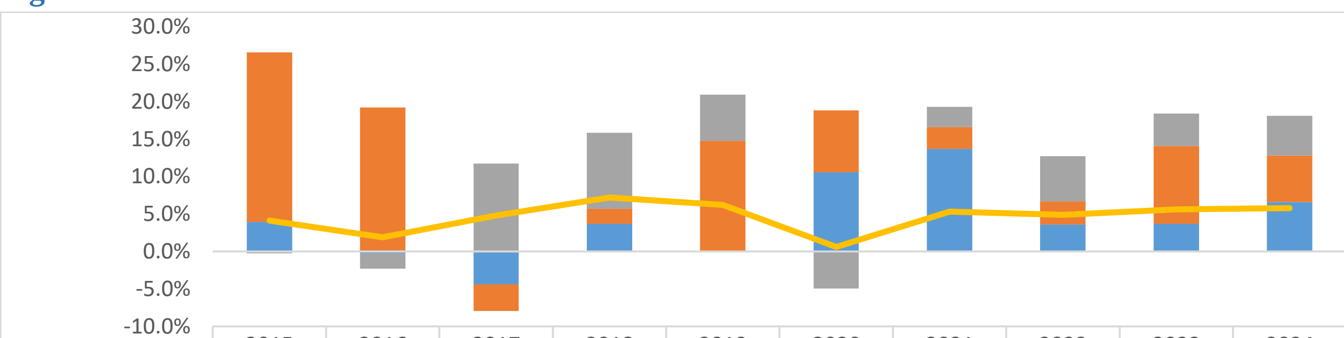


1.2 Domestic Recent Macroeconomic Developments

1.2.1 GDP Growth

The domestic economy maintained the recovery trajectory in 2023, with GDP growth estimated at 5.3 percent against 4.9 percent realized in 2022. The uptick in growth is attributed to more than anticipated positive developments in agriculture, tourism and construction, financial services, and communication sectors. Other sectors such as manufacturing, however, underperformed due to declining competitiveness. The first quarter developments of 2024 are showing strong tourist arrivals and increased remittances compared to the previous year. The front loading of infrastructure in the first quarter by the Government will result in relatively lower construction activity in the upcoming quarters. Resultantly, overall growth has been revised downwards from the initial projection of 6.2 percent to 5.8 percent.

Figure 8: GDP Growth Trend



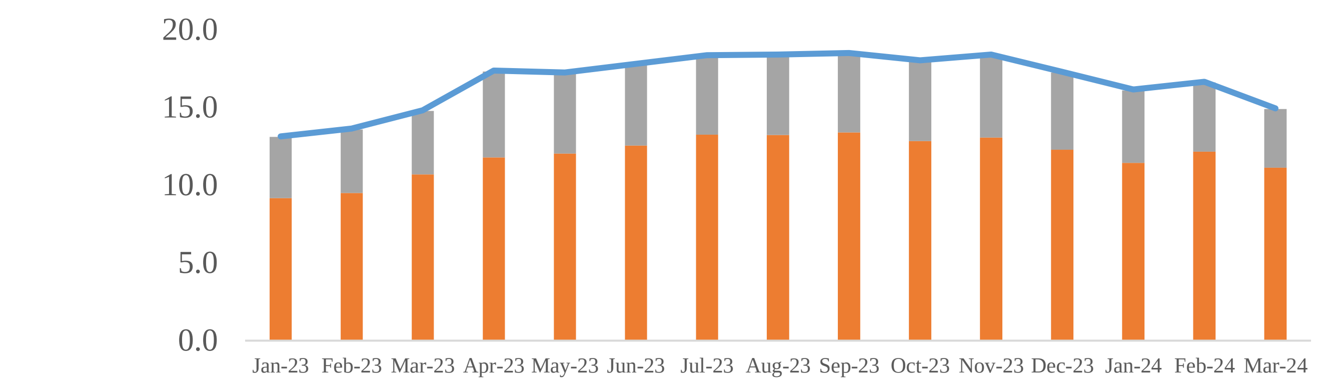
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Services	-0.2%	-2.1%	11.7%	10.1%	6.1%	-5.0%	2.7%	6.0%	4.3%	5.3%
Industry	22.6%	19.2%	-3.5%	2.0%	14.8%	8.2%	2.9%	3.1%	10.4%	6.2%
Agriculture	4.0%	-0.2%	-4.4%	3.7%	-0.1%	10.6%	13.7%	3.6%	3.7%	6.6%
GDP	4.1%	1.9%	4.8%	7.2%	6.2%	0.6%	5.3%	4.9%	5.6%	5.8%

Source: MPAU using data from GBOS

1.2.2 Inflation Developments

The economy was faced with high inflationary pressures in 2023 driven by exchange rate depreciation and rising international commodity prices, particularly energy and food. The inflation surge peaked at 18.5 percent in September 2023, before declining to 11 percent in April 2024. Pronounced declines were recorded mainly in food and energy items on account of moderating global prices and better domestic cropping season. For the remaining part of 2024, inflation is expected to maintain a downward trajectory despite elevated inflation expectations and uncertainties surrounding global commodity prices.

Figure 9:Headline Inflation



	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
Non-Food	3.9	4.1	4.1	5.5	5.2	5.2	5.1	5.1	5.1	5.2	5.3	5.0	4.7	4.4	3.8
Food	9.2	9.5	10.7	11.8	12.0	12.6	13.3	13.2	13.4	12.8	13.1	12.3	11.4	12.2	11.1
Healine Inflation	13.1	13.6	14.8	17.4	17.2	17.8	18.4	18.4	18.5	18.0	18.4	17.3	16.2	16.7	14.9

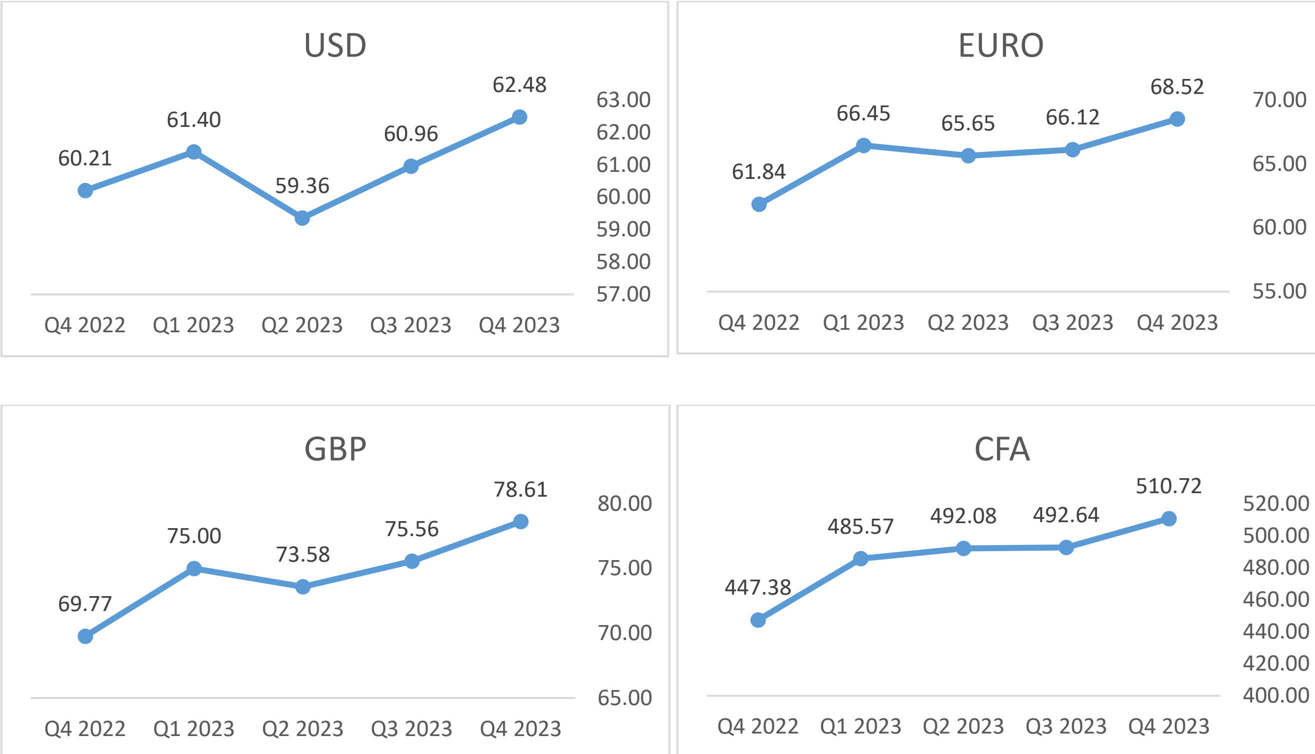
1.2.3 Monetary Policy Stance

Given high inflationary pressure, the Monetary Policy Committee has been increasing the policy rate throughout 2023. The MPC in February and in May 2024 has decided to stay the course and maintained the policy rate at 17 percent noting the need to sustain the declining trend in inflation. The Committee also decided to maintain the required reserve at 13 percent, the interest rate on the standing deposit facility at 3 percent, and the standing lending facility at 1 percentage point over the monetary policy rate. In the remaining quarters of 2024, the MPC will closely monitor inflation developments and decide accordingly.

1.2.4 Exchange Rate Developments

The value of the dalasi was depreciating rapidly in 2023 against all major trading currencies due to higher demand for foreign exchange to meet increased imports of essential items. The depreciation continued in the first quarter of 2024 although at a slower rate. This was in response to the adoption of a new foreign exchange policy by the CBG and the revised guidelines for the foreign exchange bureau to ensure transparency as well as smooth functioning of the market. Consequently, the wedge between parallel and official exchange rate narrowed significantly during the quarter.

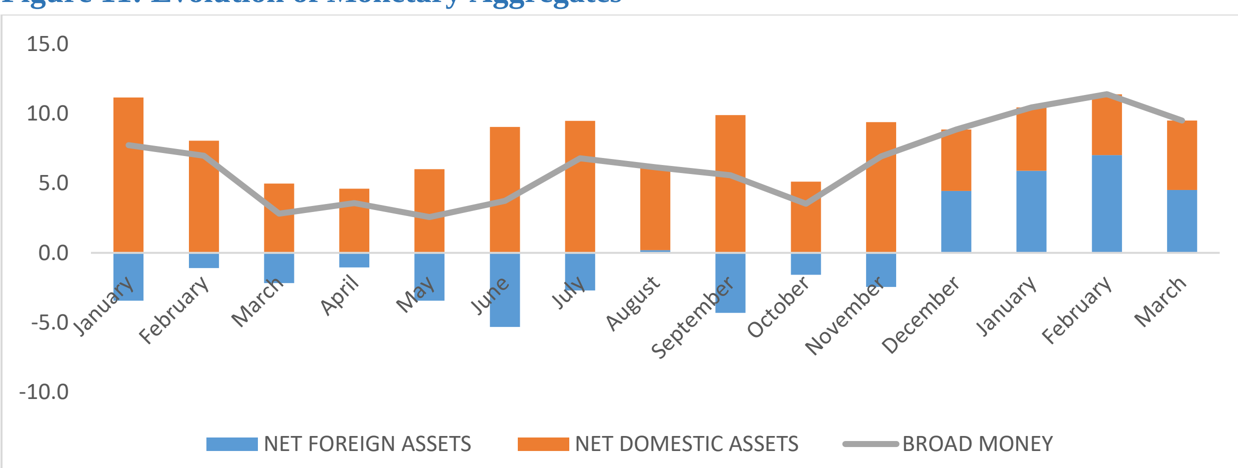
Figure 10: Exchange Rate Movements 2022-2023(Quarter on Quarter)



1.2.5 Monetary Sector Developments

Broadly the monetary conditions were relatively tight in 2023, with annual broad money growing at an average of 5.4 percent. This was attributed mainly to the stance adopted by CBG to stabilize the exchange rate and fight inflation. Broad money growth, however, went above average during the first quarter of 2024. This was due to improvement in net foreign assets, particularly of CBG which benefited from increased foreign currency inflows from higher-than-expected tourism receipts and remittances. In the outlook to year-end, growth in broad money is expected to slow down on account of the envisaged decline in foreign currency flow.

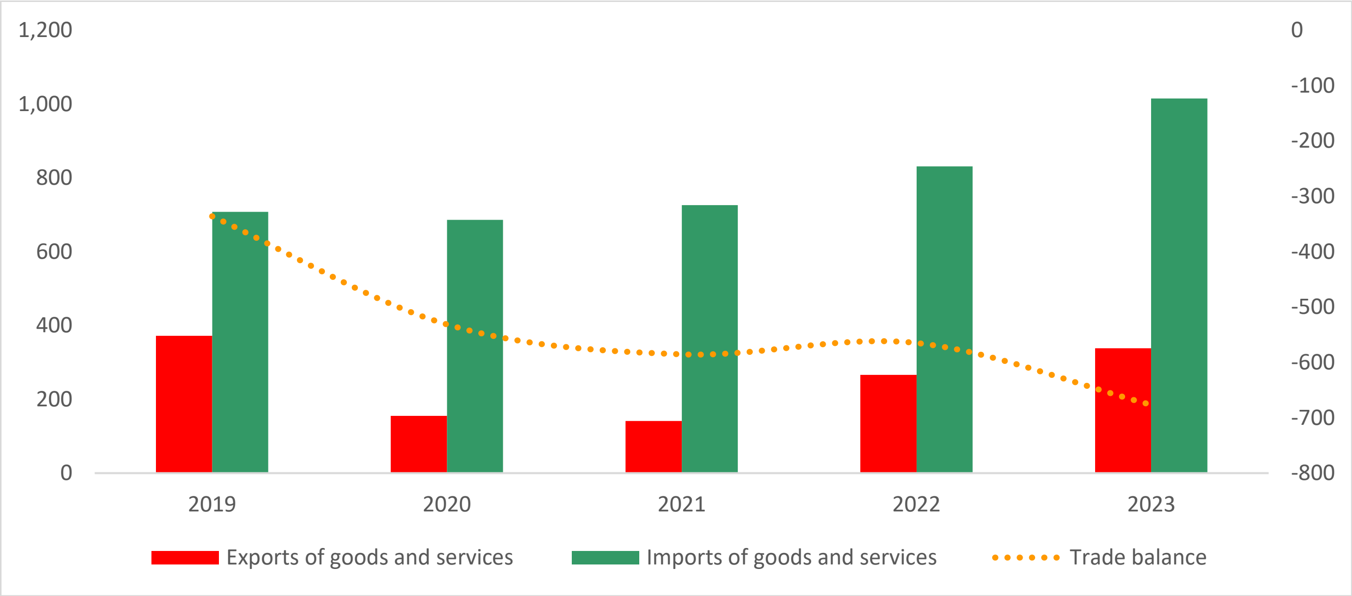
Figure 11: Evolution of Monetary Aggregates



1.2.6 External Sector Developments

High international commodity prices, compounded by the GMD depreciation triggered a significant deterioration in the terms of trade and steadily increased the trade deficit in 2023. Improvement in the remittance inflows and budget support, however, was not enough to overturn the trade deficit. resultantly the overall current account deficit in 2023 widened to US$160.8 million from 129.9 million in 2022. The first quarter of 2024 has shown significant improvement in trade balance following moderation in international commodity prices and better harvest in the cropping season. Moreover, the services account balance continues to improve, owing to a strong recovery in the tourism sector. Furthermore, net remittance inflows registered an increase and are expected to maintain an upward trajectory on account of resilient global economy.

Figure 12: Trade balance (US$ million)



1.2.7 Fiscal Developments

The Government has embarked on fiscal consolidation aimed at stabilizing public finances while at the same time preserving growth through supporting infrastructure investment. The consolidation has been focused on increasing domestic resource mobilization and reprioritizing expenditures. Resultantly, fiscal deficit and debt as a ratio of GDP are progressively declining towards sustainable levels.

1.2.7.1 Revenue

The domestic revenue mobilization efforts being pursued by the Government have started bearing fruits. In 2023, the collection efficiency as measured by the ratio of domestic revenue to GDP improved from 12.1 percent in 2022 to 13.1 percent in 2023. Overall domestic revenue overperformed against the target driven mainly by customs duty and VAT on imports, which benefited from increased imports and tightening of duty waivers. Other tax heads such as Excise, VAT on domestic goods, personal income tax, and corporate income tax although higher than in 2022, under-performed against the target. The underperformance was on account of lower than anticipated tax compliance due to continued low usage of digital systems in tax administration, limited audit capacity at GRA to audit complex sectors, as well as continued generous and uncoordinated tax exemptions. Similarly, non-tax revenue was slightly below its programmed target but higher than in 2022.

The 2024 first-quarter developments reflect a continued domestic revenue overperformance against the target. This was due to increased collections of VAT on imports and corporate income tax. The overperformance benefited from the implementation of numerous revenue mobilization reforms, including increased withholding tax compliance, operationalization of the single window platform, implementation of the rental tax compliance system implementation of the Digital Tracing System (DTS), and commencement of e-tracking of transit trucks from the borders, fuel trucks from fuel depots to the exit borders, and goods for warehousing from the seaport to the designated warehouses, and from the warehouses to the borders. Despite the overall good performance, excise tax, personal income tax, and non-tax revenue underperformed against the target. The underperformance of excise tax on domestic goods was due to delays in rolling out the IT system for excisable goods, revenue assurance system for mobile network operators, and fuel. Based on the first quarter developments, total revenue is on track to meet the 2024 target.

Table 1: Revenue Performance (GMD million)

	2022			2023			2024 Q1		
	Outturn	**Budget**	**Variance (percent)**	**Outturn**	**Budget**	**Variance (percent)**	**Outturn**	**Target**	**Variance (percent)**
Revenue and Grants	**22,905**	**29,869**	**(23)**	**29,513**	**33,499**	**(12)**	**7,381**	**7,420**	**(1)**
Domestic Revenue	**14,496**	**16,509**	**(12)**	**17,842**	**17,336**	**3**	**5,588**	**5,236**	**7**
Tax Revenue	11,159	12,650	(12)	13,915	13,417	4	4,678	4,268	10
Personal	1,361	1,340	2	1,630	1,697	(4)	400	495	(19)
Corporate	2,359	2,271	4	2,475	2,867	(14)	1,102	804	37
Capital Gains	133	186	(29)	150	204	(26)	33	56	(41)
Payroll	44	48	(9)	56	58	(2)	42	41	2
Stamp Duties	51	57	(9)	53	63	(16)	13	16	(16)
Excise Duties	757	1,110	(32)	807	1,106	(27)	288	323	(11)
Value Added Tax	1,589	1,669	(5)	1,825	1,984	(8)	556	510	9
Duty	2,596	3,111	(17)	3,459	3,020	15	1,113	1,078	3
Oil	562	873	(36)	807	767	5	248	290	(14)
Non-oil	2,034	2,238	(9)	2,652	2,253	18	865	787	10
VAT on imports	2,177	2,714	(20)	3,364	2,285	47	1,095	943	16
Oil	606	922	(34)	1,280	582	120	428	338	27
Non-oil	1,571	1,792	(12)	2,084	1,702	22	668	605	10
Nontax Revenue	**3,337**	**3,860**	**(14)**	**3,927**	**3,919**	**0**	**909**	**968**	**(6)**
Government	1,857	2,006	(7)	2,214	2,127	4	298	317	(6)
GRA	1,480	1,538	(4)	1,713	1,792	(4)	611	651	(6)
Grants	**8,409**	**13,360**	**(37)**	**11,671**	**16,163**	**(28)**	**1,793**	**2,184**	**(18)**
Program	2,300	3,690	(38)	4,082	2,604	57	-	-	
Projects	6,109	9,669	(37)	7,588	13,559	(45)	1,793	2,184	(18)

Source: MPAU using data from GRA and AGD

1.2.7.2 Grants

Grant disbursement has been on the increase on account of both project and program. In 2023, program grants were more than anticipated reflecting improved compliance with donor disbursement conditionalities. The program grants focused on fostering improved governance, bolstering fiscal resilience, and supporting transformative reforms in public financial management. Project grants although falling below target were relatively higher than 2022. The increase was in line with the scaling up of key infrastructure projects. In the first quarter of 2024, despite front loading of infrastructure projects, project grants fell below target. Program disbursements are expected in the second half of the year upon meeting conditionalities. The performance of which was satisfactory across all sectors during the quarter.

Table 2: Summary of Reform Matrix

Benchmark	Timing	Status
IMF		
Set up a platform and command center for a single window of customs administration.	End-February 2024	Met
Sign performance contracts with four additional SOEs.	End-February 2024	Met
Transmit the Ombudsman reports for 2021 and 2022 to the National Assembly and published on the website.	End-March 2024	Met
EU		
Under transitional justice reforms (1a): i. Develop training modules for law enforcement officials on handling sexual and gender-based violence (SGBV) matters as part of regular training, within the context of security sector reform (SSR).	End-May 2024	On-going
Migration reforms (2a): i. A Manual of procedures/guidance note facilitating the establishment of nationality and the issuance of travel documents adopted and disseminated to Gambian diplomatic and consular representations (including honorary consuls and long-term identification experts) in the EU MS and Schengen Associated countries.	End-May 2024	On-going
World Bank		
To revitalize commercial agriculture and food safety, the Recipient has issued (i) the regulations on maize and rice value chains, establishing rules and enforcement mechanisms for the maximum limits of aflatoxin levels, including the roles of food business operators in complying with the safety standards and (ii) harmonized fertilizer distribution scheme to improve transparency, efficiency, and targeting.	End-September 2024	On-going
AfDB		
General PFM reforms: i. Approval of the PFM Regulations by the Minister of MoFEA. Trigger. ii. Develop and approve a gender-based budgeting framework. iii. Full adoption of IFMIS by all eight (8) Local Government Authorities. (LGA's).	End-December 2024	On-going

1.2.7.3 Expenditure

Expenditure in 2023 was managed within budget despite facing significant headwinds. These relate to higher-than-budgeted spending by the Ministry of Basic Education (GMD 470 million), Ministry of Foreign Affairs (GMD 320 million), Ministry of Interior (GMD 83 million) and Ministry of Health (GMD 81 million). Overruns were also recorded in interest payments due to a rise in the cost of domestic borrowing. The pressure was also due to uptake of unbudgeted infrastructure projects. The overruns were, however, contained through expenditure reprioritization and additional space created through higher-than-expected domestic revenues and program grants.

First quarter developments of 2024 further indicate the Government's commitment to manage expenditures within budget. Notwithstanding the effort, pressure was high, emanating from the full impact of wage increases effected last year, front loading of OCI-related expenditure, overdue IPCs, and completion of the University of Gambia and solar projects. These were, however, managed through reprioritization and postponing of other expenditures. With the easing of spending pressure in the remaining months of the year, total expenditures for 2024 are expected to remain within Budget.

Table 3: Expenditure Performance (GMD million)

	2022			2023			2024 Q1		
	Outturn	Budget	Variance (percent)	Outturn	Budget	Variance (percent)	Outturn	Target	Variance (percent)
Expenditure	**25,761.6**	**31,408.7**	**21.9**	**34,925.1**	**37,150.6**	**29.6**	**9,655.8**	**9,817.0**	**1.7**
Current Expenditure	**17,033.7**	**18,581.6**	**9.1**	**18,520.0**	**23,712.1**	**28.0**	**6,036.1**	**6,738.3**	**11.6**
Personnel Emoluments	5,627.2	5,021.1	(10.8)	6,804.6	6,105.3	(10.3)	1,802.3	1,780.2	(1.2)
Other Charges	8,789.9	8,440.4	(4.0)	8,692.0	14,696.5	69.1	3,009.9	3,251.3	8.0
Goods and services	4,057.4	4,693.2	15.7	3,902.1	3,561.6	(8.7)	1,327.7	1,665.2	25.4
Subsidies and transfers	4,732.5	3,747.2	(20.8)	4,789.9	4,866.1	1.6	1,682.2	1,586.1	(5.7)
Interest	2,616.6	5,120.0	95.7	3,023.4	2,910.3	(3.7)	1,224.0	1,706.8	39.4
External	552.8	2,707.9	389.9	677.7	784.1	15.7	194.4	207.9	7.0
Domestic	2,063.8	2,412.2	16.9	2,345.7	2,126.2	(9.4)	1,029.6	1,498.8	45.6
Capital Expenditure	**8,727.9**	**12,827.2**	**47.0**	**16,405.1**	**13,438.5**	**32.4**	**3,619.7**	**3,078.7**	**(14.9)**
Externally Financed	6,108.7	9,669.3	58.3	13,743.8	10,156.5	35.6	2,574.3	1,798.5	(30.1)
GLF Capital	2,619.2	3,157.9	20.6	2,661.3	3,282.0	23.3	1,045.4	1,280.2	22.5

Source: MPAU using data from AGD (Accountant General Department)

1.2.7.4 Budget Balance and Financing

The policies of adhering to the overall budget ceiling improved revenue collections and increased grant disbursement has contributed significantly to the narrowing of the budget deficit in 2023. This was financed through a drawdown of cash reserves, Megabank privatization proceeds, issuance of securities, and loan disbursements. A similar trend continued in 2024 whereby the deficit further narrowed against the same period in 2023 and was also below target. Financing during the first quarter of 2024 was mainly dominated by the amortization of both domestic securities and foreign loans. The plan in 2024 is to issue about GMD 8.3 billion of Government bonds of which about GMD3.3 billion was raised in the first quarter. This is consistent with the current Debt Management Strategy (2023-2027), which aims at gradually increasing the share of longer-dated domestic debt instruments in the debt portfolio to mitigate refinancing risk and promote domestic debt market development, provide for infrastructure financing, and ensure a sustainable debt path over the medium to long-term.

Table 4: Overall Balance and Financing (GMD million)

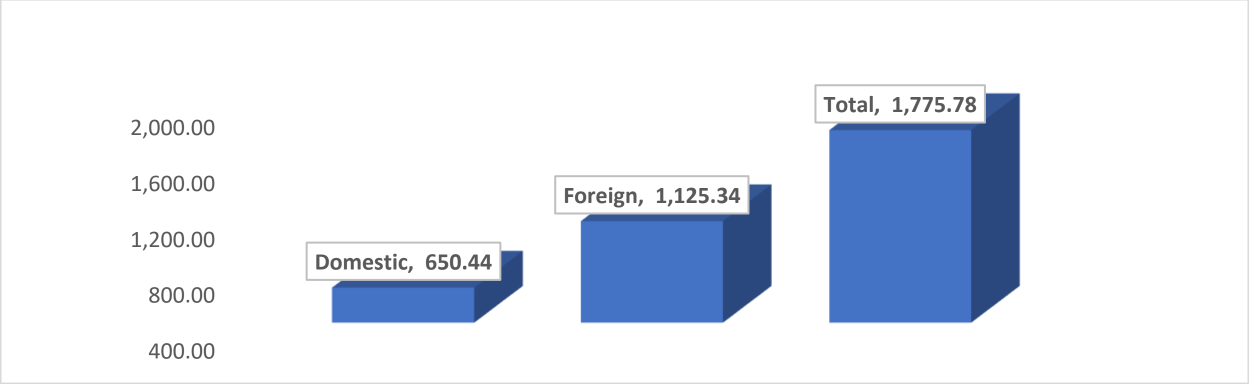
	2022	2023	2024 Q1	Target
Overall, Balance (Including grants)	**(6,926.2)**	**(5,411.8)**	**(2,275.2)**	**(2,397.1)**
Financing	**6,384.9**	**5,286.7**	**2,168.5**	**2,397.1**
Domestic (net)	3,559.0	744.2	1917.4	2,428.2
External (net)	2,825.9	4,542.5	251.1	203.9
Borrowing	4,069.7	857.7	1972.1	872.6
External Amortization	(1,243.8)	(1,612.5)	(530.3)	(668.7)
Change in Arrears	(433.4)	(1,011.7)	(54.7)	(235.0)
Statistical Discrepancies	(541.3)	(125.1)	106.7	(0.0)

Source: MPAU using data from DLDM, CBG and AGD

1.2.7.5 Public Debt Developments

The total public and publicly guaranteed debt stock as of end December 2023 stood at 1.78 (GMD 122.69 billion), of which external debt constituted USD 1.13 billion (63.4 percent) and USD 650.44 million (36.6 percent) is domestic debt. The nominal debt as a percentage of GDP decreased to 74.5 percent from 82 over the same period. This is largely attributed to increased economic performance.

Figure 13: Total Public Debt Stock (US Dollars, End 2023)



Source DLDM

3. Medium-Term Macro-Fiscal Outlook

3.1 Broad Assumption

The medium-term forecasts are underpinned by the following key assumptions:

- Resilient but slow recovering global economic activity.
- Moderating commodity prices, particularly oil and food prices.
- Stabilizing domestic macroeconomic environment characterized by inflation slowdown and less exchange rate volatility.
- Continued fiscal consolidation, anchored on domestic revenue mobilization and expenditure prioritization; and
- Gradual reprofiling of domestic debt.

3.2 GDP Growth Outlook

The Global economy in the medium-term is expected to remain resilient. On the domestic front, ongoing programs and projects in agriculture, tourism, and communication as well as the envisaged inflation, and exchange rate stability are expected to support a 6.0 percent in 2025 and an average of 5.2 percent in the medium term. On the downside, the projected growth will be weighed down by manufacturing, which is likely to remain subdued due to declining competitiveness. Similarly, the risk of climate change is likely to adversely impact growth, particularly in 2026, due to the expected 4 - 5-year drought cycle. The normal to above normal seasons are also becoming uncertain due to erratic rainfall patterns.

Table 5: Sectoral GDP Growth Rates 2024-2028

	2021	2022	2023 Est	2024 Prj	2025 Prj	2026 Prj	2027 Prj	2028 Prj
GDP market price	5.3%	4.9%	5.3%	5.8%	6.0%	4.3%	5.5%	5.0%
Agriculture	13.7%	3.6%	3.7%	6.6%	5.2%	-2.2%	3.9%	3.8%
Crop	8.7%	7.8%	9.5%	16.9%	8.7%	-4.6%	8.0%	7.6%
Livestock	6.3%	28.0%	1.6%	2.2%	2.3%	2.3%	2.3%	2.3%
Forestry and logging	-4.3%	10.9%	1.6%	-5.0%	0.0%	0.5%	1.4%	-0.3%
Fishing and aquaculture	20.8%	-6.3%	-0.4%	-0.9%	2.6%	-1.4%	0.0%	0.1%
Industry	2.9%	3.1%	10.4%	-2.8%	8.6%	4.0%	8.3%	9.0%
Mining and quarrying	-0.5%	-4.7%	-2.0%	-4.3%	13.7%	0.3%	6.3%	10.6%
Manufacturing	-28.2%	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Electricity	7.0%	17.4%	16.7%	18.4%	13.2%	13.0%	21.1%	9.3%
Water supply	-11.6%	-14.3%	6.1%	-4.6%	1.2%	0.8%	-0.9%	0.3%
Construction	9.8%	3.2%	11.8%	-5.3%	9.1%	3.3%	7.6%	10.1%
Services	2.7%	6.0%	4.3%	8.4%	5.5%	7.0%	5.2%	4.2%
Wholesale and retail	4.1%	6.7%	4.5%	10.7%	5.5%	8.6%	5.3%	3.8%
Transport and storage	3.6%	-18.6%	-4.8%	1.9%	2.4%	2.7%	3.3%	4.8%
Accommodation and food	20.2%	88.9%	13.0%	7.9%	9.6%	8.5%	8.2%	8.0%
Information and Communication	2.0%	18.2%	10.3%	6.8%	7.3%	4.7%	6.2%	5.1%
Financial and insurance activities	13.3%	12.3%	10.2%	10.1%	10.3%	8.3%	9.7%	9.1%
Real estate activities	1.0%	3.5%	2.4%	2.3%	2.8%	3.9%	1.5%	-0.2%
Professional and technical activities	-0.6%	4.0%	0.9%	2.8%	1.5%	2.3%	1.7%	2.0%
Administrative activities	-0.2%	-1.7%	1.2%	-0.2%	-0.2%	0.2%	-0.1%	0.0%
Public administration	6.0%	6.9%	-4.2%	3.0%	3.0%	3.0%	3.0%	3.0%
Education	-28.9%	-6.8%	2.1%	4.1%	4.1%	4.1%	4.1%	4.1%
Human health	8.5%	-15.8%	3.6%	3.0%	3.0%	3.0%	3.0%	3.0%
Arts,	9.0%	12.5%	8.6%	9.4%	7.7%	7.7%	6.8%	6.6%
Other service activities	-0.1%	-10.5%	-4.0%	-0.5%	-2.9%	-1.3%	-2.5%	-1.8%
GDP basic price	5.2%	4.9%	5.3%	5.8%	6.0%	4.3%	5.5%	5.0%

3.2.1 Agriculture

The seasonal outlook is predicted to be normal to above normal, which is conducive for rainfed agriculture. A dip in activity is expected in 2026 due to drought cycle. Outside drought, the sector growth is expected to be driven by program priorities being spearheaded under the NDP. These include modernization and commercialization of rice and maize value chains, enhancing the poultry value chain, scaling up vegetable production, enhancing the production of small ruminants, strengthening capacity for fisheries management, and climate change adaptation for fisheries habitat. To achieve the program priorities, the following activities are already being implemented and will be scaled up in the medium term.

- Ensuring the availability of key inputs early before the start of the season
- Continuation of the fertilizer subsidy program with better targeting.
- Improving agronomical practices through enhanced extension services.
- Adoption of high-yielding varieties
- Mechanization of farmers through the tractor program
- Increased extension services to improve farmers knowledge,
- Rehabilitation of irrigable land,
- Leasing of about 68000 ha of land to private players

- Improving artisanal value addition, post-harvest, and marketing of fisheries.

Despite these interventions, agriculture and fishing production will not be enough to achieve the NDP target of meeting food self-sufficiency. This requires a paradigm shift in the sector interventions.

3.2.2 Manufacturing

The sector, despite having great potential of anchoring growth and diversification, is facing viability challenges including high cost and erratic electricity, multiplicity of taxes, and competition from imports. Recovery of the sector in the medium term is expected to remain weak.

3.2.3 Electricity

Generation despite falling short of demand, the gap is expected to gradually close on account of the construction and commissioning of the 150 MW Soma solar PV plant and, the solarization of about 1000 schools and 100 health centers. The existing NAWEC generation plants are expected to be optimally utilized, supported by improved revenue collections following the 30 percent tariff adjustment effected in 2023. Off-grid generation by residential and commercial customers is also expected to be on the increase due to the falling cost of solar products.

3.2.4 Construction

With the phasing out of major Government projects in 2024, growth in the medium term is expected to be driven by the introduction of new projects aimed at reaching the target of constructing 250 km and 514 km of urban and rural roads, respectively. Other NDP-prioritized projects such as the construction of Government office complexes as well as Governor's office buildings and residences will be key in propping construction in the medium term. On the other hand, resilient remittances will continue to drive private sector-led construction activities.

3.2.5 Tourism

The sector is expected to continue registering strong recovery benefiting from the Gambia Tourism Board and private sector initiatives as well as global pent-up demand. Beyond recovery, growth in the medium term will be driven by the envisaged macroeconomic stability, rehabilitation of related infrastructure, and diversification of tourist products. Key underpinning growth will be the responsiveness of the local market to growing global awareness of environmental issues. Already the local market has adjusted well by introducing boutique hotels and eco-friendly lodgings. The upcoming projects such as Lagoona Hotel, Gamex Apartment, Mayai Complex Apartment Hotel, G wellness, Priority Leisure Group, and Maroons Eco Resort are expected to provide more competitive packages for tourists.

3.2.6 Communication

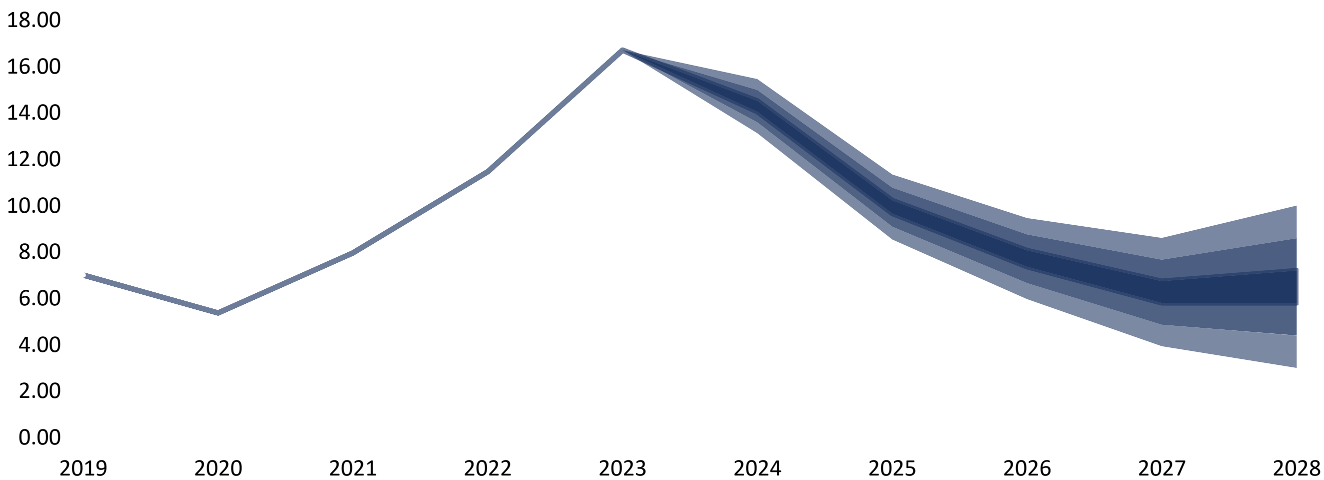
The Information Communication sector outlook is anchored on innovation and adoption of new technology which can increase speed, minimize latency, and ability to connect an extensive array of devices. Although voice is projected to slow down, the medium-term growth of the sector will be driven mainly by the Internet. The low internet penetration rate of about 54 percent provides room for future growth given most activities are fast becoming data-centric including Government services. The sector is also expected to benefit from the introduction of a second submarine cable being rolled out through the

World Bank Regional Digital Project. The project is expected to boost connectivity, promote a single digital market, increase job opportunities, and close gender gaps in digital skills, digital financial services, and entrepreneurship.

3.3 Inflation Outlook

Inflation is projected to gradually fall towards the Central Bank medium target of 5 percent. This will be driven by envisaged moderation of commodity prices, and Central Bank interventions which include deployment of policy tools such as issuance of CG bills, use of the deposit window, and reserve requirement ratio. Efforts by the Government and development partners to increase food self-sufficiency will be supportive in reducing the food supply gap and ultimately price stabilization. The projected inflation profile is, however, subjected to downside risks related to growing geopolitical tensions.

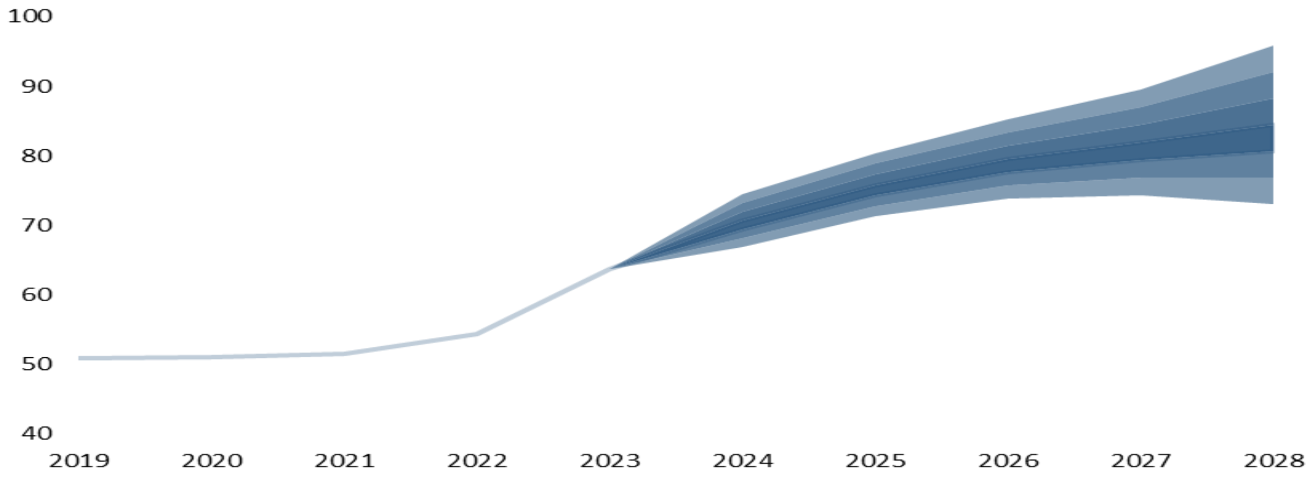
Figure 14: Inflation Fan Chart



3.4 Exchange Rate Outlook

Exchange rate in the medium term is expected to continue stabilizing, with movements reflecting supply and demand conditions in the market. The demand for foreign currency is expected to be driven by imports to meet the food supply gap and to support planned construction activities. Supply is expected to be driven mainly by receipts from tourism, remittances, grants, and loans. On the policy front, the CBG will ensure a market-determined exchange rate and a smooth functioning of the foreign exchange market. The exchange rate outlook, however, is uncertain due to varying factors in the foreign market.

Figure 15: Exchange Rate Fan Chart



3.5 Medium-Term Fiscal Outlook

3.5.1 Revenue and Grants Outlook

In the medium term, domestic revenue collection is projected to maintain a sustained increase driven by current and planned revenue mobilization reforms. These efforts are expected to close the compliance gaps across all revenue heads. Tax revenue will be driven by tightening of duty waivers, procurement and installation of the Integrated Tax Administration System, implementation of an IT system for Excisable goods, implementation of rental tax compliance system, digitalizing the collection of VAT through the introduction of smart invoice technology, and reviewing of outdated regulations. Nontax revenue is projected to be on the increase in the medium term driven by the finalization of the payment gateway. Full implementation of the measures will gradually increase the domestic revenue collection efficiency to 15 percent of GDP by 2028. Grants particularly project related are expected to decline toward the post-OIC average.

Table 6: Revenue Projections (GMD million)

	2022	2023	2024 Budget	2025 Prj	2026 Prj	2027 Prj	2028 Prj
Revenue and Grants	**22,905.1**	**29,513.3**	**35,046.4**	**40,858.6**	**45,109.2**	**47,649.0**	**52,067.8**
% of GDP	**18.7**	**19.9**	**20.2**	**20.4**	**20.5**	**19.8**	**19.7**
Domestic Revenue	**14,496.0**	**17,842.1**	**22,751.4**	**28,204.6**	**31,939.2**	**35,473.0**	**39,444.8**
% of GDP	**11.8**	**12.0**	**13.1**	**14.1**	**14.5**	**14.8**	**15.0**
Tax Revenue	**11,159.0**	**13,915.2**	**16,909.1**	**20,927.3**	**24,762.3**	**28,710.7**	**32,242.1**
% of GDP	9.1	9.4	9.8	10.4	11.3	11.9	12.2
Personal	1,361.3	1,630.5	1,871.1	2,189.5	2,522.7	2,835.2	3,177.4
% GDP	1.1	1.1	1.1	1.1	1.1	1.2	1.2
Corporate	2,358.9	2,474.5	3,139.0	4,506.9	5,401.2	6,552.7	7,277.7
%GDP	1.9	1.7	1.8	2.2	2.5	2.7	2.8
Excise Duties	757.2	807.5	1,313.9	1,180.4	1,651.3	2,142.0	2,676.7

%GDP	0.6	0.5	0.8	0.6	0.8	0.9	1.0
Value Added Tax	1,588.7	1,825.3	2,132.1	2,517.8	3,015.9	3,511.9	4,065.6
% GDP	1.3	1.2	1.2	1.3	1.4	1.5	1.5
Customs Duty	2,596.0	3,458.6	4,109.9	4,444.9	5,226.5	5,977.0	6,765.8
% GDP	2.1	2.3	2.4	2.2	2.4	2.5	2.6
Sales tax/ VAT on imports	2,176.7	3,364.3	3,943.0	4,465.1	5,077.2	5,647.4	6,045.8
%GGP	1.8	2.3	2.3	2.2	2.3	2.3	2.3
Non-Tax Revenue	**3,337.0**	**3,927.0**	**5,842.3**	**7,274.4**	**7,176.9**	**6,762.3**	**7,202.7**
% of GDP	**2.7**	**2.7**	**3.4**	**3.6**	**3.3**	**2.8**	**2.7**
Grants	**8,409.1**	**11,671.2**	**12,295.0**	**12,657.0**	**13,170.0**	**12,176.0**	**12,623.0**
% of GDP	**6.9**	**7.9**	**7.1**	**6.3**	**6.0**	**5.1**	**4.8**
Program	2,300.4	4,082.4	3,294.0	3,294.0	3,392.0	2,094.0	2,162.0
% of GDP	1.9	2.8	1.9	1.6	1.5	0.9	0.8
Project	6,108.7	7,588.8	9,001.0	9,363.0	9,778.0	10,082.0	10,461.0

3.5.2 Expenditure Outlook

Government expenditure in the medium term is expected to remain on the increase driven by commitments to improve service delivery and closing infrastructure gaps. On the recurrent side, promotion, grade points, opening of new embassies and full implementation of the transport and incidental allowances will dominate the increase in personal emoluments. This will require an additional GMD 600 million. Pressure will also emanate from high domestic interest payments driven by the elevated cost of borrowing that is associated with debt rollovers. Other charges are expected to be driven by preparations for elections, settlement of arrears and subsidies to farmers. With the expected slowdown in project grants in the medium term, the thrust will be to steadily scale up Government Financed Projects. This will be realized by containing the growth of expenses way below that of domestic revenues. The target will be to reduce expenses as a percentage of domestic revenue from 103 percent in 2023 to 76.8 percent by 2028.

Table 7: Expenditure Projections (GMD million)

	2022	2023	2024 Budget	2025 Prj	2026 Prj	2027 Prj	2028 Prj
Total Expenditure	29,831.4	34,925.1	39,382.7	41,449.9	45,740.8	48,252.6	52,617.0
% of GDP	24.3	23.6	22.7	20.7	20.8	20.1	20.0
Expenses	17,033.7	18,520.0	27,242.7	25,343.3	29,265.1	29,660.4	30,279.6
% of Domestic Revenue	117.5	103.8	119.7	89.9	91.6	83.6	76.8
Compensation of Employees	5,627.2	6,804.6	7,391.2	8,725.9	9,541.0	10,142.7	10,925.5
% of Domestic Revenue	38.8	38.1	32.5	30.9	29.9	28.6	27.7
Goods and Services	4,057.4	3,902.1	9,792.6	5,056.4	6,344.3	5,698.3	5,803.3
% of Domestic Revenue	28.0	21.9	43.0	17.9	19.9	16.1	14.7
Subsidies and other Expenses	4,732.5	4,789.9	4,944.5	5,453.3	7,516.6	8,906.2	8,920.8
% of Domestic Revenue	32.6	26.8	21.7	19.3	23.5	25.1	22.6
Interest	2,616.6	3,023.4	5,114.4	6,107.6	5,863.1	4,913.3	4,629.9
% of Domestic Revenue	18.1	16.9	22.5	21.7	18.4	13.9	11.7

Net Acquisition of Non-Financial Assets	12,797.7	16,405.1	12,140.0	16,106.7	16,475.7	18,592.2	22,337.5
% of GDP	10.4	11.1	7.0	8.0	7.5	7.7	8.5
Externally/Project Financed	10,178.4	13,743.8	9,001.0	12,653.8	11,296.4	11,082.1	11,110.0
% of GDP	8.3	9.3	5.2	6.3	5.1	4.6	4.2
GLF	2,619.2	2,661.3	3,139.0	3,452.9	5,179.3	7,510.0	11,227.5
% of GDP	2.1	1.8	1.8	1.7	2.4	3.1	4.3

3.5.3 Budget Deficit and Financing Outlook

Considering the tight financing options in the medium term, the deficit is projected to drastically fall to below 1 percent of GDP. This is to accommodate the reprofiling of high-maturing short-term debt securities and the impact of expiring debt deferrals. Resultantly, the overall gross financing needs will slowdown in the medium term despite remaining relatively high as shown in the Table 8 below. On the disbursement side, new domestic issuances will be dominated mainly by longer-term securities. The amount, however, will be constrained by the envisaged tight liquidity conditions, which are in line with the monetary policy objective of bringing inflation towards the medium-term target.

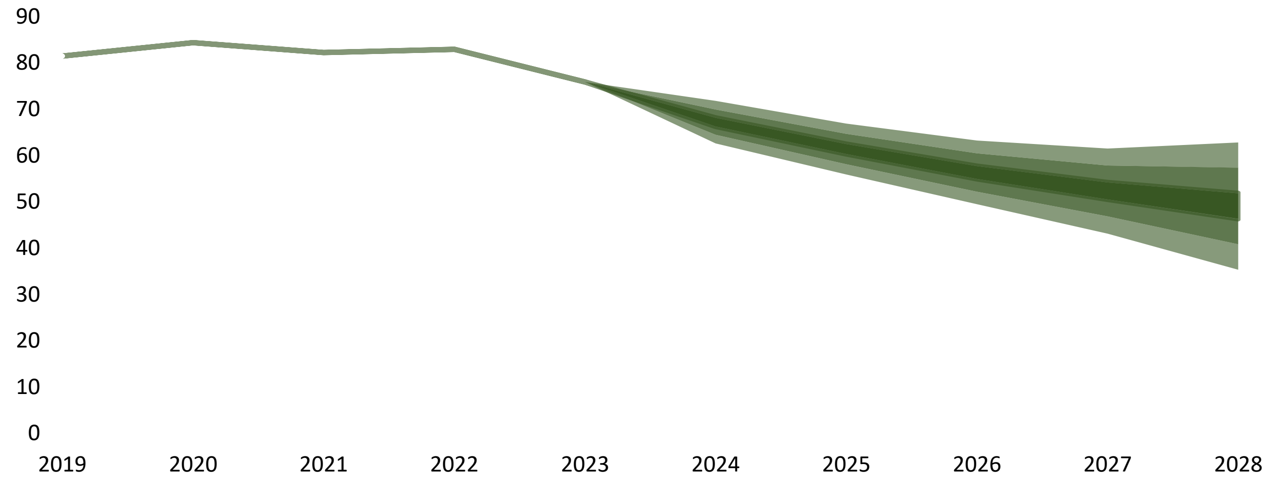
Table 8: Budget Deficit and Financing needs (GMD million)

	2024 Budget	2025 Prj	2026 Prj	2027 Prj	2028 Prj
Overall Balance	(4,450.29)	(591.30)	(631.57)	(603.58)	(548.65)
Financing	4,450.29	591.30	631.57	603.58	549.25
Domestic	3,270.99	2,111.32	4,655.38	5,546.84	6,284.32
External (net)	1,479.30	(1,007.39)	(3,459.92)	(4,322.98)	(5,052.76)
Project Disbursement	3,855.30	3,290.77	1,518.38	1,000.12	648.96
Amortization	2,376.00	4,298.16	4,978.30	5,323.10	5,701.72
Change in Arrears (- decrease)	(300.00)	(512.63)	(563.89)	(620.28)	(682.31)
Gross Financing Needs					
Total Gross Financing Needs	33,787	30,557	32,333	31,588	31,581
Budget Deficit	4,450	537	561	498	426
Refinancing-domestic	26,961	25,722	26,794	25,767	25,453
Refinancing-external	2,376	4,298	4,978	5,323	5,702

3.5.4 Public Debt Outlook

Public and publicly guaranteed debt is projected in the medium term to maintain a downward trend towards sustainable levels. Under the current policies, the ratio of public debt to GDP is projected to fall to about 46 percent by 2028. These include bolstering domestic revenue mobilization, reprofiling short-term securities, strictly adhering to concessional external borrowing plans, and minimizing the materialization of contingent liabilities from SOEs and PPPs and legacy issues. The debt path, however, remains uncertain due to other contingent liabilities.

Figure 16: Debt Fan Chart (percent of GDP)



3.6 Medium-Term Budget Ceiling

The resource envelop available for direct Government spending in 2025 is about GMD31.5 billion. This comprises of domestic revenue and program grants. The first charge will be non-discretional obligations which comprise interest payments and personal emoluments. These sum to GMD 14.8 billion leaving a balance of GMD16.7 billion. Out of the balance, there is a need to cater for maturing debt repayments. The net position after issuing new debt will be negative GMD 2.7 billion. This will leave a balance of GDM13.9 billion and will be the ceiling available for allocation to other charges and GLF capital. Compared to 2024, the total MDA allocation has slightly declined.

Table 9:Summary of Government Funds (GMD Million)

	2024 Budget	2025 Prj	2026 Prj	2027 Prj	2028 Prj
Consolidated Revenue Fund	25,931	31,496	35,331	37,567	41,607
Domestic Revenue	22,751	28,202	31,939	35,473	39,445
Tax Revenue	16,909	20,927	24,762	28,711	32,242
Non-Tax Revenue	5,842	7,274	7,177	6,762	7,203
Program Grants	3,180	3,294	3,392	2,094	2,162
GLF Expenditure	26,526	28,796	34,444	37,170	41,507
Interest	5,114	6,108	5,863	4,913	4,630
Personal Emoluments	7,391	8,726	9,541	10,143	10,926
Other Expenditures/MDA Ceilings	**14,021**	**13,963**	**19,040**	**22,114**	**25,952**
Overall Balance	(595)	2,699	887	397	100
Financing	595	(2,699)	(887)	(397)	(100)
Net Domestic Borrowing	3,271	2,111	4,655	5,547	6,284
Foreign Amortization	(2,376)	(4,298)	(4,978)	(5,323)	(5,702)
Arrears Clearance	(300)	(513)	(564)	(620)	(682)

The funding squeeze has been driven mainly by high debt service requirements due to the expiry of debt deferrals, and high domestic interest payments on account of rollovers. In total, the debt service for 2025 will amount to GMD16.0 billion. Indications from the domestic market, suggest less appetite for long-term lending, and about GMD7.2 billion is expected as new borrowing.

Table 10: Medium-term Debt Service (GMD Million)

	2024 Budget	2025 Prj	2026 Prj	2027 Prj	2028 Prj
Domestic Debt Service					
Amortization	2,779.8	5,625.5	8,230.2	8,027.3	5,630.0
Interest	4,301.4	5,480.8	5,279.3	4,382.0	4,140.9
Total	**7,081.2**	**11,106.2**	**13,509.5**	**12,409.3**	**9,770.8**
External Debt Service					
Amortization	2,376.0	4,298.2	4,978.3	5,323.1	5,701.7
Interest	813.0	626.8	583.8	532.0	482.7
Total	**3,189.0**	**4,925.0**	**5,562.1**	**5,855.1**	**6,184.4**
Total Debt Service	**10,270.2**	**16,031.2**	**19,071.6**	**18,264.4**	**15,955.3**

The scenario requires the Government to make difficult decisions. Some of these include:

- Fast-tracking the implementation of domestic revenue mobilization measures.
- Reprioritizing expenditures with a view of striking a balance between ensuring the provision of basic Government services and public investment.
- Debt restructuring that prioritizes reprofiling short-term securities maturing into long-term and pursuing concessional external financing.

4. Medium-Term Fiscal Reform Priorities

4.1. Revenue Mobilization Reforms

Over the past fiscal year, significant progress has been made in evaluating the current situation and formulating effective policies and strategies to address fiscal challenges as well as enhancing the entire system. These efforts included comprehensive assessments of the legal framework for both tax policy and revenue administration, examination of tax expenditures, and thorough exploration of avenues for domestic revenue mobilization. Findings from these assessments revealed substantial opportunities for transformative reforms. These reforms are particularly aimed at addressing revenue leakages and moving towards reliance on domestic resources to sustain Government operations. The following are some of the planned reforms that will have a medium-term impact. These reforms aim to optimize domestic revenue collection, promote transparency in tax policies, and enhance administrative efficiency in the short to medium term.

4.1.1. Review and Revision of Investment Incentives Under the GIEPA Act 2015

The Government is in the process of reviewing the GIEPA Act (2015) to streamline the package of incentives offered to businesses and investors. Rationalizing the incentives and making them more focused, and relevant, the Government seeks to strike a balance between attracting investments and optimizing revenue collection. The review also focused on improving monitoring and reporting mechanisms to ensure that businesses benefiting from incentives fulfill their tax obligations promptly and accurately. By enhancing tax return filing, the Government can gain better insight into the economic activities of beneficiary businesses, facilitating more effective policymaking and revenue policy formulation. As part of the review, a new list of priority areas and sectors has been identified and developed and once validated by stakeholders, the revised Act will be drafted and tabled at Cabinet for consideration and approval.

4.1.2. Development of a Domestic Resource Mobilization Strategy (DRMS):

The Government is in the process of developing a comprehensive DRMS to identify and leverage the potential sources of revenue within the country to sustainably finance Government obligations. The strategy will include a detailed assessment of various revenue streams, such as taxes, fees, and non-tax revenues. By optimizing revenue collection and identifying untapped resources, the Government can reduce dependency on external funding and enhance its financial self-sufficiency. The strategy will also include measures to promote voluntary tax compliance, improve tax administration, and foster a conducive business environment to attract investments. A draft DRMS is expected in June 2024, after which it will be subjected to a stakeholders' review and validation, followed by a submission to the Cabinet for consideration and approval. Once approved, a comprehensive roadmap will be developed on the reforms identified in the DRMS to ensure full implementation of the reforms underpinned by a robust M&E framework to monitor progress and impact.

4.1.3. Implementation of the Tax Expenditure Policy:

Upon completion of a thorough assessment of tax expenditures, the Government will develop a comprehensive Tax Expenditure Policy. The policy will focus on bringing greater transparency in reporting and accountability. This will enable the Government to evaluate the economic and social impact of each tax expenditure. The Policy has been finalized and submitted to the Cabinet for approval. A key outcome of the policy will be a Tax Exemption Bill which, when passed, will centralize the granting of tax exemptions, regulate, and ultimately limit tax exemptions only to those that are necessary and beneficial. This will help ensure that tax incentives align with the Government's overall fiscal objectives and effectively contribute to the priority economic development of critical sectors.

4.1.4. Implementation of the Duty Waiver Policy:

The Duty Waiver Policy has been completed and submitted to Cabinet for approval. The policy features a tax compliance management framework, with a particular focus on withholding tax, rental income tax, and PAYE. Under this policy, eligible businesses or individuals seeking duty waivers for specific imports will be required to demonstrate a satisfactory record of tax Policy on compliance management. This approach aims to incentivize tax compliance by linking it to import-related tax exemption benefits. By doing so, the Government can encourage voluntary tax compliance and reduce tax evasion, ensuring a fair and equitable tax system for all taxpayers.

4.1.5. Automation of Duty Waiver Application and Approval Process:

As part of the duty waiver policy, the duty waiver application and approval process will go digital—streamlining and modernizing the existing system. By introducing an online platform, businesses and individuals can easily apply for duty waivers, reducing paperwork and processing times. The digital platform will allow for better tracking of applications, making it more convenient for applicants to monitor the status of their requests. Additionally, automation will enhance the accuracy of information submitted, minimizing errors and potential discrepancies in the approval process. The move towards automation will not only improve efficiency but also promote transparency, accountability, and reporting of tax expenditures relating to duty waivers.

4.1.6. Implementation of a System to Regulate and Tax Short-Term Rentals:

Following the Cabinet's decision to implement a licensing system to regulate and collect tax from apartment residences offering short-term stays to tourists, the Ministry of Finance has been working in close collaboration with the Gambia Revenue Authority, the Ministry of Tourism, and the Gambia Tourism Board. The move will ensure tax compliance as well as fair competition for all players in the rental market.

4.1.7. Deployment of an Excise Tax Stamp/Petroleum Marking Solution for Excisable Goods, Telecoms and Energy:

The Ministry of Finance, in collaboration with GRA and key stakeholders, has rolled out an excise stamp solution for excisable goods. This system entails placing tax stamps/marks on specific products to ensure that the appropriate excise taxes are paid before they enter the market. The subsequent phases will roll out similar solutions for petroleum products and telecoms. With these solutions the Ministry aims to curb tax evasion, underreporting, smuggling, and other illicit practices, to ensure fair competition and boost revenue collection.

4.1.8. Roll-out of IFMIS to Subvented Agencies:

As part of a broader scheme to extend the use of the Integrated Financial Management Information System (IFMIS) to subvented agencies to improve tax collection, the Directorate aims to take advantage of this development to enhance compliance with withholding tax obligations on contractors and service suppliers. The system will facilitate real-time monitoring and reporting of financial transactions, making it easier for GRA to identify non-compliance and enforce tax obligations more effectively. This will lead to more reliable revenue collection and better financial management within these agencies.

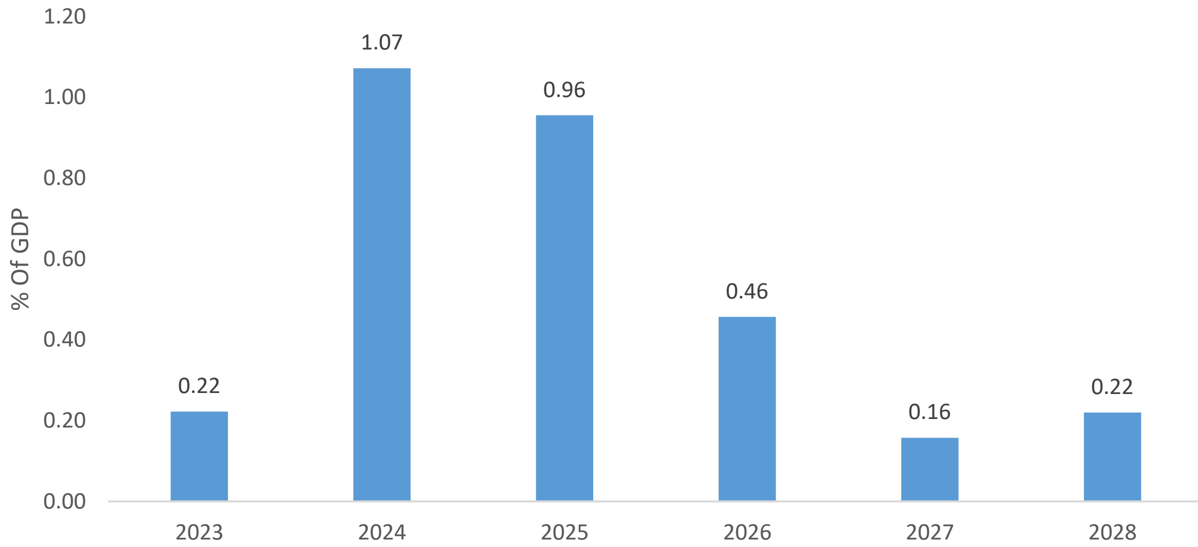
4.1.9. Corporate Income Tax Payments by Major Public Works Contractors and Concessionaires:

A comprehensive review of tax exemption clauses in contracts was conducted to ensure a full alignment of these clauses to the relevant tax laws. This review highlighted serious and overly generous tax exemptions which are grossly in conflict with the tax laws. Since then, great progress has been made in raising awareness of the obligation to pay corporate income taxes by major contractors, especially as it relates to their income from Government public works projects and concession contracts. This has greatly enhanced compliance in this area and closed a major gap in tax revenue collections.

4.1.10. Impact of Reforms on Revenue Collection

The Medium Term Economic Fiscal Framework projections have been underpinned by the above-mentioned reform initiatives. As a result, the reforms are expected to cumulatively yield about 1.07 and 0.96 percent of revenue in 2024 and 2025 respectively. The contribution is expected to taper off, as most gaps would have been closed.

Figure 17: Impact of Reforms on Revenue Collection



4.2. Budgetary Reforms

To ensure a more integrated and strategically aligned approach in the operational delivery of budgets, a new PBB approach will be introduced. The approach is progressive, scalable, and tailored to the MDA context for sustainability. It includes modernizing and formalizing budget policies, procedures, and practices, updating the annual budget documents, and improving the engagement processes for greater transparency. The draft PFM Bill is also designed to enhance core financial management capabilities such as risk management and elevating program delivery by optimizing resource allocation and monitoring, ensuring better value for money. Additionally, it emphasizes strengthening governance, oversight, and accountability, as well as, developing sustainable budget systems. To further support public expenditure efficiency, the following reforms will be considered and implemented:

- Development of a Foreign Service Policy with the aim of rationalizing and repositioning of foreign missions.
- Extension of performance contracts to all SOEs and repositioning of strategically important ones to reflect good corporate structures with a view to improving their financial viability, and service delivery, and reducing fiscal risk to the budget.
- Develop a pipeline of bankable and commercially viable development projects (in line with priority areas in the Recovery-focused NDP 2023-2026) and provide risk guarantee schemes to unlock private and institutional financing including the pension fund.
- Consolidating some of the Subvented Agencies within MDAs.
- Strengthening of public investment management through the institutionalization of a medium-term Public Investment Programme (PIP) for all sectors, and ensuring all public investments pass the Gambia Strategic Review Board (GSRB) selection criteria.
- Roll-out of IFMIS to Subvented Agencies and new Project grants.

4.3. Medium-Term Debt Management Strategy

The Debt Management Strategy for 2025-2028 is consistent with the debt management objectives stipulated in the Public Finance Act (2014), which requires the Government to borrow at the lowest possible cost within a prudent degree of risk. The strategy also has a secondary objective of lengthening the maturities of the domestic debt market consistent with the law. The strategy will focus on reprofiling domestic debt. This involves increasing the share of 3-year and 5-year Bonds while gradually diminishing the proportion of short-term debt. The other measures include prioritizing amortizing the treasury bonds and coming up with concrete annual cash plans that will guide the borrowing plans. Further priority will be on pursuing concessional external financing while gradually developing the domestic debt market.

Table 11: Cost and Risks Indicators as of end December 2022

Risk Indicators		2022	As at end 2027			
		Current	S1	S2	S3	S4
Nominal debt as percent of GDP		77.4	48.6	48.4	48.1	48.3
Present value debt as percent of GDP		63.7	40.5	40.4	39.5	41.4
Interest payment as percent of GDP		2.0	3.4	3.3	3.1	3.5
Implied interest rate (percent)		2.6	7.3	7.1	6.7	7.8
Refinancing risk2	Debt maturing in 1yr (percent of total)	24.0	30.2	15.8	20.3	38.2
	Debt maturing in 1yr (% of GDP)	20.6	14.7	7.7	9.8	18.5
	ATM External Portfolio (years)	9.5	8.9	8.9	9.2	8.1
	ATM Domestic Portfolio (years)	1.2	0.9	1.9	1.6	0.5
	ATM Total Portfolio (years)	7.1	6.3	6.6	6.8	5.8
Interest rate risk2	ATR (years)	7.0	6.3	6.6	6.8	5.6
	Debt refixing in 1yr (percent of total)	25.2	30.3	15.9	20.4	45.7
	Fixed rate debt incl T-bills (percent of total)	97.4	99.2	99.2	99.2	91.5
	T-bills (percent of total)	17.4	20.6	2.4	7.7	32.5
FX risk	FX debt as % of total	68.0	65.0	64.9	67.4	67.5
	ST FX debt as % of reserves	13.7	14.7	14.7	14.7	15.6

Source: DLDM

4.4. Aid Co-ordination Reforms

The Government is embarking on key reforms to support the effective and efficient use of aid resources through Aid Coordination activities. The reforms seek to:

- Develop a PIP for the recently approved RF-NDP
- Develop a PIM policy framework.
- Update and develop the project appraisal manual to include climate-resilient investment projects.
- Develop operational guidelines for the aid policy.
- Strengthening institution capacity through providing training of the GSRB Board members and NAM select committee on projects and programs.

Efforts are underway to enhance multilateral cooperation for economic development, including the negotiation of a four-year GC7 Malaria grant totaling US$684,421. Discussions with technical partners have mapped out activities for the distribution of funding over the first three years, with the remaining funds allocated for the fourth year. Additionally, implementation follow-up for C19RM is ongoing.

4.5. Progress On PFM Reforms

The Gambia's Public Finance Management (PFM) reforms are formulated to provide guidelines and policies aimed at improving domestic revenue mobilization, and efficient allocation of resources in a very transparent and accountable manner to achieve fiscal discipline, sustainable macroeconomic stability and eradicate poverty. To ensure a more effective coordination of the reform program, a PFM Strategy which spans from 2021-2025 is currently being implemented to guide the ongoing reforms.

4.5.1. Mid-term Review of the PFM Strategy 2021-2025:

A mid-term review of the PFM Strategy has recently been concluded to assess progress, identify challenges, and draw lessons from the implementation process. The review also examines the broader impact of the reforms on Government operations and establishes strategies to address encountered challenges.

4.5.2. Review and Amendment of the Public Finance Management (PFM) Bill:

The introduction of the new Public Finance Management Bill 2023 aims to address any gaps or inconsistencies in current legislation, aligning with international best practices to promote accountability, transparency, and effective public financial management. A Cabinet review of the Bill has been conducted, with the Minister of Justice tasked to provide comments before submission to the Minister of Finance. The Ministry of Finance and Economic Affairs is currently progressing towards resubmitting the Bill to the Cabinet for approval.

4.5.3. Asset Management Policy:

An Asset Management Policy has been developed to ensure proper accounting and management of Government assets, aiming to improve efficiency, decision-making, risk management, and cost reduction. A project proposal and draft budget have been prepared to facilitate a stock-taking exercise. A retreat held at the National Assembly finalized plans for the implementation of asset stocktaking, scheduled from May 6th to June 6th, 2024. The activity will commence in provinces before concluding in urban areas and involves four stages: preparatory, asset stocktaking and verification, data analysis and report generation, and report review and stakeholder validation.

4.5.4. Public Expenditure and Financial Accountability Assessment:

The Ministry of Finance and Economic Affairs, with support from the African Development Bank (AfDB), has conducted a Public Expenditure and Financial Accountability (PEFA) assessment for the Government of The Gambia (GOTG). This assessment made an indebt diagnostic review of the Government’s PFM systems. The finalized report has been submitted to the PEFA Secretariat for publication.

4.6. Green Recovery-Focused National Development Plan Priorities and Reforms

Following the national launch of the RF-NDP, the Government intends to embark on advocacy missions to multilateral and bilateral partners to drum support for the resource mobilization conference preferably in Europe. The objective of the advocacy missions leading to the conference is to help the Government raise the required resources for the implementation of the RF-NDP. The RF-NDP proposes two (2) funding scenarios, which are:

- Optimistic Scenario whereby the estimated total (gross) cost of the RF-NDP without considering available funding is US$ 3.5 billion. Available funding based on the mapping of existing and pipeline projects was estimated at US$ 703.134 million, and the funding gap was estimated at US$ 2.80 billion, and
- Conservative Scenario, where the gross cost of the RF-NDP without considering available funding is US$ 2.8 billion; available funding based on the mapping of existing and pipeline projects was estimated at US$ 598 million, and the funding gap was estimated at US$ 2.213 billion.

5. Conclusion

The recent macroeconomic developments are showing signs of a recovering economy, and this is expected to continue in the medium-term. The Government is committed to making tough decisions by consolidating the ongoing reforms especially on revenue mobilization and expenditure rationalization to restore fiscal sustainability and support broad-based growth.

6. Appendix

Table 12: Medium-Term Macro Fiscal Framework (2024-2028)

	2020	2021	2022	2023	2024	2025	2026	2027	2028
National Accounts									
Nominal GDP	93,329.81	105,487.04	122,564.06	148,069.93	173,383.15	200,348.67	219,752.11	241,446.62	264,622.29
Growth Rate	2.79	13.03	16.19	20.81	17.10	15.55	9.68	9.87	9.60
Real GDP	62,134.36	65,400.12	68,608.09	72,252.11	76,426.80	81,016.65	84,501.29	89,161.80	93,647.07
Growth Rates	0.59	5.26	4.91	5.31	5.78	6.01	4.30	5.52	5.03
Annual Average Inflation	5.37	7.95	11.47	16.66	14.76	9.86	6.66	5.02	4.98
Change in Deflator	2.19	7.38	10.76	14.72	10.70	9.01	5.16	4.13	4.35
Weighted Interest rate	3.77	3.71	2.57	2.75	4.52	5.12	4.96	4.22	4.01
Government Finances									
Revenue and Grants	20,266.17	19,761.77	22,905.14	29,513.32	34,932.40	40,861.16	45,109.50	47,649.36	52,083.82
% of GDP	21.71	18.73	18.69	19.93	20.15	20.40	20.53	19.73	19.68
Domestic Revenue	12,358.68	15,330.91	14,496.05	17,842.13	22,751.40	28,204.16	31,939.50	35,473.36	39,460.82
% of GDP	13.24	14.53	11.83	12.05	13.12	14.08	14.53	14.69	14.91
Tax Revenue	10,325.65	10,832.94	11,159.04	13,915.16	16,909.07	20,929.80	23,454.50	27,420.00	30,491.98
% of GDP	11.06	10.27	9.10	9.40	9.75	10.45	10.67	11.36	11.52
Taxes on income and wealth	2,803.37	3,254.03	3,896.47	4,311.30	5,287.35	7,744.44	8,829.66	10,446.19	11,804.40
% GDP	3.00	3.08	3.18	2.91	3.05	3.87	4.02	4.33	4.46
Personal	942.77	1,093.28	1,361.34	1,630.48	1,871.11	2,190.57	2,523.89	2,836.54	3,178.86
% GDP	1.01	1.04	1.11	1.10	1.08	1.09	1.15	1.17	1.20
Corporate	1,713.43	1,922.13	2,358.92	2,474.52	3,138.99	4,507.36	5,117.34	6,292.41	7,168.91
%GDP	1.84	1.82	1.92	1.67	1.81	2.25	2.33	2.61	2.71
Domestic Tax on goods and services	2,453.51	2,378.85	2,489.89	2,780.97	3,568.80	4,275.39	5,022.15	6,251.19	7,240.43
%GDP	2.63	2.26	2.03	1.88	2.06	2.13	2.29	2.59	2.74
Excise Duties	923.32	958.95	757.22	807.46	1,313.93	1,180.40	1,576.39	2,122.59	2,519.14
%GDP	0.99	0.91	0.62	0.55	0.76	0.59	0.72	0.88	0.95
Value Added Tax	1,425.34	1,327.22	1,588.68	1,825.31	2,132.14	2,518.55	2,766.40	3,400.93	3,944.53
% GDP	1.53	1.26	1.30	1.23	1.23	1.26	1.26	1.41	1.49
Tax on International Trade	5,068.76	5,200.07	4,772.68	6,822.90	8,052.91	8,909.97	9,602.69	10,722.62	11,447.15
% GDP	5.43	4.93	3.89	4.61	4.64	4.45	4.37	4.44	4.33
Duty	2,588.06	2,802.93	2,595.98	3,458.60	4,109.89	4,444.87	4,677.40	5,231.78	5,408.39
% GDP	2.77	2.66	2.12	2.34	2.37	2.22	2.13	2.17	2.04
Sales tax/ VAT on imports	2,480.70	2,397.13	2,176.70	3,364.30	3,943.02	4,465.10	4,925.29	5,490.85	6,038.75
%GGP	2.66	2.27	1.78	2.27	2.27	2.23	2.24	2.27	2.28
Non Tax Revenue	2,033.03	4,497.96	3,337.01	3,926.96	5,842.34	7,274.35	8,485.00	8,053.37	8,968.84
% of GDP	2.18	4.26	2.72	2.65	3.37	3.63	3.86	3.34	3.39
Grants	7,907.49	4,430.87	8,409.10	11,671.20	12,181.00	12,657.00	13,170.00	12,176.00	12,623.00
% of GDP	8.47	4.20	6.86	7.88	7.03	6.32	5.99	5.04	4.77
Program	5,284.03	504.84	2,300.41	4,082.44	3,180.00	3,294.00	3,392.00	2,094.00	2,162.00
% of GDP	5.66	0.48	1.88	2.76	1.83	1.64	1.54	0.87	0.82
Project	2,623.46	3,926.03	6,108.69	7,588.76	9,001.00	9,363.00	9,778.00	10,082.00	10,461.00
% of GDP	2.81	3.72	4.98	5.13	5.19	4.67	4.45	4.18	3.95
Expenditure and Net Lending	23,635.73	25,856.15	29,831.39	34,925.09	39,382.70	41,452.45	45,741.06	48,252.94	52,633.07
% of GDP	25.32	24.51	24.34	23.59	22.71	20.69	20.81	19.98	19.89
Expenses	17,035.71	16,176.84	17,033.74	18,519.99	27,242.70	25,345.79	29,265.35	29,660.78	30,295.60
% of GDP	18.25	15.34	13.90	12.51	15.71	12.65	13.32	12.28	11.45
% of Domestic Revenue	137.84	105.52	117.51	103.80	119.74	89.87	91.63	83.61	76.77
Compansation of Employees	4,055.28	4,593.16	5,627.25	6,804.62	7,391.24	8,725.93	9,541.04	10,142.71	10,925.54
% of GDP	4.35	4.35	4.59	4.60	4.26	4.36	4.34	4.20	4.13
% of Domestic Revenue	32.81	29.96	38.82	38.14	32.49	30.94	29.87	28.59	27.69
Goods and Services	5,013.94	3,985.07	4,057.37	3,902.07	9,792.55	5,056.39	7,390.20	7,705.11	8,413.52
% of GDP	5.37	3.78	3.31	2.64	5.65	2.52	3.36	3.19	3.18
% of Domestic Revenue	40.57	25.99	27.99	21.87	43.04	17.93	23.14	21.72	21.32
Subsidies and other Expenses	4,999.60	4,380.84	4,732.50	4,789.90	4,944.51	5,455.88	6,470.99	6,899.70	6,326.66
% of GDP	5.36	4.15	3.86	3.23	2.85	2.72	2.94	2.86	2.39
% of Domestic Revenue	40.45	28.58	32.65	26.85	21.73	19.34	20.26	19.45	16.03
Interest	2,966.89	3,217.76	2,616.62	3,023.40	5,114.39	6,107.59	5,863.11	4,913.26	4,629.88
% of GDP	3.18	3.05	2.13	2.04	2.95	3.05	2.67	2.03	1.75
% of Domestic Revenue	24.01	20.99	18.05	16.95	22.48	21.65	18.36	13.85	11.73
Net Acquisition of Non Financial Assets	6,600.02	9,679.31	12,797.66	16,405.10	12,139.99	16,106.66	16,475.72	18,592.16	22,337.47
% of GDP	7.07	9.18	10.44	11.08	7.00	8.04	7.50	7.70	8.44
Externally/Project Financed	4,837.47	6,505.47	10,178.44	13,743.77	9,001.00	12,653.77	11,296.38	11,082.12	11,109.96
% of GDP	5.18	6.17	8.30	9.28	5.19	6.32	5.14	4.59	4.20
GLF	1,762.55	3,173.84	2,619.22	2,661.33	3,138.99	3,452.89	5,179.34	7,510.04	11,227.51
% of GDP	1.89	3.01	2.14	1.80	1.81	1.72	2.36	3.11	4.24
Overall Balance	(3,369.56)	(6,094.38)	(6,926.25)	(5,411.77)	(4,450.29)	(591.30)	(631.57)	(603.58)	(549.25)
% of GDP	(3.61)	(5.78)	(5.65)	(3.65)	(2.57)	(0.30)	(0.29)	(0.25)	(0.21)
Overall Balance Without Grants	(11,277.05)	(10,525.25)	(15,335.35)	(17,082.97)	(16,631.29)	(13,248.30)	(13,801.57)	(12,779.58)	(13,172.25)
% of GDP	(12.08)	(9.98)	(12.51)	(11.54)	(9.59)	(6.61)	(6.28)	(5.29)	(4.98)
Public Debt	78,744.32	86,729.78	101,648.94	110,114.40	114,732.84	122,261.78	122,392.62	121,295.05	121,181.67
% of GDP	84.37	82.22	82.94	74.37	66.17	61.02	55.70	50.24	45.79