



Amendment to
Project Proposal for
THE GAMBIA

June 2025

Component: Revenue and Spending

Module: RM-I: Revenue

SM-I: Spending Policy



PROJECT SUMMARY

COUNTRY: The Gambia

LEAD DEPARTMENT: FAD

REGION: AFR

PLANNED DATES: FY26-27

PROJECT MANAGERS: Alberto Garcia Huitron (Climate Policy, FADCP, Lead)
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ESTIMATED BUDGET \$655,812

BUDGET FOR ENDORSEMENT: \$655,812

PROJECT AMENDMENTS:	PURPOSE	SC APPROVAL
INITIAL PROJECT PROPOSAL	Proposal for RM-I: Tax Policy module	January 2024
AMENDMENT 1	Addition of SM-I: Spending Policy module; update of RM-I: Tax Policy module	June 2025

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ACRONYMS

BoP	Balance of payments
CD	Capacity development
ECF	IMF's Extended Credit Facility
FAD	IMF's Fiscal Affairs Department
MoFEA	Ministry of Finance and Economic Affairs
RSF	IMF's Resilience and Sustainability Facility
STX	Short-term experts

I. PROJECT AMENDMENT PURPOSE

Country request and relevance/importance

The IMF is supporting The Gambia through an ongoing Extended Credit Facility (ECF) program to stabilize the economy, and the authorities have also requested a Resilience and Sustainability Facility¹ (RSF) to enhance long term resilience. The Gambian authorities have expressed interest in the amendment of the capacity development (CD) program both in revenue and climate policy, and expenditure policy areas to support their reform efforts. The project amendment consists of one additional module (spending) and expanding the scope of the existing module (revenue). Considering The Gambia's vulnerability to climate shocks and to promote its energy transition, work under the revenue module will focus on estimating the economic impacts of natural disasters and on implementing a carbon-based excise. The CD program plays a vital role in helping The Gambia achieve its reform targets. The spending module was designed to respond to the government's request to enhance overall spending efficiency, with an initial emphasis on reducing subsidies to the electricity sector and managing the wage bill. These activities are intended to support the government's efforts to address spending pressures that are also commitments made under the ECF framework to promote fiscal consolidation.

The estimated budget for this project is \$655,812 covered within the total budget endorsement request for The Gambia of \$1,159,880 through FY27.

¹ The RSF is a lending instrument that was approved in April 2022 that aims to contribute to longer-term, prospective balance of payments (BoP) stability associated with long-term structural challenges, such as climate change or pandemic preparedness and response.

II. BACKGROUND

Macro-fiscal situation

The Gambia is a low-income country that continues to face development challenges, including climate change, rooted in economic and institutional weaknesses. Despite major reforms that have boosted The Gambia's revenue collection efforts, fiscal performance continues to be weaker than anticipated due to spending pressures, mainly stemming from an unsustainable electricity sector, the wage bill and other recent one off-spending, such as hosting the Organization of Islamic Cooperation (OIC) summit in 2024. The economic outlook is subject to large downside risks, particularly owing to global geopolitical tensions and uncertainty. Exposure to climate risks is significant, primarily through the impact of sea-level rise due to the country's low elevation and reliance on rain-fed agriculture, and is expected to worsen over time.

Country engagement and alignment to reform priorities

The Gambian authorities complemented an ongoing ECF with an RSF request to bolster long-term macroeconomic stability and resilience and to address prospective balance of payments (BoP) challenges. While progress has been made on revenue mobilization, fiscal consolidation efforts have been hindered by spending pressures and arrear accumulation. Unbudgeted electricity-related spending in 2024 led to fiscal target revisions, underscoring the need to enhance the Ministry of Finance and Economic Affairs' (MoFEA) capacity to assess spending efficiency and improve value for money in expenditure decisions. Additionally, Gambian authorities requested access to an 18-month RSF arrangement amounting to SDR 46.65 million, structured around five reform pillars: climate governance, green public financial management, climate data and taxonomy, adaptation, and energy transition. In light of capacity constraints, successful implementation will require substantial support from the IMF and development partners.

IMF priority areas / cross-cutting themes

Climate Change:

This Global Public Finance Partnership (GPFP) project will support policies that will contribute to support macro-critical areas with strong links to BoP stability. The Gambia is a fossil fuel-based economy highly vulnerable to climate-related natural disasters and the gradual impact of climate change, which poses significant risks to its economy and BoP. The Gambia completely relies on fossil fuel imports for domestic consumption and imports about 75 percent of its electricity from Senegal. The country faces increasing threats from climate-related events such as droughts and floods, with both their severity and frequency expected to escalate due to climate change. Key sectors, including agriculture, tourism, and fishing are particularly vulnerable, jeopardizing the livelihoods of many Gambians and the long-term macroeconomic stability of The Gambian economy.

III. PROJECT AMENDMENT MODULES - DESCRIPTION

This proposal is an amendment to an existing project. The amendment proposes CD support to The Gambia in the areas of revenue and spending policy. CD from the IMF will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Revenue	RM-I: Revenue	Improved fiscal policies and institutional frameworks to combat climate change and its impacts (SDG 13)
Spending	SM-I: Spending Policy	Strengthen expenditure policy formulation and design

A. RM-I: Revenue

Workstream1

Scope

This module will support the MoFEA in implementing a carbon-based excise and reviewing other mitigation-related fiscal instruments to promote decarbonization. In 2024, revenue collection

reached 10.2 percent of GDP, highlighting the challenge of mobilizing additional resources. Introducing a carbon tax of \$5 per ton of CO₂ equivalent could generate 0.12 percent of GDP in revenue while supporting the country's Nationally Determined Contribution (NDC) targets. It would also incentivize greater adoption of renewable energy, reducing reliance on costly, imported fossil fuels.

Program Objectives

The program objective is to set up the implementation of a carbon-based excise, including necessary amendments to the Gambian legislative framework. This module will discuss design options for the carbon-based excise and quantify its economic impacts. The module will also build on previous recommendations regarding the fossil fuel supply chain and analyze key implementation challenges. Finally, the module will help the authorities with drafting the necessary adjustments to the existing legislative framework so that the reform can proceed as smoothly as possible.

Expected Results (outcomes)

- The authorities have a sound understanding of the design and implementation aspects of a carbon-based excise.
- An updated quantitative assessment of the implementation of a carbon-based excise, vis a vis the FAD Climate Policy Diagnostic CD delivered in 2024.
- The authorities develop a draft law incorporating the necessary changes in their legislative framework.

Workstream 2

Scope

This workstream will strengthen fiscal planning by integrating disaster-related risks. Climate shocks in The Gambia—such as disruptions to agriculture and damage to infrastructure—have significant macroeconomic effects, including higher food import needs, currency depreciation, and lower economic growth. The country's infrastructure is among the most vulnerable in sub-Saharan Africa, with expected annual damages of 2 percent of GDP due to natural disasters. The 2022 flash floods alone resulted in a cost of 3.8 percent of GDP. Without risk transfer mechanisms, disaster response relies heavily on fiscal resources, straining debt sustainability.

Program Objectives

The program aims to develop a methodology—jointly with the MoFEA—to estimate the fiscal impacts of natural disasters for integration into the 2027 budget process. Despite The Gambia's vulnerability to climate shocks, including flash floods from The Gambia River, there is limited understanding of their potential fiscal risks. This module will use a combination of techniques to assess the impact of disasters of varying severity on key macro-fiscal variables, including growth, revenue, and expenditure.

Expected Results (outcomes)

- The authorities have a sound understanding of the main transmission channels through which natural disasters can impact key macro-fiscal variables.
- That authorities have an understanding and are able to implement a methodology to estimate the impact of natural disasters across key macro-fiscal variables for inclusion in the Medium Term Economic and Fiscal Framework in 2027.

B. SM-I: Spending Policy

Scope

To support the government's efforts in achieving fiscal sustainability, the proposed CD program will concentrate on three key expenditure areas. The first area aims to enhance the capacity of ministry staff to conduct comprehensive spending reviews, enabling them to identify and address the primary budget pressures effectively.

The second area focuses on CD related to managing the wage bill. Civil servant salaries have experienced significant increases, with an average rise of 30 percent in base salaries observed in 2025, which could have long-term implications. It is essential for MoFEA staff to acquire the skills to model the wage bill accurately and make informed decisions regarding its trends and the potential impact of various policy choices.

The third area of support targets the electricity sector, where the National Water and Electricity Company (NaWEC) has faced challenges in recovering costs associated with service provision, resulting in a

dependence on government transfers that strain the budget. The MoFEA often lacks the sectoral knowledge necessary to manage such pressures effectively. Consequently, the proposed initiative will involve the preparation of a report and analysis by the IMF team to provide the MoFEA with a foundational understanding, along with the potential for a follow-up mission to train MoFEA staff in the methodologies used to estimate subsidies, thereby facilitating continuous monitoring.

Program Objectives

The primary objective is to assist the authorities in developing capacity for expenditure policy analysis that will inform policy formulation in three key areas: the wage bill, subsidies to public utilities, and comprehensive spending analysis to guide budget decisions. A specific activity is planned for each area.

For the wage bill, the initiative will build on the March 2025 expenditure policy diagnostic, completing the wage bill baseline and scenario modeling, while also providing training to the MoFEA on expenditure policy tools and assessment techniques.

Regarding subsidies for public utilities, the mission will assess the gap between costs and tariffs, along with identifying the main determinants of this gap and the redistribute implications of the electricity pricing policy. This analysis will aid the government in formulating a strategy to increase the financial sustainability of the sector and to improve the targeting and adequacy of measures to protect vulnerable households from the high costs of services.

The third activity will revisit the findings from the wage bill analysis, updating the understanding of spending pressures and priorities, and assessing their implications for macroeconomic outcomes and budgetary decisions.

Expected Results (outcomes)

The analyses from both the electricity subsidy mission and the wage bill and expenditure policy review are anticipated to enhance the MoFEA's understanding of key fiscal dynamics, thereby fostering informed dialogue with line ministries and reinforcing its leadership in implementing essential sectoral reforms. Specifically, the electricity analysis will aid in developing effective social assistance for

vulnerable households while prioritizing actions to improve the predictability and cost-reflectiveness of electricity tariffs, ensuring the sector's financial sustainability and appeal to private investment.

Concurrently, the wage bill analysis is expected to bolster the Ministry's capacity to assess medium-term spending pressures and cost reforms, enabling proactive management of significant fiscal challenges and promoting sustainable budgetary decisions.

Project proposals typically cover only one to two years of CD activities, which are expected to contribute to the achievement of the objectives outlined in the sections above. The objectives of this GPFP project may require extended and ongoing support to be fully and sustainably realized. Therefore, progress reports will serve to monitor advancement towards these objectives, and it may be necessary to adjust or broaden project workplans to better facilitate the achievement of these goals.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

The activities have been harmonized with the commitments of The Gambia in the framework of the RSF program. The Gambia has benefited from an intensive CD program, both from IMF Headquarters (HQ) and the IMF's Regional Technical Assistance Center in West Africa (AFW2) on macro-fiscal topics. The authorities have requested the amendment of the previous CD program provided by FAD to continue to help advancing important reforms in core areas within revenue mobilization, and public spending.

B. Delivery Modalities

CD will comprise of a mix of remote and in-person activities. Virtual deliveries will be used to provide efficiency to in-person support, including pre-engagement meetings and post-follow up meetings, as well as coordination and follow up with development partners. The following CD activities will be delivered as a package:

- **Headquarters-led (HQ) missions** and staff visits to provide deep dives and strategic recommendations to meet RSF reform measures, assess progress, coordinate with other CD providers and adjust reform implementation plans.

- **Short-term experts (STX)** will join the main missions led by HQ, both for the mission on carbon-based excises and for the mission on energy subsidies and the sustainability of the electricity sector.
- **Workshops:** Staff will organize workshops, specifically focused on managing the wage bill and other spending matters.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
IMF's African Department country team, IMF Resident Representative	CD design and delivery, supporting program benchmarks, sharing of information and insights	Stakeholder engagement, design of structural benchmarks and reform measures where feasible	Continuous
World Bank	Information sharing	Impact of natural disasters/ carbon-based excises	Regular
Other active development partners, such as Agence Française de Développement, African Development Bank	Information sharing	Across all workstreams	Debriefs after missions

V. RISK ASSESSMENT AND MITIGATION

Category/Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
RM-I: Revenue	Lack of support from development partners and/or private sector stakeholders in advancing climate policies or reforms	Low	Coordinate with key development partners and donors present in the country
SM-I: Spending Policy	N/A	N/A	N/A
POLITICAL SUPPORT			
RM-I: Revenue	Lack of support for mission recommendations at the political level	High	Provide inputs to the authorities so they can socialize reforms with the general public
SM-I: Spending Policy	The implementation of the recommendations from the mission is politically costly.	High	Analysis includes subsidy benefit incidence and recommendations for a successful communication strategy.
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
RM-I: Revenue	Low capacity to implement recommendations in the MoFEA	Medium	Build strong relationships with the Directorate of Tax and Revenue and the Ministry leadership
SM-I: Spending Policy	Information system and data are not adequate to conduct the analysis.	High	Engage management and technical staff early on.
RESOURCE ADEQUACY			
RM-I: Revenue	Lack of means to implement reforms	Medium	Ensure an adequate estimation of resources required for the reform and that the authorities can meet those requirements
SM-I: Spending Policy	N/A	N/A	N/A

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY26	FY27	FY28	FY29	Grand Total
RM-I: Revenue					
HQ led CD mission	2	-	-	-	2
STX visits	-	-	-	-	-
Staff visits	-	-	-	-	-
Workshops (inc. during HQ and remote CD)	-	-	-	-	-
SM-I: Spending Policy					
HQ led CD mission	1	-	-	-	1
STX visits	-	-	-	-	-
Staff visits	-	-	-	-	-
Workshops (inc. during HQ and remote CD)	1	1	-	-	2
Total	4	1	-	-	5

Note:

- In-person delivery was chosen in most instances to ensure adequate engagement from counterparts and because of the sensitivity of the CD messages being conveyed.
- Hybrid delivery was chosen in some instances because there are opportunities to start the technical work from HQ and finalize discussions on the ground.
- Collectively, the blend of CD delivery proposed over the duration of this project/program reflects the optimal balance of in-person, remote, and hybrid activities needed to achieve the project/program outcomes, taking into account the needs of the country and the resources available.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
RM-I: Revenue		
Q3/FY26	Field-based Work - DS	CD Mission on Carbon-based Excises
Q3/FY26	Remote	Early engagement on economic impact of natural disasters
Q4/FY26 Q1/FY27	Field-Based work - FB	CD Mission on Economic Impact of Natural Disasters
SM-I: Spending Policy		
Q3/FY26	Field-Based work - FB	CD Mission on Electricity Subsidies
Q3/FY26	Field-Based work - FB	Workshop on Wage Bill

VII. PROGRAM FINANCIALS

Module	FY26	FY27	TOTAL (USD)
Direct Delivery			
RM-I: Revenue	\$312,908	-	\$312,908
SM-I: Spending Policy	\$249,000	\$51,000	\$300,000
Subtotal	\$561,908	\$51,000	\$612,908
Trust Fund Management Fee (7%)	\$39,334	\$3,570	\$42,904
TOTAL	\$601,242	\$54,570	\$655,812

Note: The estimated budget for this project is \$655,812 and endorsement is requested for the full amount through FY27.

VIII. TARGETED LOGICAL FRAMEWORK

A. RM-I: Revenue

Objective: Improved fiscal policies and institutional frameworks to combat climate change and its impacts (SDG 13) - CLM	
Outcome(s)	Indicator(s)
Authorities have a baseline understanding of how well fiscal policies and institutional frameworks support environmental sustainability and opportunities for increase alignment	Diagnostic or scoping have produced baseline and opportunities for improvement
Improved fiscal policy for climate mitigation	Tax and spending policies are supportive of transition to greener energy sources
Enhanced use of fiscal policy for building resilience to climate and disaster risks	Domestic capacity to develop and implement fiscal strategy to address slow moving climate and disaster risk is enhanced

B. SM-I: Spending Policy

Objective: Strengthen Expenditure Policy Formulation and Design - EPD	
Outcome(s)	Indicator(s)
Government pay and employment are more competitive and consistent with fiscal constraints	Public wage bill, in percent of GDP
Medium-term expenditures in line with the required spending needs in the areas of health, education and selected infrastructure (SDGs 3, 4, 6, 7, 9).	SDG Index, SDG (good health and well-being) https://dashboards.sdgindex.org/
Public expenditure is fiscally sustainable and efficient	Primary spending, in percent of GDP