

STATEMENT BY THE MINISTER OF FINANCE AND ECONOMIC AFFAIRS ON THE LAYING OF ESTIMATES OF REVENUES, RECURRENT AND DEVELOPMENT EXPENDITURES FOR FISCAL YEAR, 2023.

Honourable Speaker

1. I would like to submit for consideration and approval by the National Assembly, the Estimates of Revenues, Recurrent and Development Expenditures for The Republic of The Gambia for the Fiscal Year, 2023.

Honourable Speaker

2. The legal basis for today's event- the tabling of the 2023 Budget estimates before the National Assembly is anchored on the 1997 Constitution, and the Public Finance Act (PFM Act) of 2014.

Section 152 (1) of the 1997 Constitution of The Republic of The Gambia places an obligation on His Excellency, The President to instruct the Minister of Finance and Economic Affairs to prepare and submit to The National Assembly, at least 30 days before the end of each Financial Year, the Estimates of Revenues and Expenditures of The Gambia for the following year.

3. Furthermore, Section 21 (1) of the Public Finance Act equally requires the Minister to lay before the National Assembly, the Appropriation Bill, at least 30 days before the end of the financial year. In so doing, Section 24 of the same Act specifies the content of the Appropriation Bill Documents. Consequently, these relevant documents are now incorporated in the 2023 Estimates of Revenue and Expenditure being presented to this August Assembly.

4. Still reflecting on the legal requirements for this national budgeting process, Section 152 (1A) of the Constitution similarly requires the National Assembly within a maximum period of 14 days, after receiving the Estimates of Revenues and Expenditures, to consider and approve the Estimates. It is also worthy to note that in light of the foregoing, the Public Finance Act provides under Section 27 thereof for the National Assembly to appoint, temporarily or permanently, a core of technical staff to assist in gathering information, making research and analysis on issues pertinent to its deliberations and resolutions on the Budgets submitted by the Minister of Finance.

Honourable Speaker

5. The 2023 Budget Estimate has been prepared based on the objectives of continued recovery and building on inclusive and resilient economy. To this end, the draft Estimate is anchored on renewed commitment to strengthen domestic resource mobilization to supports the provision of quality essential services in agriculture, education, health and Infrastructure development to promote a more inclusive and resilient growth. This new direction of government development policy will support recovery in the light of the adverse impact of the Russia-Ukraine War and the lingering effects of the COVID-19 pandemic. The macroeconomic framework underpinning the draft Estimates is anchored on recovery in agriculture, sustained growth in construction services and a broadly positive outlook in the tourism sector.
6. The 2023 Budget is prepared with minimal new revenue measures in order to give respite to the private sector following the outbreak of the Coronavirus pandemic and the devastating impact of the Russia-Ukraine war that affected businesses across the country.
7. However, more emphasis will be placed on improving compliance in tax administration to ensure that what is lawfully due to government is collected and on time. The intention is to maximize efficiency in

revenue collections by the commissioning of a web based ASYCUDA WORLD, the on-going update of the GAMTAXNET and the preparation for the deployment of an Integrated Tax Administration System (ITAS).

8. It is against this backdrop, that the 2023 budget is designed to effectively respond and serve as both a mitigation and adaptation tool, with emphasis on strengthening our resilience towards the current adverse effects of the global economy. This is also expected to consolidate our gains achieved in recovering from the post COVID-19 pandemic era.

Honourable Speaker

9. The Russia- Ukraine war has negatively impacted on growth prospects resulting in rising global commodity prices, falling remittances, a fall in international tax revenues and increase in financing pressures. As these difficult circumstances unfold, The Government revised the 2022 approved budget in July to reflect the shocks in the macroeconomic conditions during the year.
10. Preliminary data estimates Real Gross Domestic Product (GDP) growth for 2022 at 4.8 percent. This is an expansion from a rate of 4.3 percent in 2021 when recovery from the pandemic was underway.

This relatively better performance is as a result of the anticipated increase in agricultural output and a projected sustained growth in both the industry and services sectors of 6.9 and 4.0 percent respectively.

On the downside, the outlook in growth will depend on the continued impact of the Russia-Ukraine conflict, which could severely dampen growth prospects.

11. On sector specific growth outlook, agriculture is projected to continue on the growth path reaching 6.6 percent in 2023- primarily supported by crop production and fishing and aquaculture. The growth prospects for the industry sector is estimated to increase to 6.9 percent in 2023 up from 6.0 percent in 2022- mainly supported by electricity and mining and quarrying activities. On the service sector, recovery in tourism, transport and storage, finance and insurance will enhance growth, with the sector growth projected to reach 4.0 percent in 2023 from 2.4 percent in 2022.

Honourable Speaker

12. On Monetary Policy, the inflationary pressure and expectation have risen. This is fueled by surging food and energy prices coupled with other risk factors such as currency depreciation, adjustment in transport fares and pump prices. Headline inflation has reached 13.3% in September 2022 up from 11.7% in June 2022 and 8.2 percent a year ago.
13. In the near-term, inflation pressure will continue to increase. This is as result of global inflationary pressures. However, in the medium-term, inflationary pressure will ease and return to its long-run trend by next year in response to the tight monetary policy stance of the Central Bank of The Gambia and easing of global supply chains. The Central Bank increased the policy rate to 12% in September from 10% at the beginning of the year.

Honourable Speaker

14. On the fiscal front, revenue has registered a low outturn. This is mostly as a result of grant disbursements of only 30 percent of the projected yearly outturn of D13.6 billion. The projected disbursement of budget support grants from the European Union of US\$23 million and African Development Bank of US\$7 million did not materialize.

Furthermore, the increase in global oil prices, leading to fuel subsidies to the tune of D1.3 billion as at end September 2022, also contributed to the low revenue outturn.

15. The outturn for Revenue and Grants is projected to reach D29.9 billion by end 2022. However, as at end September, actual outturn for Revenue and Grants stood at D14.4 billion, representing only 48 percent of the projected outturn.
16. The projected annual outturn for Tax Revenue is estimated at D12.65 billion. In the first nine months of the year, actual outturn recorded D8.2 billion, representing 56% percent of the projected outturn for the 2022 fiscal year. This lower-than-anticipated outturn is primarily due to revenue shortfalls relating to a drop in international trade taxes for both Oil and non-oil imports.
17. On non-tax revenue, performance for the first three quarters of 2022 registered D2.2 billion against an end-year projection of D3.9 billion, representing 60 percent of the projected outturn for the year.
18. Total outturn for expenditure and net lending is projected to reach D30.65 billion against the revised Budget of D31.06 billion. In comparative terms, the end-year projection is forecasted at D412 million below the revised Budget. This is mostly as a result of lower performance of domestic revenue collections that translates to tighter budgetary control.
19. On debt Interest, the end-year projections of D3.48 billion will overshoot the revised budget by D442 million. This is mostly relating to the increase in both domestic and external debt service due to the appreciation of the US Dollar and the increasing cost of domestic debt.

20. Personnel cost as at end-year is estimated to be D386 million below the revised budget amount of D5.75 billion compared to a projected yearly outturn of D5.36 billion. The prudent and close monitoring and rationalization of expenses in the light of lower-than-expected performance of the revenue contributed to the realization of the savings.

Honourable Speaker

21. On the External front, the balance of payments continued to deteriorate and being under pressure on the account of the ongoing global shocks. Imports of goods increased by 12.9 percent in the first half of 2022, mainly reflecting an increase in the imports of energy, food items and vehicles. Similarly, Export increased by 23.8% in the first half of 2022.
22. The deterioration in the trade balance resulted in a higher current account deficit of 1.3% of GDP in the first half 2022, relative to a deficit of 0.5 percent of GDP in the corresponding period of 2021.

Honourable Speaker

23. Despite the significant impact of the Russia-Ukraine War with disruption in the global supply chain coupled with the lingering effects of COVID-19 has placed on our development trajectory, it is an opportunity for self-reflection and utilization of our unique means to build a resilient economy, and resilient partnerships while interlacing all of these with an adaptive planning model that is agile and also responsive to exogenous shocks, uncertainties and fragile multilateral systems.
24. While striving for equilibrium and avoiding dislocations within our fiscal space, the 2023 Budget aims to stimulate economic recovery through practical and tangible support to all sectors of the economy.

The Budget also reaffirms our national commitment to leave no one behind by enhancing our social protection response programmes in collaboration with the development partners.

25. As earlier mentioned, the 2023 budget will place emphasis on social service delivery. This will include additional expenditure on priority areas such as Education, drugs and medical supplies for our hospitals across the country, Vaccines for infants, and the rehabilitation of major Health Centers across the country.
26. The largest allocation of the recurrent expenditure budget is to Education sector followed by the health sector. This is necessary to build and sustain the human capital of the country
27. In what could be viewed as reformist and a practical demonstration of innovative programming, Government will in the 2023 Budget, take bold steps to build capacities of rural communities – particularly through the Programme for Accelerated Community Development (PACD) and sustainable infrastructural development.
28. Implemented through Local Councils, PACD aims to improve access to basic social services for rural populations through the establishment of socio-economic infrastructures, while also promoting the involvement of local actors in the economic and social development of their localities.
29. Infrastructure development, in particular, road infrastructure is also featured meaningfully in this 2023 budget. This is expected to finance ongoing and newly proposed rural road projects, which include Kiang West Roads, Niimi-Hakalang Road, Kiang West Phase II and a host of other rural projects to be financed through the 2023 budget from Government (GLF) coffers.

30. The contribution of foreign financing of development projects is expected to increase in the fiscal year, 2023 as The Gambia hosts the OIC summit. This includes the upgrading and expansion of Bertil Harding highway with additional construction of 50Km urban roads.

Honourable Speaker

Proposed Fiscal Operations For 2023

31. Total Revenue and Grants for 2023 is projected to reach D31.48 billion, which represents a growth of 18.42 per cent over the 2022 figure of D26.59 billion. The increment is mainly attributed to an estimated increase in tax revenue, budget support Grants, and Non-Tax Revenue. Project Grants is projected to reach D11.83 billion compared to D9.66 billion in 2022, whereas Non-Tax Revenue is projected at D2.97 billion compared to D2.20 billion in 2022. Meanwhile, total Tax Revenue is also projected to marginally increase by 1.5 percent to D13.92 billion, compared to D13.66 billion in 2022.
32. The 2023 budget will factor Budget Support to the tune of D2.77 billion from our developing partners, compared to D1.07 billion in 2022. The bulk of the budget support is expected to come from the World Bank (US\$20 million), the European Union (US\$13 million), AFD (US\$2million) and the African Development Bank (US\$7 million).

Honourable Speaker

Expenditures & Financing

33. Total Expenditure and Net-lending are projected to increase by 13.5 percent, rising from D31.18 billion in 2022 to D35.41 billion in 2023. This increase is mainly driven by increases in Other Expenditures, which are projected to increase by D3.77 billion in 2023

(or 13% growth). Personnel Emolument expenditures, which are part of Other Expenditures, are projected to increase from D5.75 billion in 2022 to D6.14 billion in 2023. This increase is as a result of the assumption of the payment of hardship allowances for teachers in Lower Basic Schools (previously paid by the World Bank), payment of Allowances to Election Officers for the upcoming local government elections, Personnel Costs for the National Assembly, as well as yearly increments based on promotions.

34. Meanwhile, Other Current (OC) Expenditure is projected to increase to D13.27 billion in 2023, representing a 25 percent increase in comparison to 2022. This increase is mainly stimulated by projected expenditures on Subventions for the Ministry of Basic and Secondary Education and the health sector. Capital expenditure is expected to increase slightly by 6 percent to D12.70 billion in 2023, mainly as a result of the suppression of expenditure on road projects in 2022.

Honourable Speaker

35. As I conclude, I would like to invite reflection on the fact that the crafting of this 2023 Budget is being done under very unusual and difficult social and economic circumstances. Premised on our current challenges, we can expect 2023 to require further fiscal discipline. However, 2023 also provides opportunities for innovation in all aspects of our national economy and for leveraging the potentials of digitalization to transform our businesses, and restructure sectors to make them more resilient. Our intention now is to place our energies in the pursuit of local solutions to our economic challenges, achieve greater value addition, establish sustainable domestic value chains, and diversify local production base and expand our nascent export base.

Honourable Speaker

36. The fiscal year 2023 promises to be transformational as the global economic outlook is increasingly uncertain. It will be challenging and despite the gloomy clouds associated with Russia-Ukraine war, our 2023 national budget can place us on the path to becoming a highly resilient and productive economy. To this end and in pursuance to this noble national development agenda that I therefore submit the Estimates of Revenues, Recurrent and Development Expenditures for fiscal year 2023 for consideration and approval by the National Assembly.

Honourable Seedy Keita

Minister for Finance and Economic Affairs