STATEMENT BY THE MINISTER OF FINANCE AND ECONOMIC AFFAIRS ON THE LAYING OF ESTIMATES OF REVENUES, RECURRENT AND DEVELOPMENT EXPENDITURES FOR FISCAL YEAR 2021.

Honourable Speaker

1. I would like to submit for consideration and approval by the National Assembly, the Estimates of Revenues, Recurrent and Development Expenditures of The Republic of The Gambia for the Fiscal Year 2021.

Honourable Speaker

2. The legal basis for today's event- the presentation of the Budget to the National Assembly of The Gambia are 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. So too does Section 24 of the same Act which specifies the content of the Appropriation Bill Documents. Consequently, these relevant documents are now incorporated in the Estimates of Revenue and Expenditure being presented to this august Assembly today.

4. By the same token and still reflecting on the legal requirements for this national budgeting process, Section 152 (1A) of the Constitution similarly obligates 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 allied to the foregoing, the Public Finance Act provides under Section 27 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.

Honorable Speaker

5. The central premise of the 2021 budget is to *build forward better* in the era of COVID-19 while reaffirming the Gambia's commitment to the ongoing National Development Plan (NDP 2018-2021) as well as the global Sustainable Development Goals (SDGs 2030). Indeed, in our contemporary socioeconomic landscape and as we formulate this 2021 budget, COVID-19 has emerged as the single most important parameter and challenge to our development ideals-manifesting among others, the capacity to significantly and adversely affect economic performance and the outlook of various economic indicators.

6. It is against this backdrop that the 2021 budget is designed to effectively respond and serve as both a mitigation and adaptation tool, with emphasis on accelerating the pace of economic recovery in The Gambia. In addition to promoting economic diversification, the 2021 budget also emphasizes early and enterprise recovery, competitiveness, harnessing the opportunities arising from the remnants of COVID-19 and ultimately ensuring inclusive growth where no one is left behind.

Honorable Speaker

7. The coronavirus pandemic has negatively impacted growth prospects across the globe and dampened initial optimistic growth forecasts from the pre COVID-19 era. The case of The Gambia is no exception, with a contraction of growth rates taking the country off the sustained increasing growth pathway it has been on since 2017.

8. Preliminary analysis of the macro-economic impact of the pandemic on the Gambian economy indicates that there is a significant slowdown in GDP growth, a decline in tax revenues, an increase in health expenditures as well as multiple stressors on the 2020 budget arising from inter alia, relief support for vulnerable individuals, and an economic stimulus package for businesses. The smaller growth projections for the Gambia are also based on the shocks associated with the closure of all the points of entry, notably the airport and land borders, the lack of tourism – related activities which have collectively crippled the tourism sector and stifled economic activities throughout the country.

9. In essence, domestic growth rates for 2020 have been revised downwards from 6.3 percent to -1.5 percent, with an anticipated 3 percent of GDP loss in tax revenue for the fiscal year. This is a significant decline from the 6.2 percent GDP growth rate in 2019. To make matters more worrisome, these estimates are expected to further wane if the spread of the virus worsens in the coming few months, in a manner similar to the second wave of COVID-19 infections currently being experienced in most of Europe and in the United States of America.

10. The slowdown in global growth remains a concern for The Gambia. Travel restrictions and containment measures that were previously put in place to reduce the spread of the virus are major variables to consider in assessing the real impact of the pandemic on growth. It is estimated that the effects will be temporary as restrictions on mobility are being relaxed, the world economy would recover

momentum and domestic GDP would return to the accelerated growth path it was on prior to the outbreak of this pandemic. With the domestic economy reopening to tourists just in time for the upcoming tourism season, and businesses and markets resuming normal operations, it is hopeful that economic activities will improve in the short to medium term.

11. The industry sector is projected to decline from 14.3 percent in 2019 to 5.8 percent in 2020. The is due to a decline in the mining, quarrying and construction sub-sectors, which were impacted by the pandemic as major works and mining activities were halted for most of the year.

12. Meanwhile, the service sector is projected to incur the sharpest decline, from 6.8 percent in 2019 to negative 6.8 percent in 2020. This is as a result of the devastating impact the coronavirus pandemic had on the Tourism and Hospitality sector, given that this vital sector was primarily shut down from April to October this year.

13. Despite the negative growth in most sectors, there appears to be a silver lining in the agricultural sector which is projected to register a positive outcome and assume a countercyclical role to tourism. Unlike 2019, when the country experienced delayed rainfall and low crop productivity, the favorable weather conditions and early distribution of farming inputs during this 2020 agricultural season are likely to boost crop production. The sector is thereby projected to grow from -1.3 percent in 2019 to 3.1 percent in 2020.

Honorable Speaker

14. On Monetary Policy, the inflation rate is projected to decline from 7.1 percent in 2019 to 6.5 percent in 2020. The higher inflation rate in 2019 was due to several factors, including a one-time hike in postal charges in March 2019, an increase in

food prices associated with the Ramadan, and a low food harvest. Meanwhile, the 2020 inflation rate is anchored on a stable exchange rate, an increased domestic food supply supported by Government intervention to promote agriculture, and a sound monetary and fiscal policy implementation.

15. The exchange rate in 2020 has remained flexible to allow for adjustment to market fundamentals, with limited intervention from Government. The lack of activities within the tourism sector and the circulation of their foreign currency in the economy, coupled with the weaker demand for foreign exchange by businessmen as their imports declined, has impacted the exchange rate. Nevertheless, the significant amount of budget support received this year has curbed the negative impact that would have ordinarily occurred.

16. As a result, the outlook of price pressures has started to ease, and underlying inflation remains broadly subdued. This is expected to continue in the medium-term, premised on the continued stability of the exchange rate, well-anchored inflation expectations, and moderate variations in global food prices.

Honourable Speaker

17. On the fiscal front, domestic revenue collection is expected to increase from D11.8 billion (USD 228.2 million) in 2019 to D12.8 billion (USD 247.5 million) projected for 2020. Despite the coronavirus pandemic, the Gambia Revenue Authority has been able to scale up efficiency in tax administration. Total grants increased from D4.8 billion (USD 92.8 million) in 2019 to an expected D8.1 billion (USD 156.7 million) in 2020. The significant increase in grants, mainly in the area of budget support, is due to the support received from Development Partners to help ease the burden of the coronavirus pandemic on the people of The Gambia

18. Total expenditure is expected to increase significantly from D15.1 billion (USD 292.1 million) in 2019 to D22.1 billion (USD 427.5million) in 2020. All expenditure sub-components have increased significantly during the course of the year. Much of this is due to additional expenditures on goods and services and capital development intended to combat the devastating impact of the Coronavirus pandemic.

19. As articulated by the recently concluded Debt Sustainability Analysis (DSA), conducted by the Ministry of Finance and Economic Affairs and the International Monetary Fund (IMF), the Gambia remains in debt distress as its current debt levels become unsustainable. Prudent fiscal measures therefore need to be taken by the Government to ensure that debt levels are reduced to sustainable levels.

Honorable Speaker

20. Notwithstanding, there is a more positive element to the Debt situation, as the G20 Debt Service Suspension Initiative (DSSI) offers relief to eligible low-income countries on official bilateral debt-service payments (principal and interest) due between May and December 2020. Basically, the payments covered are suspended, not forgiven, with a one-year grace period followed by a repayment period of three years, and a neutral net present value structure. The DSSI, which provided a relief of D287.24 million (USD 5.5 million) in debt service payments for the 2020 fiscal year, is intended to increase fiscal space to accommodate higher spending on coronavirus pandemic relief. In total, this initiative will yield a savings of D4.7 billion (USD 90.9 million) in debt service deferral over the next five years (2020 – 2024).

Honourable Speaker

21. On the External front, the current account estimates for the period 2020 stands at a deficit of US$71.8 million (D 3.71 billion) from a deficit of US$46.0 million (D2.4 billion) in 2019. The widening of the deficit in the goods account reflects the increase in imports, owing to the rise in economic activities within the construction subsector and a demand for oil imports. However, exports are forecasted to decline to US$124.5 million (D 6.43 billion) in 2020 compared to US$202.5 million (D 10.46 billion) in 2019 or by 38.0 per cent, mainly triggered by a decline in cashew and timber trade.

Honorable Speaker

22. Reading the insightful prose of a British writer, "*We are all in the same storm, we are not all in the same boat; Some are on super-yachts, Some have just the one oar*" it summed up in my mind the philosophical frame from which the Gambia approached its 2020 budget. Despite the significant obstacles that COVID-19 has placed on our global development trajectory, it is a generational opportunity for self-reflection and for utilizing our unique means to build a resilience people, resilient economy, and resilient partnerships while interlacing these all with an adaptive planning" model that is agile and also responsive to exogenous shocks, uncertainties and fragile multilateral systems.

    While striving for equilibrium and avoiding dislocations within our fiscal space, the 2021 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.

23. As earlier mentioned, the 2021 budget will place emphasis on social service delivery. This will include additional expenditure on priority areas such as drugs and medical supplies for our hospitals across the country, Vaccines for infants, and the rehabilitation of major Health Centers across the country.

24. In what could be viewed as revolutionary, reformist and a practical demonstration of innovative financing, Government will in the 2021 Budget take bold steps to capacitate rural communities – particularly through the Programme for Accelerated Community Development (PACD) and sustainable infrastructural development.

25. 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.

26. Infrastructure development, in particular, road infrastructure is also featured meaningfully in this 2021 budget. The Government has already commenced the implementation of several key road projects such as the Nuimi – Hakalang road, the Sabach Sanjal road, the Basse – Fatoto – Koina road, the Saloum – Nianija road, the Kaleng – Bushtown road, the Basse – Yorabowal road, just to name a few. Also noteworthy at this point is the fact that unlike previous periods, when Government would primarily finance road projects through development partners, most of the Road infrastructure projects being implemented through the 2021 budget will be financed from Government (GLF) coffers.

27. Also critical to this discourse is the increasing inclination to sustainably convert borrowing into infrastructural / productive assets and not other less profitable consumption.

Honourable Speaker

28. Total Revenue and Grants in 2021 is projected to reach D25.76 billion (USD 498.3 million), which represents a minimal growth of 5 per cent over the 2020 figure of D24.4 billion (USD 471.9). The increment is mainly attributed to Project Grants projected to come from our development partners, which is expected to reach D8.8 billion (USD 170.2) compared to D8.1 billion (USD 156.7) in 2020. Meanwhile, total Tax Revenue is projected to marginally increase by 5 percent to D12.2 billion (USD 235.9) compared to D11.6 billion (USD 224.3) in 2020, whilst Non-Tax Revenue is projected to decrease by 23 percent to D1.53 billion (USD 29.59 million) compared to D2 billion (38,6 million) in 2020.

29. The 2021 budget will factor Budget Support amounting to D3.2 billion (USD 61.9 million) from our development partners, compared to D2.7 billion (USD 52.2 million) in 2020. The total Budget Support expected from the European Union in 2021 is 13.5 million EUROS (D812.0 million), whereas an additional $7 million (D361.9 million) is expected to come from the African Development Bank, and $20 (D1.03 billion) from the World Bank. Additional grant of D300 million (US$5.81 million) is expected from the Catastrophe Containment and Relief Trust (CCRT) of the IMF in addition to a top-up of Extended Credit Facility of D700m (US$13.56 million) from the same institution.

Honorable Speaker

Expenditures & Financing

30. Total Expenditure and Net-lending is projected to increase from D28.3 billion (USD 547.4 million) in 2020 to D31.90 billion (USD 617 million) in 2021, representing a growth of 12 per cent. The bulk of this is related to Capital expenditure, more specifically, the funding of various road projects across the country. Personnel Emolument (PE) expenditures are projected to also increase from D4.4 billion (USD 85.1 million) in 2020 to D4.9 billion (USD 94.7 million) in 2021. The increase in PE is as a result of an additional 2,000 teachers being recruited for the Ministry of Basic and Secondary Education, payment of Allowances to Election Officers, as well as factoring yearly increments based on promotions.

31. Other Current (Non-Interest Expenditure) Expenditure is estimated to expand by 4 per cent, from D18.28 billion (USD 353.5 million) in 2020 to D18.97 billion (USD 366.9 million) in 2021. This growth mainly stems from the social sectors (Health and Education in particular), Transfers to Agencies, and expenses associated with the upcoming voter registration and Presidential elections. Meanwhile, Capital expenditure is expected to register a growth of 88 percent to D4.9 billion (USD94.7 million) in 2021, from D2.6 billion (USD 50.3 million) in 2020, mainly as a result of the upcoming OIC infrastructure projects and other road construction projects (rural and urban roads) under the Ministry of Works, Transport and Infrastructure.

32. Debt Interest payment is projected to reach D3.08 billion (USD 59.6 million) and will consume around 22 per cent of Government domestic revenues (Tax and Non-Tax only) in 2021. Overall, Debt service (interest payments plus amortization) is projected to reach D5.97 billion (USD 115.5 million) in 2021 from D7.7 billion (USD 148.9 million) in 2020, thereby registering a drop of 22%. This is due to the debt deferral negotiated with some of our multilateral creditors.

33. In terms of financing the deficit, Domestic Borrowing is projected to reach D3.45 billion (USD 66.7 million) in 2021, compared to D2.26 billion (USD 43.7 million) in 2020, whereas Capital Revenue is expected to increase to D1.7 billion (USD 32.9 million) in 2021. On Foreign Borrowing, D4.22 billion (USD 81.6 million) will be borrowed in 2021 to finance development projects, compared to the D4.04 billion (USD 78.1 million) borrowed in 2020.

Honourable Speaker

34. As I conclude, I would like to invite reflection on the truism that the crafting of this 2021 Budget is being done under very unusual and difficult social and economic circumstances. Premised on our current challenges, we can expect that 2021 would require a lot of sacrifices. However, in a paradox, 2021 provides opportunities for innovation in all aspects of our national economy and for leveraging the potentials of digitalization to transform our businesses, create an IT savvy populace, and restructure sectors worst hit by COVID-19 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 production and expand our export base.

35. 2021 promises to be transformational, it will be revolutionary and despite the gloomy clouds associated with COVID-19, our 2021 national budget can place us on the path to becoming a highly productive nation. It is to pursue this noble national development agenda that I therefore submit the Estimates of Revenues, Recurrent and Development Expenditures for fiscal year 2021 for consideration and approval by the National Assembly.

Honourable Mambury NJIE

Minister for Finance and Economic Affairs

Annex

Table 1

Details of Revenue & Grants (millions)		
Revenue Head	**2021**	**2020**
Total Revenue & Grants	25,760,000	24,472,615
Tax	12,209,515	11,601,157
Non-Tax	1,536,232	2,035,424
Project Grants	8,804,768	8,136,034
Budget Support	3,210,000	2,700,000

Table 2

Expenditure and Net Lending (millions)		
Expenditure Head	**2021**	**2020**
Total Expenditure and Net Lending	31,902,410	28,336,947
External Interest	606,889	697,439
Domestic Interest	2,479,412	2,250,972
Personnel	4,929,392	4,468,902
Other Current	18,973,576	18,287,588
Capital	4,904,141	2,682,045
Net Lending	9,000	-50,000

Table 3

Details of Financing(millions)		
Expenditure Head	**2021**	**2020**
Financing	6,141,895	3,864,332
Domestic Borrowing	3,459,581	2,266,626
Foreign Borrowing	4,222,498	4,048,299
Foreign Amortization	-1,681,458	-1,965,163
Arrears & Guarantees	-417,000	-300,000
Capital Revenue	1,790,000	620,000
Domestic Amortization	-1,231,726	-2,805,430
Debt Restructuring	0	2,000,000