



# **HIGH-LEVEL SUMMARY TECHNICAL ASSISTANCE REPORT**

## **THE GAMBIA**

### **Carbon-Based Taxation Options**

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**High-Level Summary Technical Assistance Report**  
Fiscal Affairs Department

**The Gambia: Carbon-based taxation options**

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The *High-Level Summary Technical Assistance Report* series provides high-level summaries of the assistance provided to IMF capacity development recipients, describing the high-level objectives, findings, and recommendations.

**ABSTRACT:** The Gambia requested technical assistance from the Fiscal Affairs Department regarding the implementation of a carbon-based excise. This is a summary of the technical assistance report and the recommendations provided to the authorities. The report includes suggestions on the design of carbon-based taxes building on the existing excises in the fuel price structure. It quantifies the economic impact on key macro-fiscal variables like fiscal revenue and economic growth. Additionally, it measures the distributional impact and provides an assessment of the readiness of social programs to be scaled up to shield the most vulnerable population. The report analyzes the supply chain of fuels, identifying potential efficiencies that could partially offset the impact on prices. Lastly, the report provides a legal strategy for the reform, including draft amendments to the Customs & Excise Act, 2010, to move ahead with the intended reform

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# Background

The Gambia is committed to the implementation of carbon pricing to support domestic revenue mobilization targets, promoting its external balance and ensuring that the country moves toward a sustainable future, as reflected in the Resilience and Sustainability Facility (RSF) program. As part of these efforts, the government should consider a carbon-based excise on fuel products consumed domestically to explicitly tax greenhouse gas (GHG) emissions while introducing measures to protect vulnerable households. This would raise additional revenue, streamline fuel taxation and ensure a level playing field among energy sources, paving the way for a balanced energy transition.

## Summary of Findings and Recommendations

The mission evaluated design options for a carbon-based excise, quantified the economic and social impacts of its implementation, analyzed the supply chain and pricing of fuels and provided legal analysis and drafting.

### A. Carbon-based taxation options in The Gambia

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The Gambia currently taxes fuel products through excises and other levies. Implementing a carbon-based excise aligned with the commitment under Reform Measure 8 (RM8) of the RSF calls for (a) an alignment of rates based on the implicit carbon price of gasoline embedded in the existing excise, currently at 15.16 USD per ton of CO<sub>2</sub>e; and (b) an additional increase in the rate of \$5 per ton of CO<sub>2</sub>e, taking the explicit carbon price to \$20.16 per ton of CO<sub>2</sub>e, applied to both gasoline and diesel. Beyond that, The Gambia should explore consolidating several small and fragmented fuel taxes and levies, most of which are earmarked, into a single carbon-based. The government should also consider expanding the carbon tax base to include all fossil fuels except liquified petroleum gas (LPG).

The implementation of a carbon-based excise would yield 0.08 percent of Gross Domestic Product (GDP) in additional fiscal revenue in 2026, which could grow to 0.33 percent of GDP in 2030 if the tax rate is increased by \$25 per ton of CO<sub>2</sub>e instead of \$5 per ton. Importantly, the proposed reform options could be implemented without affecting The Gambia's growth prospects, mainly because part of the additional revenue could be used as public investment. Distributional impacts to households below the poverty line or at-risk of poverty could also be alleviated by leveraging the universal social registry, which contains asset data at the household level to proxy for income. Thanks to a recent uptake in digital payment mechanisms, social programs could be scaled to shield vulnerable households from direct and indirect impacts of higher fuel prices, ensuring that the reform achieves the equity objectives enshrined in the Resilience Focused National Development Plan 2023 - 2027.

### B. Fuel supply chain, pricing and implementation considerations

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Several elements in The Gambia's fuel supply chain could be improved to enhance the market's efficiency and ensure smooth operation. Access to the essential depot storage infrastructure should have clear rules. Detailed guidelines to set margins and fees in the fuel price structure should be established and made easily accessible to the public. Addressing these elements could also increase the support of

key stakeholders, such as Oil Marketing Companies (OMCs). By creating efficiencies along the supply chain, the government could devise a strategy to at least partially offset increases in fuel prices, maintain the tax revenue and reap the environmental benefits of increased carbon taxation.

Given that the Gambia Revenue Authority (GRA) already administers excise and import VAT on fuel products, it should also be responsible for collecting and enforcing the carbon-based excise, following the deadlines and procedures outlined in the existing tax legislation. This system would maintain simplicity for taxpayers while enabling the GRA to effectively monitor and enforce compliance. The implementation of the carbon-based tax would not put undue pressure on the GRA.

To ensure fiscal and environmental efficiency, exemptions from the carbon-based excise should be minimized. The only exemption should apply to LPG, whether imported or domestically produced, as it serves as a cleaner cooking fuel alternative to charcoal, biomass, and firewood, reducing deforestation and local air pollution. Heavy fuel oil (HFO) is currently waived from all taxes and duties and is only consumed by the National Water and Energy Company (NAWEC). However, HFO is included in the scope of the carbon-based excise proposal and the government should allow it to pass through into electricity tariffs while providing targeted support to low-income households, which would serve both revenue objectives and enhance the efficiency in local electricity generation. In the medium term, as additional renewable energy comes online, the government could consider removing the HFO VAT and customs waiver as well. Other potential reforms for the fuel taxation regime involve turning the current VAT, which operates as a de facto excise, into an actual VAT, improving the overall integrity of the VAT system.

## C. Legal considerations

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The legal framework applicable to fuels in The Gambia is fragmented and incomplete. Authorities rely on gazetting new revenue measures often without clear and formal language amending the law, creating uncertainty as to tax subject, base and applicable procedural rules. This complicates finding up-to-date copies of laws, including the Customs & Excise Act (CEA) which would be subject to reform for the implementation of a carbon-based excise. The mission supports calls from the Revenue and Tax Policy Directorate and the Legal Department of GRA to adopt yearly Finance Acts to support budget measures and provide legal drafting on how budget measures change tax laws. In the absence of an annual Finance Law, RM8 will need to be implemented through a dedicated amendment to the Customs & Excise Act, which would need to be passed by the National Assembly before the end of the year. Importantly, when amending the rates of excise duty in the Fifth Schedule of the CEA, full alignment with Economic Community of West African States (ECOWAS) codes should be ensured. Broader reforms could also be explored, such as eliminating the special VAT regime for fuel and adopting regular VAT treatment of fuels subject to the carbon-based excise.