



HIGH-LEVEL SUMMARY TECHNICAL ASSISTANCE REPORT

THE GAMBIA

Climate Policy Diagnostic

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High-Level Summary Technical Assistance Report
Fiscal Affairs Department

The Gambia: Climate Policy Diagnostic

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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's economic and social development is highly impacted by climate change. Sea level rise poses substantial risks, and the country is exposed to natural disasters that could become more frequent and intense. Recurring droughts and floods impose large economic and welfare losses. With increasing temperature and decreasing rainfall, The Gambia will face a significant challenge due to the heavy reliance on rain-fed agriculture. Salinization and degradation of soil is expected to intensify, that, together with declining agricultural productivity, leads to increased deforestation. Groundwater depletion is an emerging risk, and water access, as well as agricultural expansion are the main drivers of climate related challenges. The lack of efficient land policy, planning and forest protection lead to the expansion of agricultural and livestock activities to forest areas. Demand for water and electricity is expected to grow, but private investment in these sectors is lacking. The mission reviewed the current fiscal policies supporting climate action, including mitigation and adaptation policies and the institutional framework, and provided recommendations to support the long-term climate resilience of The Gambia's economy.

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Summary of Findings and Recommendations

The Gambia's economic and social development is highly impacted by climate change. Sea level rise poses substantial risks, and the country is exposed to natural disasters. Recurring droughts and floods impose large economic and welfare losses. With increasing temperature and decreasing rainfall, The Gambia will face a significant challenge due to the heavy reliance on rain-fed agriculture. Salinization and degradation of soil is expected to intensify, that, together with declining agricultural productivity, leads to increased deforestation. Groundwater depletion is an emerging risk, and water access and agricultural expansion are the main drivers of climate related challenges. The lack of efficient land policy, planning and forest protection lead to the expansion of agricultural and livestock activities to forest areas. Demand for water and electricity is expected to grow, but private investment in these sectors is lacking. The mission provided recommendations to support the long-term climate resilience of The Gambia's economy.

Climate Adaptation Policy

The Gambia has the foundation of an overarching climate adaptation policy environment, but linkages and coordination should be strengthened. Adaptation challenges are multi-faceted and existing efforts to include longer-term impact of climate change are not sufficient. Adaptation strategies rely heavily on public sector investment, with little private sector participation, in the longer term the authorities need to strengthen the environment for private actors to contribute to adaptation efforts. Building coastal resilience is a key challenge, and managing coastal risks are complicated by the lack of clear institutional framework, absence of land-use policy, and limited institutional and technical capacity. The lack of systematic land use policy and planning compromises climate adaptation and mitigation efforts, cutting across most sectors: the lack of land tenure security and zoning is driving expansive agricultural practices, deforestation, and a lack of incentives to borrow and invest. Salinization, soil degradation and sea level rise will increase water stress in the future, and climate change will worsen water access problems. Water access and water management seem to be underlying most climate issues, therefore addressing shortcomings is top priority. Currently there is no cost associated with directly drawing on groundwater, while the economic cost is large and increasing. Current practices reduce the availability of groundwater for the water network, lead to health hazards, and exacerbate the impact of sea level rise. Water insecurity leads to an increasing pressure on internal migration, that increases deforestation through agricultural expansion and increased charcoal demand.

The authorities need to do an inventory of existing drills of groundwater immediately, and give priority to installing monitoring stations, while exploring the option of charging for ground water permits, potentially starting with certain consumer classes, or based on usage levels, while vulnerable households should be compensated through the social protection system. Inefficiencies and waste in the water network and lack of rainwater harvesting practices also need to be addressed to mitigate water shortage.

Other measures to support resilience building include developing a disaster risk (DR) financing strategy and completing the social registry to link to the DR management system. The delayed approval process for budget execution following disasters could also be improved. Considering that agricultural productivity is declining, while the sector is a major driver of deforestation, the authorities should identify options to accelerate the uptake of Climate Smart Agriculture practices, nature-based solution and ecosystem-based adaptation and to increase lending to the agricultural sector, through opportunities for farmers to

participate in options such as index-based insurance scheme. Establishing a comprehensive land policy, completing the land registry and cadaster, and enhancing land security and zoning are priorities.

Climate Mitigation Policy

The Gambia's conditional NDC target are ambitious to reduce greenhouse gas (GHG) emissions. Deforestation and agriculture (including livestock) are the largest contributor to The Gambia's GHG emissions at 56 percent, followed by waste management. The majority of households depend on charcoal and firewood as energy sources for cooking and using biomass for energy is a major driver of the country's deforestation.

Mitigation measures in the agriculture and livestock sectors are limited, forcing the focus on increasing productivity in these sectors. Addressing deforestation however is possible. The main causes of deforestation are agriculture, water problems, including saline intrusion, and urbanization. Lack of zoning and monitoring of land need to be addressed immediately, and enforcement of clear rules on permitting for clearing forests is needed. Community ownership seems to lead to better forest management, with the potential of profit-sharing as financial incentive. The authorities should analyze the income generating potential of forest areas, and target to transfer ownership to community with high revenue potential, with potential private participation. Where profit sharing is limited, the introduction of the Payment for Environmental Services (PES) in the forestry sector should be considered, potentially financed by recycling some of the revenues raised from carbon pricing. Introduction of environmental taxes to provide incentives for waste reduction, such as through a deposit and refund system on single-use containers, while using revenues for waste cleanup should also be considered, together with increased enforcement, including on a plastic ban.

Energy is not a main contributor to emissions, but electricity generation is not diversified and providing universal access to electricity is a strategic objective. Tariffs are below cost recovery level and financial situation of the electricity company hinders private investment in renewable projects, as well as lack of land rights. Tariffs should be aligned with cost recovery level. Carbon pricing as a cross cutting policy should be considered, building on existing fossil fuel taxes. The authorities should remove all existing exemptions on fossil fuel excise duties and introduce a modest USD 5 carbon price per ton of CO₂e in 2025 and increasing linearly by 2030 until it reaches its efficient level at around USD 25. This should be accompanied by compensating vulnerable households through the social protection system.

Enabling Institutions

The government is incorporating climate change considerations into development objectives and planning, supported by development partners. Climate change management is part of the government's vision and has various strategic plans and pieces of legislation regarding key sectors, but implementation and monitoring is often pending or missing. Managing climate change effectively and efficiently requires taking a long-term view and involves close coordination of players across sectors and layers of government. Both of these aspects need strengthening in The Gambia. Stakeholders need to take a long-term view consistent with climate change impacts by aligning the policy planning and assessment horizon with climate impact. The institutional framework needs to be strengthened to create accountability with respect to climate objectives. This requires clearly defined roles and responsibilities of all actors, and strengthening their coordination, while long term plans need to fully incorporate climate challenges.