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Climate change, low carbon resilient development, Gambia, adaptation, mitigation



## Policy pointers

**By establishing a national climate change fund, the government could mobilise and disburse resources more efficiently, thus easing the Gambia's transition to a climate-resilient green economy future.**

**Policymakers should consider introducing additional economic and financial instruments to leverage private sector investments into low-emission and climate-resilient development (LECRD) to complement public investments.**

**Assigning a climate change budget code will help integrate and track climate-sensitive expenditure within the national budget.**

**Given the cross-cutting nature of climate change, the Ministry of Finance and Economic Affairs is best placed to take the lead on national climate change planning and budgeting.**

## Climate change financing in the Gambia

Applying the Gambia's climate change priority action plan for 2012–2015 will cost almost US\$14.2 million, and the government will need to find an estimated US\$1.35 billion in climate financing by 2030. Most existing financing targets adaptation, although mitigation will need more financial resources in the long run. The government must therefore continue to draw down on public sources, make public investments work better and initiate innovative financing mechanisms to leverage private sector investment in mitigation projects. Policymakers and practitioners need to design elements of the financial landscape to fund the Gambia's transition to green, low-emission climate-resilient development.

The Gambian government is committed to tackling the effects of climate change. This is manifested by its plans to implement a green, low-emission and climate-resilient development (LECRD) strategy. The estimated cost of applying the Gambia's climate change priority action plan for 2012–2015 is US\$14.2 million.<sup>1</sup>

According to a national assessment of investment and financial flows completed in October 2011,<sup>2</sup> the Gambia will need an additional US\$1.35 billion to implement priority actions to reduce greenhouse gas emissions from the energy sector and forest degradation and adapt to the impacts of climate change in the agriculture and water sectors by 2030. Of this, US\$420.66 million is for adaption and US\$925.74 million for mitigation. So mitigation needs more financial resources, yet most existing climate financing targets adaptation. The government therefore needs to initiate innovative financing mechanisms to leverage private sector investment in mitigation projects.

A wide range of intermediaries, instruments and planning systems support financial flow mobilisation in the Gambia. This briefing examines the existing climate change financial

landscape and recommends how policymakers and practitioners can design elements of this landscape to fund the country's transition to green LECRD.

### Sources of finance and investment areas

In the Gambia, public funds — international, multilateral, bilateral and national — are the main sources of LECRD investment. Multilateral agencies such as the United Nations play a major role in drawing down resources, with many projects funded from the Least Developed Countries Fund (LDCF) and GEF Trust Fund. Although international public finance is likely to remain the main source of climate financing in the near future, the private sector has recently started tapping into the carbon market to finance LECRD investments. This should be encouraged, and the Gambia should further incentivise private sector investment in LECRD.

### Intermediaries

Multilateral and bilateral agencies are the main intermediaries mobilising and disbursing climate finance towards LECRD investments in the

## The government needs to allocate part of the national budget to climate change financing

Gambia. For example, the International Fund for Agricultural Development (IFAD) and African Development Bank (AfDB) have supported livestock and horticulture development with a US\$15.9 million grant; the AfDB financed a US\$7.92 million loan for a rural water supply and sanitation project.

Government agencies and departments often support multilateral and bilateral intermediaries through co-financing, disbursing resources and implementing projects. For example, the Department of Water Resources is implementing the US\$2.6 million grant AfDB-funded national water sector reform project.

Private sector intermediaries also operate within the climate finance landscape to draw down funds for investment in carbon saving and sustainable development. Specialist tour operator The Gambia Experience is partnering with the Tourism Industry Carbon Offset Service and Serenity Holidays, a private company, drawing down the voluntary carbon market to invest in tree planting initiatives and biomass stove projects.

Although the public sector is a user of climate finance inflows, it has not been very effective in drawing down sources to finance adaptation and mitigation. The country lacks both the finances

and the technical knowledge it needs to adapt to the changing environment. As a result, the Gambia seeks assistance from development partners to provide technical expertise and fund projects.

### Economic and financial instruments

The most common financial instrument used in the Gambia is the grant, with most of the country's climate change interventions financed through grants from the LDCF. Other instruments include co-financing from national funds, concessional loans and carbon trading.

As an under-developed nation, the Gambia faces many challenges. The country has experienced a persistent current account deficit, and the government needs to control spending in the face of its narrow tax revenue base. To leverage private sector investment in climate change projects, the government should consider introducing policy incentives such as feed-in tariffs, tax incentives and clean energy subsidies, and risk management instruments such as insurance and guarantees to help mitigate the risk associated with low-emission, climate-resilient investments.

### Financial planning systems and institutional arrangements

The Gambian government has started a review of climate public expenditure and institutions. This will provide a key building block for

Table 1. The Gambia's climate change financial landscape

Sources	Intermediaries	Economic and financial instruments	Financial planning systems and institutional arrangements	Uses	Users
<b>National public finance (government budget)</b>	Ministry of Finance and Economic Affairs	Co-financing grant for coastal areas	Programme for Accelerated Growth Employment (PAGE) (2012–2015) National Adaptation Plan of Action (2007) Central ministries Sector ministries Departments Agencies	Climate change adaptation	Public sector
<b>Multilateral finance</b>	Multilateral banks and agencies	UN grants for coastal areas Concessional loans	Vision 2020 PAGE (2012–2015) Sector ministry, department and agencies	Climate change adaptation and mitigation	Public sector Non-governmental organisations (NGOs) Civil society organisations (CSOs)
<b>Bilateral finance</b>	Bilateral agencies	Grants for sustainable fisheries	Sector ministry, department and agencies	Climate change adaptation	Public sector NGOs CSOs
<b>Carbon market</b>	Private tourism companies	Carbon offset scheme	Sustainable tourism policy Private tour operator	Tree planting Renewable energy stoves	Private sector

developing a climate fiscal framework to assess the demand and supply of climate funds and available domestic and external sources of funds. This should support national efforts to implement the green LECRD strategies and enhance national climate change planning and budgeting.

To prioritise climate change interventions appropriately, the government needs to allocate part of the national budget to climate change financing. This should flow via a climate change fund, which will serve as a national intermediary and provide the opportunity to scale up resource inflows and leverage or complement other sources.

There are currently four institutional actors working on climate change-related issues in the Gambia:

- **Department of Water Resources (DWR):** plays a lead role in implementing the United Nations Framework Convention on Climate Change
- **Ministry of Environment, Parks and Wildlife**

**(MoEPW):** responsible for policy issues related to climate change. Experts from the DWR report to the MoEPW on climate change issues

- **Agriculture and Natural Resources (ANR) Working Group:** the policy-level body that coordinates the implementation of all multilateral environment agreements and major projects and programmes in the ANR sectors. It is co-chaired by the Permanent Secretaries of Ministry of Agriculture, Ministry of Fisheries

### Box 1. Multilateral and bilateral agencies involved in climate finance in the Gambia

Multilaterals in the Gambian climate financial landscape include AfDB, Islamic Development Bank, World Bank, World Wildlife Fund for Nature (WWF) and many United Nations agencies: UNDP, Global Environment Fund (GEF), Environment Programme (UNEP), Industrial Development Organization (UNIDO), Economic, Scientific and Cultural Organization (UNESCO), Economic Commission for Africa (UNECA), IFAD and the Food and Agriculture Organization (FAO).

Bilateral agencies and funds providing climate change funding in the Gambia include Global Climate Change Alliance-EU, USAID, Japan International Cooperation Agency, Saudi Fund and the Spanish Fund.

**Table 2. Climate-related projects in the Gambia – sources, intermediaries and implementers**

Source and intermediaries	Amount	Project	Implemented by
AfDB	US\$20 million loan	Coastal protection: reclaiming land lost to the sea by replacing sand on beaches	Public sector
LDCF (UNDP) co-financed by national government and Islamic Development Bank (IDB)	US\$8.9 million grant US\$15 million government US\$10 million IDB	Enhancing the resilience of vulnerable coastal areas and communities to climate change	National Environment Agency (NEA), Department of Agriculture (DoA) and Department of Fisheries (DoF)
LDCF (UNDP and UNEP)	US\$8 million grant	Strengthening climate change early warning systems	Department of Water Resources, Ministry of Environment Parks and Wildlife, NEA and National Disaster Management Agency (NDMA)
GEF Trust Fund (UNDP)	US\$100,000 grant	Climate change enabling activity (additional financing for capacity building in priority areas)	NEA
GEF Trust Fund (UNIDO)	US\$1.8 million grant	Promoting renewable energy-based mini grids for productive uses in rural areas	Gambia Renewable Energy Centre (GREC), Ministry of Energy (MoE), NEA and National Water and Electricity Company (NAWEC)
GEF Trust Fund (UNIDO)	US\$1.3 million grant	Promoting the use and integration of small- to medium-scale renewable energy systems in the productive sector	MoE, GREC and NEA
GEF Trust Fund (UNIDO)	US\$495,000 grant	Reducing greenhouse gases and ozone-depleting substance emission through technology transfer in the industrial refrigeration and air conditioning sector	NEA and Gambia Technical Training Institute
USAID	US\$3.5 million grant	Gambia-Senegal sustainable fisheries programme	University of Rhode Island Coastal Resource Centre, WWF and Department of Fisheries
AfDB	US\$7.92 million loan	Rural water supply and sanitation project	Ministry of Fisheries and Water Resources, NAWEC and NEA
AfDB	US\$2.6 million grant	National water sector reform project	Ministry of Fisheries and Water Resources and NAWEC
IFAD and AfDB-African Development Fund	US\$15.9 million grant	Livestock and horticulture development project	Ministry of Agriculture, NEA, Department of Livestock Services and National Agricultural Research Institute

and Water Resources and Ministry of Environment, Parks and Wildlife.

- **National Environment Agency:** mandated to coordinate all activities that relate to environmental issues, under the oversight of the National Environmental Management Council. The agency's executive director serves as the national focal point for GEF.

This institutional arrangement has effectively led the coordination and implementation of climate change interventions to date. The government must now consider involving the Ministry of Finance and Economic Affairs, with its comparative advantage of being able to mobilise and disburse climate change resources and support the formulation and coordination of national climate change development plans and policies.

The Gambian government has been pursuing reforms in public financial management systems to attain a stable macroeconomic environment and good governance. It has piloted a general budget within a medium-term expenditure framework in two ministries, and expects to roll it out to all ministries by 2015. This framework helps track public expenditure and monitor performance, and could be a useful entry point for the Gambia to develop a climate change budget code to unlock further resources.

## Recommendations

1. Policymakers should capitalise on the wide range of intermediaries currently working in the Gambia and establish a national climate change fund to mobilise and disburse resources more efficiently and thus smooth the country's transition to LECRD. National climate change funds have the potential to support a programmatic approach to resource mobilisation and management. They can be designed to draw down and pool multiple sources of international and national finance, thereby enhancing resource mobilisation strategies. They can be managed as a single coherent system where stakeholders can engage and determine how best to invest in actions that support the country's LECRD objectives. They have the potential to minimise transaction costs, fragmentation and duplication associated with projectised funding and would help allocate national resources for climate finance.

2. Policymakers should consider introducing policy incentives and risk management instruments to leverage private sector investments into LECRD to complement public investments. These include economic instruments such as clean energy subsidies, feed-in tariffs and tax incentives for renewable energy companies and financial instruments including guarantees, insurance and concessional loans to help mitigate the risk associated with low emission, climate resilient investments.
3. The Ministry of Finance and Economic Affairs should consider assigning a climate change budget code to integrate and track climate-sensitive expenditure within the national budget. This can potentially support effective financial management for LECRD investments by:
  - Enabling policymakers to assess the costs and effectiveness of addressing climate change
  - Integrating LECRD interventions into a broader portfolio of investment, thereby unlocking other sources of capital, and
  - shifting to longer-term financial planning.
4. Given the cross-cutting nature of climate change, the Ministry of Finance and Economic Affairs should lead the national climate change planning and budgeting process. The institution has existing mandate and capacity, particularly in absorptive and public finance management, to draw down and disburse finance. It also has a bird's eye view of investment priorities across sectors. Building on existing investments will lead to more effective outcomes.

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This briefing is an outcome of an action-learning writeshop organised by the Government Network on Mainstreaming Climate Change in Addis Ababa from 14–21 March 2014. Public policy planners from Bangladesh, Kenya, Nepal, the Gambia and Zanzibar used a 'financial landscape framework',<sup>3</sup> adapted to include the role of financial planning systems to assess their respective governments' plans for financing their transition to a climate-resilient green economy. Its policy recommendations were developed after a learning and experience exchange with around 35 people from finance ministries, national planning commissions and research and civil society organisations following the writeshop.



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The Gambia's Directorate of Development Planning is responsible for formulating and coordinating national development plans and policies and monitoring and evaluating the performance of the programmes and projects within the plans.

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## Notes

<sup>1</sup> Republic of the Gambia, 2011. Climate change priority action plan for the Programme for Accelerated Growth and Employment (2012–2015). Ministry of Finance and Economic Affairs. / <sup>2</sup> Jarju, O, 2011. Executive summary of assessment of investment and financial flows to mitigate climate change in the energy and forestry sectors and for adaptation in the agriculture and water sector in Gambia. UNDP. / <sup>3</sup> Buchner, B et al. 2013. The global landscape of climate finance. Climate Policy Initiative. <http://climatepolicyinitiative.org/wp-content/uploads/2013/10/The-Global-Landscape-of-Climate-Finance-2013.pdf>