

## CF READY IN ZAMBIA



Bright red and tasty tomatoes are for sale at the Soweto wholesale fresh market in Zambia's capital Lusaka.



## Getting ready for the Fund:

Zambia on the way to climate finance

The name "Zambia" derives from the Zambezi River, which has its source in the Kaleni hills of the country's northwestern region and flows over the world famous Victoria Falls in the southwest. In recent years, Zambia has experienced steady economic growth of more than 6%. The Common Market for Eastern and Southern Africa (COMESA) is headquartered in Zambia's capital Lusaka. Natural beauty and economic growth are one side of the landlocked Southern African country. The other side is the effects of climate change, which Zambia is already feeling. "Droughts in the south, floods in the north and extreme heat are on the rise. Frost is also being reported more often than before," said David Kaluba. The principal economist in the Zambian Ministry of Finance's Interim Interministerial Climate Change Secretariat is also a member of the Board of the Green Climate Fund (GCF).



**WHEN DOING NOTHING IS MORE  
EXPENSIVE THAN TAKING ACTION**

Approximately \$13.9 billion. The International Food Policy Institute and the World Bank quote this figure as the amount that Zambia's

### Zambia and climate change

According to Germany-based Climate Service Centre (CSC), Zambia's average annual temperature has risen by around 0.6 °C since the beginning of the 20th century. By the end of the current century, it is likely to rise by a further 2.4 °C to 4.3 °C. The consequence: an increase in extreme incidents of rainfall and drought. Irregular rainfall is also putting a strain on the water supply.

Because of its dependence on rain-fed agriculture, the poor rural population in the Zambezi basin is suffering the most from the consequences. Between 500,000 and one million people were seriously affected by each of the droughts in 1995 and 2005. The number of floods increased between 1995 and 2010 – up to one million people were affected each time. Flooding endangers the infrastructure and threatens to halt the planned increase in hydropower's share of the energy mix. Zambia intends to use hydropower to reduce the high share of biomass (charcoal) in energy production. Ultimately, climate change directly or indirectly has an adverse effect on the overall economy.

GDP has lost due to climate change in the last three decades. “This is the cost of doing nothing,” said Kaluba. “If we continue to do nothing, climate change in Zambia will lead to further losses in GDP of between \$4.3 billion and \$5.4 billion over the next ten years.”

Zambia wants to master the challenges of climate change. Zambia is among the countries that have already developed or are creating detailed plans for adaptation and mitigation. It has already drafted a National Climate Change Policy (NCCP) and a National Climate Change Response Strategy (NCCRS). A National Climate Change and Development Council (NCCDC) has been proposed for coordinating climate change and climate finance activities in future. The council’s precursor, the Interim Inter-ministerial Climate Change Secretariat, has already been established in the Ministry of Finance. But what is the next step?



### MATCHING DEMAND AND SUPPLY

“Many countries have developed good plans for how to deal with climate change. But they are often not put into practice – not least, due to the lack of funding,” said Alexander Fröde. According to the head of the Deutsche Gesellschaft für Internationale Zusammenarbeit’s (GIZ) Climate Finance Readiness Programme (CF Ready), in many cases only a few project or programmes are actually being financed and implemented. “In the process, the countries’ own visions – and therefore, their ownership – sometimes tend to be neglected,” he added.

At the same time, international funding in support of climate change activities is available. However, there is a gap between the funds and activities required. The available money is not fully used and typically, the money is channelled through international organisations such as UN organizations or multilateral development banks. The Green Climate Fund, which is poised to

evolve into the main climate fund, also offers direct access for countries: they can access funds directly using domestic institutions.



### CLOSING THE GAP

The elaborate preparations for accessing international climate finance drive many countries to the limits of their capacity. “We have already prepared for so many contingencies that we can hardly get around to doing our work,” are the words one government representative used to describe the situation. Implemented by the GIZ and the KfW Development Bank on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), the CF Ready Programme was established to close the gap between planning and financing by helping countries improve their access to international climate finance and use it efficiently. It represents the urgently required “missing link”.

Zambia is already receiving climate funds through the World Bank’s Pilot Program for Climate Resilience (PPCR). In future, the country also hopes to obtain more comprehensive funding for adaptation and mitigation through the Green Climate Fund. However, a study conducted for Zambia concluded that to meet the standards required by key international funding sources such as the Green Climate Fund, the capacity of the domestic institutions involved in supplying climate finance must be enhanced. For this purpose, a CF Ready team arrived in Zambia for a scoping mission in June 2013. GIZ’s CF Ready team and representatives of Zambia have been involved in a learning process ever since and many questions have been discussed with Zambian ministries and organisations. What are Zambia’s needs and priorities? With which specific climate finance activities can CF Ready best support the country? And how can the existing activities be supplemented in the most useful manner?



**Location:** neighbouring the Democratic Republic of the Congo to the north, Tanzania to the northeast, Malawi to the east, Mozambique, Zimbabwe, Botswana and Namibia to the south, and Angola to the west

**Capital:** Lusaka  
(Inhabitants: about 1.7 m.)

### Country context of Zambia

- WORLD BANK GDP RANKING: 105/214
- TRANSPARENCY INTERNATIONAL CORRUPTION PERCEPTIONS INDEX: 83/177
- Classified as “Least Developed Country” in UNFCCC
- POPULATION: 14.5 m. (2013)
- POPULATION DENSITY: 19/km<sup>2</sup> (2012)
- CHILD MORTALITY: 56.4 infant deaths per 1,000 births (World average: 35)
- FERTILITY RATE: 5.7 births per woman (2012) (World average: 2.5)
- BIRTH RATE: 43 births per 1,000 people
- 40 % of total population living in cities (2013)
- 60.5 % (2010) of total population is living below the national poverty line
- ACCESS TO (% compared to total population)
  - Electricity: 22 % (2011)
  - Clean Water: 63 % (2012)
  - Sanitation: 43 % (2012)
- ECONOMY (2013, shares in GDP)
  - Agriculture: 18 %; subsistence crops: maize (72 %), cassava, sorghum, millet; cash crops: sugarcane, peanuts, tobacco, cotton;
  - Industry: 37 %; mostly from copper and cobalt mining; processing of these metals;
  - Services: 45 %; partly by tourism.
- CO<sub>2</sub> EMISSIONS PER CAPITA (in metric tons): 0.18 (2010), ranking 175/198 countries (World average: 4.88)





*Students have to make their way across a flooded plain on the route to their school.*

The CF Ready Team was able to draw on the tight network and local knowledge of the GIZ and other organisations staff and projects in Zambia, as well as the know-how and instruments that German development cooperation has developed in other projects and countries. In final high-level consultations, they achieved agreement on the future course of action. Close coordination among the partners is essential for the CF Ready Programme. “The country, and not our programme, will decide how and in which field we provide support,” Marius Kaiser, GIZ advisor for Climate Finance Readiness, stressed.

Two starting points for activities emerged:

- The systematic integration of the risks and effects of climate change into the country’s plans and budgets
- Support during the process of selecting the national designated authority (NDA) and the national implementing entity (NIE) – the two key institutional interfaces for establishing an effective, direct working relationship with the Green Climate Fund.

Permanent CF Ready staff in Zambia support the implementation of these activities. KfW Development Bank complements the CF Ready activities by supporting the advancement of a project pipeline.



#### ON THE WAY TO CLIMATE-PROOFED PLANNING

Greater integration of climate change costs into national financial planning – the Zambian partners reiterated this wish during the preliminary discussions: “Although there are plans for adap-



*Climate Proofing Workshop with Ministry of Finance and Ministry of Agriculture in Lusaka.*

tation measures, we need to understand the costs of climate change, formulate our priorities for action and integrate this into our budget planning.”

Since the effects of climate change in Zambia have a major impact on agriculture, the adaptation measures in the agricultural sector are extremely urgent. GIZ’s “Climate-Proofing for Development” tool aims to ensure that the consequences of climate change are systematically considered in planning. It improves the development of effective adaptation measures by prioritising them and evaluating access for their potential financing. Between June 2013 and June 2014, GIZ and the Ministry of Finance familiarised the planning and budgeting staff in the Ministries of Finance and Agriculture with the climate-proofing tool. Representatives from non-governmental organisations and the private sector also attended the workshops.

In this specific climate-proofing project, climate change was integrated into the planning and budgeting of the Zambian

Ministry of Agriculture's Livestock Programme. As a consequence of climate change, for example, animal diseases are on an upward trend and the tsetse fly population is growing. Task forces developed a manual for climate proofing in Zambia that also contains specific recommendations for action. Other ministries and international organisations operating in Zambia are already requesting the manual so they can apply it to their work.



## ACCESS TO THE FUND

In order to gain direct access to the Green Climate Fund, Zambia must nominate a national designated authority (NDA) and arrange for its national implementing entity (NIE) to be accredited.

The NDA ensures that funding proposals to the GCF are fully in line with the national policy and priorities. The NIE calls for funding proposals, preselects the proposals it receives, and – once they are approved by the NDA and the GCF – supervises the implementation of the funding proposals in line with the relevant NIE and GCF procedures. The requirements placed on the NIE are rigorous – it must meet high fiduciary standards and the GCF examines it carefully during the accreditation process. Experience with the Adaptation Fund, another international climate fund, has shown that the accreditation of these national institutions can be a great challenge to countries and in some cases, the accreditation process can last more than a year. Zambia asked the CF Ready Programme to support the process of deciding whether the cost of seeking direct access to the GCF is worthwhile.

The GIZ-supported institutional readiness analysis of Zambia is focusing on this point. Are the required fiduciary standards and project cycle management procedures for managing climate change projects in place and in line with international good practice? Where is capacity building needed? An independent assessment of the strengths and weaknesses of the institutions makes it easier for Zambian stakeholders to select the NDA and NIE.

"The discussions held while the study was being prepared were just as important for opinion shaping as the findings of the final study itself," said Mr Kaiser. Taking these discussions into



*A dusty field near Livingstone, Zambia. Sporadic rainfall during the year caused maize crops to produce a low yield leaving many families with an inadequate amount of food.*

account, in early 2014 the Zambian government decided to choose the Planning Department of the Ministry of Finance as Zambia's NDA. The collaboration with CF Ready also had a positive effect on the national debate concerning the search for suitable institutions for an NIE: it made the complex challenges of the accreditation process and the preparatory work needed to complete accreditation in a successful and cost-efficient manner clear to the partner. The decision has to – and should be – made by the Zambian government alone, but the study will inform the selection process.



## OBJECTIVE: READY FOR CLIMATE FINANCE

Zambia is doing a lot to prepare further for climate finance. It is in the process of establishing the functional institutions that are necessary for climate finance and creating the channels these institutions will use to coordinate closely on climate change projects and their costs and funding. Ultimately, these institutions must ensure that the funds from various sources, including the GCF, go to those areas where they will have the highest impact and be most useful. "This is important and urgently required in the remote villages, rural regions and forest areas," emphasised Mr Kaluba. "We hope that the Green Climate Fund will start its work as soon as possible. CF Ready is the key to helping us to be ready in time, so that we can implement our programmes within the context of country ownership."

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