

January 24, 2012

**Comments from Germany on the Approval by mail for the Project Preparation Grant -
Private Sector Support to Climate Resilience in Zambia**

Dear Patricia, dear Andrea,

we very much welcome the private setor project proposal from Zambia, and would like to congratulate the PPCR team for developing such a stringent approach.

Please find attached our detailed comments.

Warm regards
Annette

Dr. Annette Windmeisser
Klimapolitik und Klimafinanzierung
Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung

Climate Policy and Climate Financing
Federal Ministry for Economic Cooperation and Development

Comments on proposed project:

Zambia
Private Sector Support to Climate Resilience in Zambia

Summary

We appreciate the focus on engaging the private sector in climate change adaptation activities, especially when considering the climate risks Zambia is facing. From a business point of view, climate change is just one of many factors influencing decision-making. Consequently, analyses trying to understand the perspective of the private sector are required. We therefore welcome the proposed assessment of business opportunities and barriers for the private sector in Zambia. There are no major objections from our point of view. We would like to suggest, however, that our recommendations (see **bold** highlights below) be incorporated during project implementation.

Individual comments on the proposed project

The preparation phase will assess private sector opportunities and barriers within the four main components of the upcoming “private sector support to climate resilience” project, by

conducting studies on: 1) the development of climate-resilient agriculture and natural resource management, 2) the establishment of a market and climate information platform, 3) development of insurance products suitable for small-scale farmers and livestock holders, and 4) establishment of microfinance services in rural areas. This will produce a good overview of opportunities for private sector engagement in Zambia.

Component (Study) 1: Strengthening the capacity of the private sector to build climate resilience

The economic situation in Zambia gives the private sector the potential to be engaged in climate change adaptation activities. However, we would like to point out the efforts currently made by the Zambian Government (GRZ) and the Cooperating Partners in the field of Natural Resources, Environment and Climate Change, see also the *Joint Assistance Strategy Zambia (JASZ II)*. The Cooperating Partners are providing support in the form of a) mainstreaming environment into the planning, programming and budgetary frameworks; b) conducting ecosystem assessments; c) developing monitoring and performance indicators for investments; and d) strengthening the policy and legal framework for effective environmental management. **We suggest to give due attention to the efforts of the Government in these fields in order to avoid a duplication and inefficiencies in the effort to develop climate resilience by both the state actors and the private sector.**

Component (Study) 2: Mobile phone platform for disseminating market and climate information to farmers

The approach fits well with Zambia's private sector development, which focuses on market efficiency and improving productivity. **The component 2 approach, however, should take into account that Zambia's dual economy will require the deliberate inclusion of the rural-based small-to medium-enterprises.** While the medium and large-sized enterprises already focus on competitiveness, productivity and job creation, the rural-based small-to medium-enterprises require support on technological upgrading, market accessibility, financial inclusion and skills. Shared economic growth will lead to poverty reduction, the focus of GRZ, which makes investment in rural areas a priority for the government.

Component (Study) 3: Agricultural weather index-based insurance

Climate-induced changes are already being felt in Zambia and affecting key sectors such as agriculture and food security, forestry and water. New private sector-driven initiatives to develop innovative products for index-based weather insurance and micro insurance, based on robust meteorological information, have emerged or are emerging in many countries, among them Brazil, Indonesia, India, Malawi, Morocco, Rwanda, and others. **We therefore recommend that under component/study 3 the results of these initiatives be considered as they become available.** For instance, the *Munich Climate Insurance Initiative (MCII)* and GIZ have recently completed a *Study on microenterprise demand for weather-related insurance and risk management approaches*. We will be happy to provide additional

information about other ongoing German-supported studies on engagement of the private sector in climate change adaptation activities as well.

Component (Study) 4: Promotion of microfinance for climate resilience in rural areas

In rural areas poverty levels are highest. Hence the GRZ focuses on increased investment in rural areas in order to bring economic growth and development to these areas. In regard to the objectives of component/study 4 **we recommend considering the government policy as outlined in the *Sixth National Development Plan (SNDP)* on promoting rural investment and accelerating poverty reduction.**

Synergies with German Climate Change Related Engagement in the Country

Germany supports the *Water Resources Action Programme* of the Ministry of Energy and Water Development (MEWD), and facilitates the development of a new comprehensive legal and institutional framework for Integrated Water Resource Management (IWRM). Comparing the objectives of the four components with the German engagement, synergies would be possible within component 1, relating to water, agriculture and natural resource management. **We therefore recommend that due attention be given to the legal and institutional aspects of IWRM by the consultant and the private sector. We further recommend consulting with the MEWD on elements of capacity development in component 2, and sharing of climate data for mutual benefit. Thirdly, we recommend that all data collected and integrated into a database should be shared and made available to the *Regional Science Service Centers*, which are currently being established with support by the German Federal Ministry of Education and Research (BMBF), see e.g. <http://www.fona.de/de/10079>.**

Finally, we very much appreciate that the studies will take a value chain perspective, and that there is an intention to employ GIZ's *ValueLinks* methodology. GIZ will be happy to assist, should any question regarding the *ValueLinks* methodology arise.