



AFRICAN CLIMATE
FINANCE HUB

Climate Finance Readiness

Preliminary approach and insights from efforts in Southern Africa

Advance discussion draft

The need to support “readiness activities” has gained increasing currency in international efforts to deliver climate finance. Readiness activities refer to the processes that can enhance the capacity of developing countries to access, allocate, and spend climate finance, and also monitor and report on the impact of such action. Understanding of the diverse and context specific dimensions of readiness is nascent and evolving. We are working with government, private sector, and civil society stakeholders in Namibia, Zambia and Tanzania to understand these countries’ unique climate finance readiness needs. These countries have diverse political, economic and social characteristics, but all have the potential to innovate new paths to low carbon and climate resilient development.

Understanding Readiness

The first phase of our work programme on climate finance readiness convened experts from these organisations, as well as from a number of governments involved in delivering and receiving climate finance, to reflect on experiences to date, and on understandings of the concept of “readiness”. A briefing paper that summarises the meeting discussion which provides the framework for our pilot studies in Southern Africa is available online.

Readiness is shaped by national context and circumstances. Our approach (see Figure 1) recognises the intertwined political and economic dimensions of any effort to strengthen the institutions and processes associated with deploying climate finance effectively. Accordingly, our approach to climate finance readiness is a diagnostic

study so as to make findings and recommendations that are: **RELATIVE** (taking a country’s socioeconomic and geopolitical characteristics into account); **RESPONSIVE** (to particular needs, priorities, and challenges); and, **REASONABLE** (factoring in key issues and challenges, and identifying practical steps that can be taken).

Our analysis in Namibia, Zambia and Tanzania will consider:

- I. **Planning:** strategic purpose, information and process
- II. **Aptitude:** people, systems, expertise, know how
- III. **Access:** sourcing, receiving and spending effectively.

We focus on procedural and institutional issues, seeking to understand the extent to which technical “know how” has been complemented with a strategic effort to engage key stakeholders. In identifying needs, it is essential to distinguish between immediate, medium and long term priorities. Our studies will seek to keep a central focus on practical implementation capacity, and pragmatic sequencing of activities, with a focus on immediate term actions that can foster long term change.

Approach

This framework was deployed as we began to consider climate finance readiness needs in Namibia and Zambia, with two initial scoping missions in early November 2012. Work in Tanzania will only begin in early 2013. Extensive desk research on climate change response measures and preparations for climate finance was first conducted in each

of these countries. Our team then undertook a series of semi-structured interviews and discussions with key stakeholders in Namibia and Zambia, using a common set of guiding questions informed by our framework. The focus of this initial phase of work has been to firstly analyse how each country’s unique circumstances shape efforts to respond to climate change and to map the broad range of institutions and initiatives that are presently involved in climate finance delivery. Second, this information was used to understand how climate finance readiness support might enhance ability to make effective investments in climate change adaptation and mitigation. In Table 1, we present some of the preliminary insights from our scoping efforts to date. Our engagement with key national stakeholders thus far has been brief, and there is a substantial need to deepen our analysis further over the coming months through a process of iterative engagement, particularly with government and the private sector. We anticipate a series of further discussions and meetings in early 2013 to advance this work.

Figure 1: A framework for understanding climate finance readiness

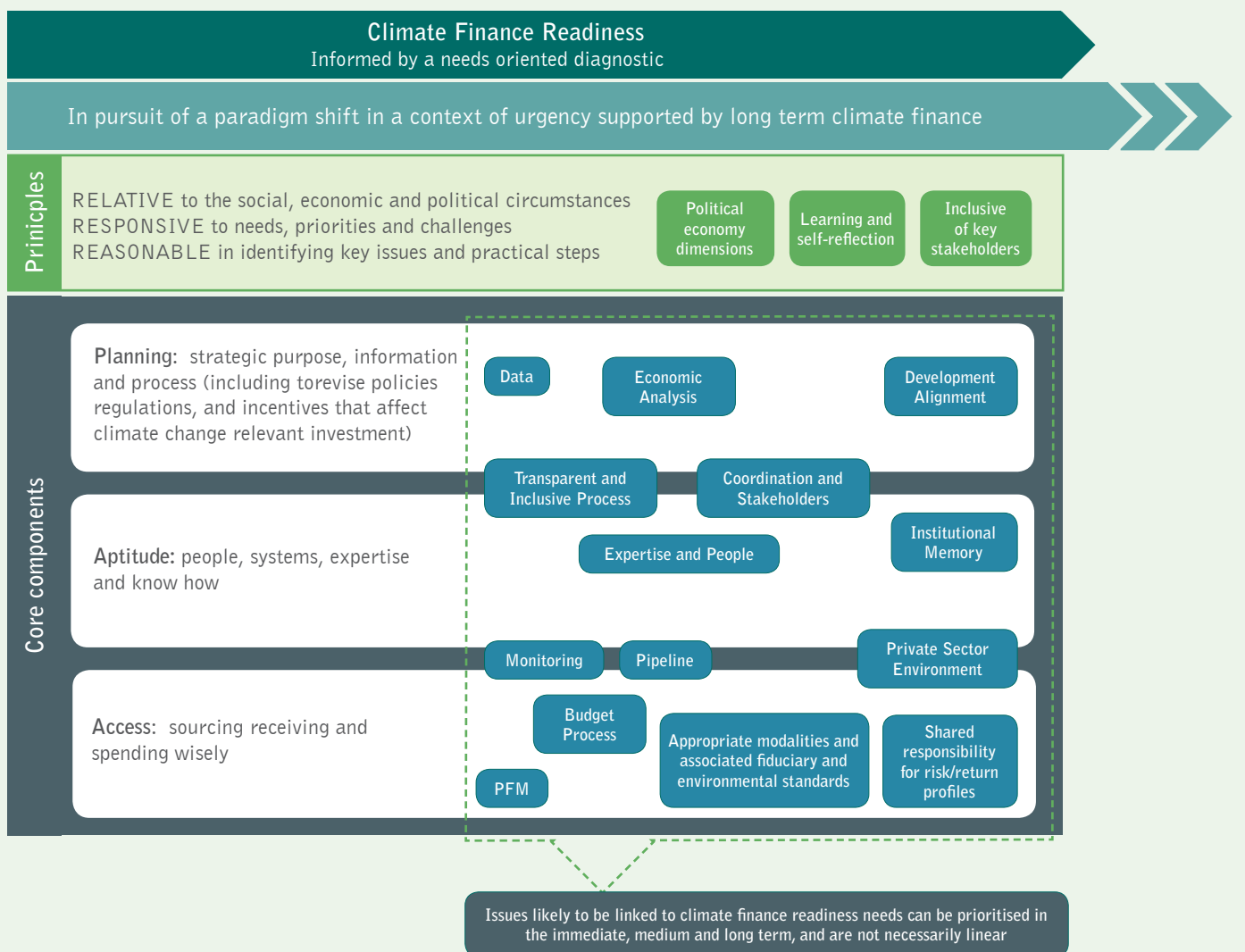


Table 1: Early Findings

	In Namibia	In Zambia
Context	<ul style="list-style-type: none"> Namibia historically suffers from climate variability, but rising temperatures as a result of climate change are likely to impact water availability in the most arid African country south of the Sahara. Impacts are likely to be felt through livestock losses, lower crop production and spatial shifts in productive zones. Namibia's recent bid to host the Green Climate Fund (GCF) demonstrates its strong interest in proactive engagement with international climate finance. Climate finance in Namibia has been primarily adaptation focussed and largely channelled through small grants. 	<ul style="list-style-type: none"> Climate change is predicted to increase the frequency of floods and droughts in Zambia, and affect rain-fed agriculture as well as health and infrastructure. High rates of deforestation may exacerbate such impacts. A change of administration in 2011 has delayed endorsement of the National Climate Change Response Strategy by Cabinet, and led to changes in ministerial portfolios, including relocation of environmental functions. Zambia has been successful at accessing many of the dedicated climate funds and initiatives that exist today.
Planning	<ul style="list-style-type: none"> The Directorate of Environmental Affairs in the Ministry of Environment and Tourism (MET) serves as the national focal point for climate change and developed Namibia's Climate Change Policy National, which was approved by Cabinet in 2011. The National Climate Change Policy identifies adaptation priorities related to food security, sustainable resource and water use, infrastructure, and human health and well-being; and mitigation priorities in transport and sustainable and low carbon development. The Policy was developed with the national development plans of the country in mind. Nevertheless, there remains a need to integrate climate priorities into sectoral policies as well as National Development Plans and associated budget allocations in more concrete terms. Many of these tasks are a purview of the National Planning Commission (NPC) that currently plays a limited role. A National Climate Change Strategy and Action Plan is under development, that will contain concrete actions for climate change which could provide a basis for directing investment decisions and for the development of a project pipeline. It is in the final stages of consultation, and a strategy for resourcing its implementation needs to be determined. 	<ul style="list-style-type: none"> Led by the Ministry of Tourism, Environment and Natural Resources (MTENR), Zambia completed its National Climate Change Response Strategy (NCCRS) in 2010. The Ministry of Finance and National Planning (MoFNP) and the Disaster Management Mitigation Unit (DMMU) in the Office of the Vice President, have also assumed central roles for climate change actions in Zambia. The NCCRS is aligned with the Sixth National Development Plan (SNDP) and establishes institutional structures as well as priority interventions under five core pillars: adaptation and disaster risk management, mitigation and low-carbon development, cross-cutting issues, governance of climate change, and finance and investment framework. Although the NCCRS is not yet endorsed by Cabinet, and there is no National Climate Change Policy, efforts to implement the strategy are underway. In particular, a Transitional Secretariat has been established as a precursor to the National Climate Change and Development Council proposed by the NCCRS. Individuals have already been identified to be seconded from their ministries to serve on this council.
Aptitude	<ul style="list-style-type: none"> A National Climate Change Commission was established in 2001 with the objective to provide coordination on climate change issues; its role remains important but current effectiveness is unclear. There is significant governmental capacity on climate change issues, evidenced by the emergence of policies, action plans, investment estimates as well as functioning collaborations with non-governmental stakeholders. Substantial capacity and expertise on climate change issues also exists outside of government in the research and civil society sectors, and needs to be sustained. The Namibian government will need to harness additional human and financial resources in order to implement its climate change plans. 	<ul style="list-style-type: none"> There is significant government capacity on climate change issues, much driven by meeting Pilot Programme for Climate Resilience (PPCR) goals and targets. There seems to be a bottleneck in turning climate change priorities into strategic interventions that are both feasible and actionable, and for which climate finance might be sought. Maintaining momentum created by donor projects or capacity building courses can be inhibited if space to apply lessons learned does not exist. However, there appears to be substantial implementation and finance capacity in Zambia's private sector that has yet to be harnessed in the country's efforts to respond to climate change, although a private sector project in the agriculture sector is due to be supported by the PPCR. There also seems to be substantial capacity and interest to engage on climate change issues amongst civil society groups, although such capacity can always be strengthened and is difficult though essential to sustain. New institutions entrusted with advancing the climate change agenda in Zambia will need to be supported to foster domestic technical skills for both project development and implementation.
Access	<ul style="list-style-type: none"> To date, the largest source of international climate finance for Namibia has been the Global Environment Facility, which is coordinated through the MET. The Desert Research Foundation of Namibia (DRFN) has been nominated as a National Implementing Entity to seek direct access to the Adaptation Fund. The accreditation process has been underway for more than 8 months, however, and effort has yet to be invested in developing projects to be financed. While access to international public and grant finance is necessary, a key challenge for Namibia (and most countries) is to shift mainstream decision making to be low carbon and climate resilient. Meeting this challenge will require finding ways to use international climate finance to help redirect state and private sector capital investment and associated finance, particularly in the energy, water and agriculture sectors towards more climate compatible approaches. 	<ul style="list-style-type: none"> Zambia's engagement in the PPCR since 2010 has been central to climate finance discussions. It has also been successful in securing climate finance through the GEF, UN-REDD programme and other bilateral support. A great deal of finance appears to be channelled outside of national budget systems. However, national public expenditure systems are reported to be relatively good, and made publicly available in an annual publication of detailed budget estimates. The Zambia Climate Change Network is leading a civil society initiative to track climate change expenditure in the national budget. Opportunities for strengthening contributor country coordination were noted, as was the need for greater transparency on the scale and type of climate finance available, and associated priorities. Realising climate compatible development pathways will require engagement with complex and politically difficult policies, regulations, and incentives. In the energy sector, for example, balancing objectives for higher electrification rates, expanding generation capacity, and minimising tariff increases while maximising low carbon energy sources and attracting investment is likely to prove politically complex. Seizing opportunities for climate finance in the near term could help prevent future lock in to climate change incompatible approaches as the economy is growing rapidly.

Overarching insights

Experience with the international climate finance architecture can shape country understanding and institutional capacity to engage on climate change finance issues. Although Zambia is a low income country, as a result of its experience accessing the Pilot Program on Climate Resilience (PPCR) and a variety of other dedicated climate funds it has in fact had more need and opportunities to engage with climate finance issues. Namibia has made a notable investment in efforts to understand the cost implications of climate change for investment choice in key sectors (such as the energy and land use sectors) and to develop a national climate change strategy. But so far it has only engaged with international climate funds around smaller scale projects and interventions, rather than larger scale programmatic interventions. Attention to the issue of how to translate this strategy into investment choices and how to finance Namibia's efforts to respond to climate change remain in their early stages.

Differences in economic priorities and circumstances as well as their geophysical endowments shape their needs for climate finance. For example, Zambia depends primarily on hydropower for its energy needs and therefore has a relatively low carbon energy mix. But vulnerabilities to climate change may make these resources less reliable into the future, and it needs access to finance to find more resilient solutions to its growing energy needs and to manage its water resources which are central to its largely agrarian economy. These are focal areas for the national PPCR program, and for many other efforts to respond to climate change. Namibia is a more advanced economy but it is looking to diversify its highly agrarian economy. One route may be to foster greater integration with its neighbours in the Southern African Development Community, by becoming a logistics hub. Developing energy resources will

be necessary to achieve this, and new energy capacity could also meet regional energy needs. But the least cost forms of energy, and modes of transport and other infrastructure services that support a specialisation in logistics, may be in tension with low carbon and climate resilient development aspirations. Readiness efforts might support a strategic process to consider the potential for climate finance to be used to help the country incorporate climate change considerations into development strategies.

The correlation between income levels and readiness for climate finance may be less simple than often assumed. Low income countries are not always necessarily less "ready" than middle income countries. Institutions and capacity to use climate change related finance effectively can be strengthened in all countries. The kinds of capacities that need to be built, however, differ. Diagnostics that take country circumstance into account are essential.

Next Steps

We will complete substantial additional research and analysis to refine our findings, and work further with key national stakeholders to identify practical priority climate finance readiness needs in the near, medium and long term. Anticipated additional outputs in 2013 include:

- A series of three case studies of climate finance readiness needs in Namibia, Zambia and Tanzania that appropriately reflect national context and priorities, and are useful for both national stakeholders and the international climate finance community.
- A background note distilling insights from these three case studies for climate finance readiness efforts more widely.

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