

**PILOT PROGRAM FOR CLIMATE RESILIENCE**

**Project/Program Preparation Grant Request**

<b>1. Country/Region:</b>	Zambia	<b>2. CIF Project ID#:</b>	(Trustee will assign ID)
<b>3. Project Name:</b>	<b>Private Sector Support to Climate Resilience in Zambia</b>		
<b>4. Tentative Funding Request (in USD million total) for Project<sup>1</sup> at the time of SPCR submission (concept stage):</b>	<i>Grant: \$1.5</i>	<i>Loan: \$ 13.5 million</i>	
<b>5. Preparation Grant Request (in USD million):</b>	<i>\$0.41</i>	<i>MDB: IFC</i>	
<b>6. National Project Focal Point:</b>	<i>Ms Monde Sitwala Deputy Director Economic Management Department Ministry of Finance and National Planning</i>		
<b>7. National Implementing Agency (project/program):</b>	<i>Ministry of Finance and National Planning</i>		
<b>8. MDB PPCR Focal Point and Project/Program Task Team Leader (TTL):</b>	<i>Headquarters-PPCR Focal Point: Joyita Mukherjee (<a href="mailto:jmukherjee1@ifc.org">jmukherjee1@ifc.org</a>)</i>	<i>TTL: Anthony Mills (<a href="mailto:amills@ifc.org">amills@ifc.org</a>) Noleen Dube (<a href="mailto:ndube@ifc.org">ndube@ifc.org</a>)</i>	
<b>9. Description of activities covered by the preparation grant:</b>			
<b>Background</b>			
<p>The IFC component of the Zambia SPCR program, “Private Sector Support to Climate Resilience” totals US\$15 million and focuses on private sector support to the priority sub-basins of Barotse and Kafue, with a focus on micro-finance, weather index-based insurance and information support.</p>			
<b>Objective</b>			
<p>The program aims to build climate resilience in the sub-basins by mobilising/catalysing private sector investments in economic sectors such as agriculture and natural capital and by providing technical support to relevant private sector players. The program comprises the following main components:</p>			
<ol style="list-style-type: none"> <li>1. Strengthening the capacity of the private sector to build climate resilience in agri-business, water supply, energy production and natural capital.</li> <li>2. Developing a mobile phone platform to facilitate the dissemination of market and climate information to farmers.</li> <li>3. Providing weather index-based insurance products to farmers.</li> <li>4. Providing microfinance services and a line of credit to support livelihood diversification.</li> </ol>			
<p>Climate adaptation is a relatively new area for the private sector in Zambia and globally. Participation in climate adaptation initiatives is limited mainly by insufficient and unreliable information on investment opportunities that: 1) build climate resilience; 2) reduce costs of impacts from climate change; and 3)</p>			

<sup>1</sup> Including the preparation grant request.

mitigate climate change risks. This preparation grant will fund the preparatory phase of the private sector component of the Zambia SPCR and will entail an assessment of private sector opportunities and barriers within each of the above-listed components. Information gathered through the preparatory phase will be used to inform the design and implementation of the private sector investments in the Zambia SPCR.

Preparatory phase activities will include:

**Component 1: Strengthening the capacity of the private sector to build climate resilience**

1. Assess the operations of agri-business, water, energy and natural resource management companies in the priority sub-basins to identify potential adaptation interventions and to determine the willingness of the private sector to engage in promoting:
  - a. climate resilient agriculture (e.g. climate resilient seeds, efficient use of water via drip irrigation, and innovative post-harvest storage facilities);
  - b. natural resource management that improves water and energy supply in the face of climate change (e.g. watershed management to sustain hydro-electric power facilities); and
  - c. natural resource management that diversifies livelihoods (e.g. through non timber forest products, sustainable timber production, and carbon sequestration).
2. Conduct a feasibility study to assess realistic and cost-effective approaches for the above climate resilient investments, including identification of financial intermediaries to promote such investments.
3. Prepare a detailed implementation plan for private sector engagement in building climate resilience that includes potential partners, costed interventions, and expected timelines.

**Component 2: Mobile phone platform for disseminating market and climate information to farmers.**

1. Assess existing climate information networks in Zambia, with a particular focus on the capacity of the Meteorology Department to provide accurate information to support a mobile phone platform that provides up to date climate risk analysis and market information to targeted farmers.
2. Assess the capacity and infrastructure of technological partners for creating and operating the above-described mobile phone platform.
3. Determine the needs of different stakeholders for capacity development to access, understand and interpret available climate information.
4. Determine the commercial viability of using a mobile phone platform for providing a climate and market information service in Zambia and identify appropriate technical/operational partners as well as business models.
5. Develop an implementation plan for the piloting of the above mobile phone platform in Zambia that includes proposed public-private sector partnerships, costed interventions, and expected timelines.

**Component 3: Agricultural weather index-based insurance.**

1. Establish an inventory of existing agricultural insurance products, review their market penetration and performance, and analyse market opportunities/gaps for new insurance products.
2. Review global best practice in weather index-based insurance for livestock and crops, and identify the products (e.g. those including risk reduction components) most relevant to Zambia. This will include consideration of the new private-sector driven initiatives to develop innovative products for weather index-based insurance and micro insurance, based on robust meteorological information, in countries such as Brazil, Indonesia, India, Malawi, Morocco and Rwanda.
3. Assess existing agricultural and climate data in Zambia in relation to requirements for developing a weather index-based insurance product.
4. Develop a detailed implementation plan for piloting insurance products to build climate resilience in the agricultural sector in Zambia that includes potential partners, costed interventions, and expected timelines.

**Component 4: Promotion of microfinance for climate resilience in rural areas.**

1. Identify specific examples/cases of microfinance institutions (MFIs) participating in and offering financial services for livelihood improvement and climate resilience building. Summarize lessons learnt from these cases.
2. Assess the status of microfinance sector in Zambia (its infrastructure and institutions) and the MFIs' readiness/willingness as well as level of risk tolerance/risk taking to increase/expand their financial business in rural areas, specifically to promote livelihood diversification and climate resilience for farmers and rural communities.
3. Develop a detailed implementation plan for piloting a microfinance initiative to build climate resilience that includes potential partners, costed interventions, and expected timelines.

### Value chain analysis

In each of the above components, the target groups and beneficiaries of the private sector activities will be identified using a 'value chain' perspective. The target groups and beneficiaries could include for example small scale farmers, large commercial agro-industries, and foreign investors. The value chain perspective will be facilitated using tools such as the GIZ's *ValueLinks Manuel*.

### 10. Outputs:

Deliverable	Timeline
Provide reports on the findings of each of the above activities, namely: <ul style="list-style-type: none"> <li>• Strengthened capacity of the private sector to build climate resilience of local communities;</li> <li>• Establishment of a mobile phone platform to provide climate and market information;</li> <li>• Implementation of agricultural weather index-based insurance;</li> <li>• Provision of rural microfinance to build climate resilience; and</li> </ul>	Hand-in: July 2012

### 11. Budget (indicative):

Expenditures <sup>2</sup>	Amount (USD) - estimates
Consultants (Local and international)	\$300,000
Equipment	
Workshops/seminars/surveys	\$35,000
Travel/transportation	\$45,000
Others (admin costs/operational costs)	
Contingencies (max. 10%)	\$30,000
<b>Total Cost</b>	<b>\$410,000</b>
Other contributions:	
• Government	
• MDB	
• Private Sector	
• Others (please specify)	

### 12. Timeframe (tentative):

Submission of program preparation grant request: January, 2012.

<sup>2</sup> These expenditure categories may be adjusted during project preparation according to emerging needs.

Hiring of consultants and commencement of study: February 2012.  
Completion of the study: July 2012.  
Submission of pre-appraisal document for PPCR Sub-Committee Approval: October 2012.  
Expected Board/MDB Management<sup>3</sup> approval date: November 2012.

**13. Other Partners involved in program design and implementation<sup>4</sup>:**

MDBs:

- World Bank; and
- African Development Bank.

Local partners:

- Ministry of Finance and National Planning;
- Department of Meteorology

**14. If applicable, explanation for why the grant is MDB executed:**

The preparation grant will be used to identify opportunities for private sector engagement in the agribusiness, water, energy and natural resources sectors in Zambia. The IFC has a comparative advantage in this regard given its focus on the private sector and its decades of experience in catalysing investments, often in agriculture and natural resource management, in the developing world. The IFC is participating in the PPCR in both Nepal and Bangladesh in the agribusiness sector and would share the experience from these countries in Zambia. In Africa, IFC is participating in the Niger and Mozambique SPCRs and lessons from these will also be used in Zambia. The PPG activities in the three African countries will be implemented in a phased manner. Niger activities will be implemented approximately a month ahead of Zambia activities, and approximately two months ahead of Mozambique activities.

It is expected that the 3 African SPCRs will work closely together in the development of initiatives. In this regard, IFC has strong knowledge management and lessons learned components in all the projects which will allow for the sharing of appropriate information.

Furthermore, the IFC is a global player in the testing of climate resilient investments in the private sector and is therefore well positioned to undertake the following proposed studies: 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.

The IFC, in collaboration with various stakeholders, will use the preparation grant to execute the above-described studies in preparation of the design and implementation of the full projects in the private sector component of the Zambia SPCR. It will use its own processes and procedures to execute the studies.

**15. Implementation Arrangements (incl. procurement of goods and services):**

This program will be implemented by the IFC in close collaboration with the World Bank, the African Development Bank, the Ministry of Finance and National Planning, the Department of Meteorology and the Ministry of Agriculture and Cooperatives. In addition, the program will form collaborations with additional private sector entities, government agencies and other relevant stakeholders as required.

<sup>3</sup> In some cases activities will not require MDB Board approval.

<sup>4</sup> Other local, national and international partners expected to be involved in design and implementation of the project.

The procurement of goods and services will follow IFC's procurement guidelines.