

April 9, 2013

**Response of Government of Zambia and IBRD on the Approval by Mail:  
Zambia: Strengthening Climate Resilience (PPCR Phase II) Project (IBRD)**

Dear Andrea,

Following the approval of the above-mentioned project by the PPCR Sub-Committee and the comments received, please find attached a response matrix from the GoZ and IBRD.

Grateful if this can be posted on the Zambia page of the CIF website.

Many thanks,

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Climate Policy & Finance Department, The World Bank

## Zambia Strengthening Climate Resilience (PPCR Phase II) Project (P127254)

### Matrix of Comments and Responses

#### (PPCR Sub-Committee Project Design Approval Stage)

#### Comments from the PPCR Sub-Committee

Reviewer	Comments	Team's Response
Australia	<p><b>Introductory Comment:</b> Thank you for the opportunity to comment on the Zambia climate resilience project. <b>Australia has no objections to the proposal</b> and offers the following comment on project design.</p>	<p><b>Thank you.</b></p>
	<p>The project documentation would benefit from a clearer outline of the potential links and/or cooperation with project partners. For example, the project area, the Barotse floodplain, is a sub-basin of the Zambezi and within the ambit of ZAMCOM and the GIZ-led Transboundary Water Management (TWM) in SADC Program.</p> <p>AusAID has provided direct support of \$17.5 million to this project and encourages the World Bank to: (a) liaise closely with the relevant donor agencies and Zambian authorities (including the Ministry of Mines, Energy and Water Development and the new Water Resource Management Authority); and (b) link this project, where possible, to the SADC transboundary project (GIZ contacts: Thomas Schild, <a href="mailto:Thomas.Schild@giz.de">Thomas.Schild@giz.de</a>, Gaborone, Botswana) and ZAMCOM.</p>	<p><b>Thank you for both the project name and the contact.</b></p> <p>We have contacted the project managers for TWM. The project is as not yet active in Zambia. Hence, they suggested mentioning potential future linkages in the PAD, but not specifically on the parallel financing table (which is specifically to the project areas). We have reflected this on the corrected PAD (see Annexes 2 and 8).</p> <p>The Ministry of Mines, Energy and Water Development, represented by the Director of Water Affairs) is already part of the Technical Committee. In addition, they are presently considering the request by Ministry of Finance to provide an attachment to the Secretariat. At the Barotse sub-basin level, project coordination will be provided by Office of the Chief Planner of Western Province, who also coordinates the activities of the Water Affairs units at the provincial level.</p>

Australia	Related to this issue of donor/project coordination, page 115 of Annex 9 listing GRZ staff and cooperating partners appears to be missing. We suggest this list include relevant partners, incorporating those mentioned above.	We have included all the relevant partners that have directly participated in the design of the PPCR, and have added Mr. Schild.
Germany	<p><b>Introductory Comment:</b> Zambia, still belonging to the group of least developed countries, is considered one of the countries likely to be most severely affected by climate change in the years ahead. We appreciate that the proposal is well thought-out, ambitious for most of its parts, and addresses the issues of climate resilience and climate vulnerability in Zambia in an effective manner. <b>We have no major objections to the implementation of the project.</b></p> <p>However, we have a number of concerns, particularly regarding the integration of the various management information and early warning systems, the involvement of the Ministry of Mines Energy and Water Development (MMEWD) in the development and operation of such systems, and parts of the results framework including the gender dimension. We would like to see our related recommendations (see bold highlights below) incorporated during project implementation.</p>	We appreciate the positive remarks.
Germany	Component 1 and major parts of other components aim to address issues linked to water resources management and water resources emergencies. Therefore there are obvious linkages to the area of responsibility of the <i>Ministry of Mines, Energy and Water Development</i> (MMEWD). However, the proposal so far establishes only indirect linkages to the MMEWD, namely through membership of the <i>National Climate Change Secretariat</i> , under the <i>Ministry of Finance</i> (MoF). As this engagement mainly consists of consultations and coordination, these linkages does not appear to be strong and effective enough. Stronger linkages would be appropriate, especially since (a) MMEWD's <i>Integrated Water Resources Management Information System</i> (IWRMIS) is currently under development, and (b) the majority of Zambia's hydrological and meteorological stations are being renovated, both with German support provided through the project " <i>Integrating Climate Change in Water Resources Monitoring and Planning</i> " <sup>1</sup> , the implementation of which is	Thank you. We are aware of the KfW and GIZ project and the development of the IWRMIS. In addition to the KfW/GiZ project, the World Bank Water Resources Management Project and a UNDP project (under preparation) are also expected to help strengthen Zambia's hydrometeorological network and information systems. This was a key reason why the PPCR Phase II design decided to avoid duplication by focusing only on the early warning system managed by DMMU and its application to the two pilot sub-basins. The early warning system will rely on information provided by ZMD, ZEPRIIS and IWRMIS, and is being led by DMMU with assistance of a GIZ advisor (Silvia Renn), thus ensuring the requisite coordination.

<sup>1</sup> Referred to in the proposal as *Establishment of an Integrated Water Resources Management Information System (IWRMIS)*

	<p>assisted by KfW and GIZ. Data from these stations and the management system will feed information directly into the <i>Early Warning System</i> envisaged to be strengthened under Component 1. <b>We therefore recommend a stronger involvement of the Ministry of Mines, Energy and Water Development (MMEWD) in strengthening the Early Warning System. To this end, the proposal should clarify the potential engagement and responsibilities of the MMEWD.</b></p> <p>Regarding the development of the MMEWD's <i>Integrated Water Resources Management Information System (IWRMIS)</i>, which is hosted by the <i>Water Resource Management Authority (WARMA)</i>, collection of data from hydro-met stations, and development of IWRMIS products, it is critical that stakeholders/clients are involved to ensure that the system is sustainable in institutional terms and that the data and products produced are relevant and timely. To this end, the IWRMIS, the <i>Zambia Emergency Preparedness and Response Information System (ZEPRIS)</i>, designed by the <i>World Food Programme</i> and listed in the results framework as baseline for the indicator on developing an open climate platform, and the <i>Early Warning System</i> need to be developed in concert. At present, we see a considerable risk that the development of these three systems is done in parallel without sufficient coordination, and that the systems may not mutually consider and integrate their respective outputs. An integrated approach is however crucial as it should be possible, as a minimum, to smoothly exchange data between the systems. The outputs created by the MMWED IWRMIS need to fit the requirements of the <i>Early Warning System</i> to be able to support sound decision making. The long-term sustainability of the IWRMIS, ZEPRIS and <i>Early Warning System</i> would be compromised if they were not integrated appropriately.</p> <p>Processing of data to produce information required for timely decision making, and dissemination of such information, would be slow and labour-intensive. The systems could thus fail to produce the desired outcomes in a timely manner entirely. <b>We therefore strongly recommend addressing the linkages between the systems (IWRMIS, ZEPRIS and <i>Early Warning System</i>) and developing them in an integrated manner.</b></p>	<p>ZMD, MMEWD and WFP are already key partners of DMMU in early warning. This is further clarified in the PAD (para 39)</p> <p>MMEWD is part of the Technical Committee and has been invited to provide a staff attachment to the Secretariat.</p> <p>We fully agree that IWRMIS and ZEPRIS need to fit the requirements of end users in terms of both the type of data and products produced and that they need to be integrated with DMMU's early warning system. However, it should be noted that PPCR will simply be strengthening early warning at the two pilot sub-basins, and not designing a separate, nationwide parallel system. There are also intrinsic parts of IWRMIS and ZEPRIS development that are beyond the control of the project. Following a meeting on this subject with the involved stakeholders during the March appraisal mission, we were glad to see that GIZ is assisting MMEWD and ZMD to develop an MOU outlining their respective roles. We have promised to share with the stakeholders examples of this type of MOUs from international experience.</p> <p>Notwithstanding its limited role, the present project will seek to strengthen coordination of the hydro-met information system through the Open Data Platform which DMMU would lead, involving other stakeholders through the already existing Spatial Data Initiative or through the Climate Information Platform led by ZMD.</p>
Germany	<p><b>In order to operationalize this recommendation, specific targets in the results framework related to the development of and the information transfer between the systems (such as “number of emergency support products developed jointly” or “mechanisms for</b></p>	<p>The suggested indicators would make the current project reliant on the progress and deliverables of other partners, which is counter-indicated in an already complex project. In addition, IWRMIS falls</p>

	<p><b>data transfer between systems functional”) should be defined.</b></p> <p>In addition to the more technical matters of system design and integration, institutional weakness and the lack of budgeting and funding are still considered a considerable risk for ensuring that operation and maintenance of the systems established or strengthened systems (IWRMIS, ZEPRIS and Early Warning System) will be sustainable. Failing to address these issues might result in a bundle of systems ultimately not effective in supporting decision making processes for emergency response.<b>We therefore recommend an integrated design and approach, not only regarding technical but also institutional and funding aspects, done in a coordinated manner between Zambian government institutions and cooperating development partners.</b></p>	<p>at present under the coordinating mandate of the Water Program (and not the climate change program managed by the Secretariat). This was discussed with ZMD, DWA, GIZ and the Secretariat during appraisal.</p>
Germany	<p>Most of the <b>indicators</b> contained in the results framework are well formulated and suited to measure the extent to which the project achieves its objectives. The results framework also makes explicit reference to all five PPCR core indicators.</p> <p>We welcome the proposal’s approach to specifically target women-headed households, as well as male-headed households considered to be very, or extremely vulnerable. The project description explains in detail why women-headed households as such are particularly vulnerable to climate change and climate variability (see e.g. paragraph 68). The criteria applied to define the vulnerability of the male-headed households, however, appear equivalent to prevalent definitions of poverty. In this context, we consider it important to take into account that vulnerability to climate change, although closely related to poverty, also consists of other factors than merely poverty and food insecurity. Given the heavy reliance of the poor on climate sensitive sectors, and the fact that the households in question are located in a sub-basin prone to recurrent floods and droughts, this is possibly the most efficient way to identify vulnerable households in a meaningful manner. Yet as identifying the beneficiaries is one of the most important exercises during project design, <b>we recommend including additional criteria of vulnerability that would cover the climatic stimuli contributing to – and preferably also the climate impact chains explaining – the respective vulnerability of the beneficiaries/households.</b></p>	<p><b>Thank you</b></p> <p>We will consider also measuring “<i>exposure of assets and populations to climate risk</i>” (see Table 2, Annex 1 of the PAD), in addition to poverty and food insecurity</p> <p>For the most vulnerable, the cause of vulnerability is not as important as the outcome on their lives and assets (which is what the project is trying to measure). Trying to decompose the causal chain may be possible in qualitative terms (and the baseline study will attempt to collect such information) but may ultimately prove difficult to use as an objective criteria for beneficiary selection.</p>

<p>Germany</p>	<p>We appreciate that the indicator “number of climate risk financing instruments developed / tested” has been included into the results framework. This indicator is meant to be “equivalent to PPCR core indicator B5”, it lacks, however, explicit references to its qualitative dimension (“quality of ... climate responsive instruments/investment models ...”). <b>We therefore recommend explicitly including the qualitative dimension of core indicator B5 into indicator “number of climate risk financing instruments...” as well.</b></p> <p>Regarding the indicator “number of climate information products/services used in decision making at various levels”, we note that the units of measure cover aspects of disseminating information (“marketing awareness campaign ... implemented”, “early warning system ... operational”, “climate platform ... operational”), but not of its actual use. The “descriptions (indicator definition etc.)” then contain some references for measuring the use of information. <b>We would, however, like to see the aspect of use of information being covered more prominently, and recommend covering this aspect not only in the descriptions/indicator definition, but also in the units of measure and in their actual target values.</b></p> <p>Regarding the indicator “changes in budget allocations to climate-smart programs in national budget”, we would like to highlight some numbers. The envisaged 25% increase of allocations to climate resilient programmes, from ZMW 118.8 million in year 1 to ZMW 148.5 million in year 6, would mean an increase of only 5.6 million US\$ or only 0.1% of national budget (from 0.4% in year 1 to 0.5% in year 6, setting year 2012 budget expenditures as fixed<sup>2</sup>) over a period of 6 years. Given that Zambia, with “its economic reliance on a narrow resource basis .is particularly vulnerable to climate and economic shocks”, and comparing the envisaged increase to the volume of the funding request (US\$ 36 million), this would not appear an overly ambitious target for national level mainstreaming of climate change. <b>We therefore recommend reconsidering whether the cumulative target values for the indicator “changes in budget allocations to climate-smart programs in national budget” should be increased, in order to reflect the</b></p>	<p>Thank you for this comment. We suggest rephrasing the indicator as “number of <b>relevant(or viable)</b> climate risk financing instruments” (to be discussed further at appraisal). Please see the revised Annex 1 of the PAD</p> <p>This is a good point. As this refers to an <i>intermediate</i> and not <i>impact</i> indicator, it should measure the production of useful and operational information, rather than its actual use. Thus, it is the formulation of the indicator itself that is incorrect – it should read “number of <b>relevant</b> climate information products/<b>services made available</b> for decision making at various levels”. The actual <b>use</b> of the information will be captured indirectly by the PDO indicators on the first page of the results framework.</p> <p>This is a valid point. Following discussions with the Government at appraisal, however, it was noted that the 2012 allocation already represented 11% of the annual budget for the most vulnerable sectors, and that the Government’s contribution in terms of staff time is counted separately as part of capital expenditures. The indicators – and its target – are also now widely accepted at the Government level following the dissemination of the SPCR.</p>
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<sup>2</sup> Exchange rate (effective January 28, 2013): US\$ 1 = ZMW 5.27.  
Budget expenditures 2012 (estimated): US\$ 5.4 billion.

	<p><b>significance of climate change for Zambia’s national economy.</b></p>	
	<p><b><u>Gender</u></b></p> <p>We appreciate that the proposal considers the different effects that climate change has on the livelihoods of women and men in this particular project context. Based on this differentiation, as mentioned above, the proposed project specifically targets women-headed households, as well as male-headed households considered to be very, or extremely vulnerable. It remains unclear to us, however, if this also applies to the planned work on strengthened management of canals. <b>We therefore recommend clarifying if these job opportunities, as appropriate, are targeted specifically for the above mentioned households considered particularly vulnerable. Also, we recommend incorporating an indicator tracking the beneficiaries of the strengthened management of canals into the results framework.</b></p> <p>In addition, the project appraisal document refers to particular challenges that women may face in terms of participating in community planning and activities as part of the project. In order to ensure women’s participation and thus being able to benefit from project implementation, it would be important to address these challenges also in the results framework. To this end, we consider it useful to concentrate on the extent to which the improved tools, information and instruments are actually used by women. <b>We therefore recommend incorporating gender differentiation into the unit of measure and target values of indicator 2 (“Vulnerable districts, wards and communities use improved tools...”) of the project development objective (PDO) level results indicators.</b></p>	<p><b>Thank you for this comment.</b> While canal work tends to be opportunistic and involve primarily those living close to the canals (thus making individual selection of the most vulnerable beneficiaries difficult), the project proposes setting the wage rate at slightly below the prevailing wage rate for local unskilled labor. This is a well-established livelihood strategy designed to self-select the poorest and those without other income-generating opportunities. We will also suggest, in the project manual, that canal work be organized along gender lines, with women given responsibilities for cleaning those canals closer to their settlements, and men responsible for heavier and more distant works. We will seek to track the number of person-days of labor, disaggregated by gender, as recommended (see revised Annex 1 of the PAD)</p> <p>The gender differentiation will only be possible at the level of the community groups and individual champions, since ward and district-level sub-grants will benefit the broader community. The number of women-headed groups is already specified as a target on Annex 1 of the PAD. To that, we have now added a target of 30% for the individual champions, and 50% for canal works</p>
	<p><b><u>Synergies with German Climate Change Related Engagement in the Country / Region</u></b></p>	<p>Thank you. We have further strengthened the reference to this synergy in the revised PAD.</p>

	<p>We appreciate that the German support to Zambia is mentioned in numerous places throughout the proposal. We would, however, like to provide some further details regarding areas where synergies could be strengthened.</p> <p>The proposed project has direct synergies with the German-supported project “Integrating Climate Change in Water Resources Monitoring and Planning”, the implementation of which is assisted by KfW and GIZ. Availability of data and products needed to implement the Early Warning System and the ZEPRIS will depend on developing the MMEWD’s Integrated Water Resources Management Information System (IWRMIS), which in turn will depend on renovating Zambia’s hydro-met stations, both of which are lines of activity addressed by the German support.</p> <p>Strengthening of the institutional framework – including the MMEWD, the Department of Water Affairs (DWA), and the new Water Resource Management Authority (WARMA) – is also being supported by Germany through the Water Sector Reform Programme, the implementation of which is assisted by GIZ. There are obvious synergies with component 1 of the proposed project, which aims to strengthen the national institutional and financial framework for climate resilience.</p> <p>Furthermore, the project results could feed into the activities of the German-supported programme “Transboundary Water Management in SADC”, such as dam synchronization, flood flow forecasting and solidification the early warning system on the Zambezi. While the “Bank’s ... Zambezi-wide regional management program” is being referred to explicitly, the regional support provided by Germany does not appear to have been mentioned.</p>	
	<p>And finally, the Overseas Development Institute (ODI) is currently conducting a study on Climate Finance Readiness in Southern Africa, with German support. Zambia is one of the three countries covered, along with Namibia and Tanzania. First results of the study have been introduced in an informal roundtable discussion alongside the UNFCCC climate change conference in Doha. The study is expected to be completed in May 2013. The results of the study might provide useful input for the envisaged enhancement of “Zambia’s capacity to access and manage climate funds directly”.</p> <p><b>In summary, we recommend a more explicit exploration and use of synergies with the above mentioned German supported clusters of activity, with a particular view towards the water resources sector and towards climate finance.</b></p>	<p>We met with the person from ODI recently. The Secretariat has also met with the team, and exchanged ideas around the readiness activities. We have further strengthened the reference to synergies with German supported activities in the revised PAD</p>



<p>UK</p>	<p>Introductory Comments: <b>The UK is please to endorse this proposal</b> and would like to provide the following comments:</p> <ul style="list-style-type: none"> <li>• Pleased to see a results framework aligned to the PPCR core indicators and with target numbers. When will the baselines be established?</li> <li>• Pleased to see innovative aspects of this project in allowing for flexible support to the priorities identified by communities themselves, and including direct funding to beneficiaries, as well as the 'adaptation contingency fund which will progressively reward the best performing beneficiaries.</li> </ul>	<p><b>Thank you</b></p> <p>Preliminary baselines (as reflected in the PAD) have been derived from a study by CONCERN in three of the eight project districts. A more comprehensive baseline is being commissioned and should be available by end of 2013.</p> <p>Thank you.</p>
<p>UK</p>	<ul style="list-style-type: none"> <li>• The project information is succinct and informative and works well as a communication document. However there doesn't appear to be a full project document included beyond this with full appraisals including fiduciary, social and environmental, when will these be developed and shared?</li> <li>• Related to this what is the assessment of financial and procurement capability of the organisations tasked with delivering components 2 and 3, particularly the sub-projects under component 3.1? What procedures will be followed on these? When will the safeguard policies that were triggered be developed and shared with donors?</li> </ul>	<p>The Project Appraisal Document is considered to include all the relevant appraisal information as required by the World Bank for Board approval. In addition, the Secretariat is preparing a comprehensive Project Operational Manual and Participatory Adaptation Implementation Manual which are aimed at the project implementers.</p> <p>Component 3.1 will be implemented directly by the beneficiary districts, wards, and community groups. To qualify, target districts and wards will need to meet minimum fiduciary conditions based on the criteria previously developed by ZAMSIF, which will be outlined in detail on the Participatory Adaptation Operational Manual (ready by project effectiveness.</p> <p>The projects has also developed a detailed Environmental and Social Management Framework, Resettlement Policy Framework and Pest Management Plan which has been disclosed as of March 7, 2013, and are available online through the World Bank Infoshop. And the Zambia Environmental Management Authority ( ZEMA)</p>

		<a href="http://www.zema.org.zm/">http://www.zema.org.zm/</a>
UK	<ul style="list-style-type: none"> <li>• Good that key results data are gender disaggregated and that the interventions will specifically target women headed households at the community/group level, as well as other households identified as particularly vulnerable. Good that the analysis assesses the specific vulnerabilities of women and female headed households to climate change although this analysis could be expanded.</li> </ul>	Thank you. As the Participatory Adaptation component is implemented, lessons learned will be gathered and used to expand the interventions. This is expected to include more precise gender targeting.
UK	<ul style="list-style-type: none"> <li>• What are the plans for ensuring that the institutional support provided is sustainable, particularly for the secretariat and western province and target councils? Will the Government support the secretariat with on-budget funding in at the end of the project?</li> </ul>	The Government of Zambia has agreed to fund the key attachments to the Secretariat out of own funds. Funding for the Secretariat's future operation and maintenance is expected to come from both external financing (both projects as well as global climate funds) as well as from Government, once the climate change policy is approved. Both Western Province as well as the district councils have their own staff and operational funding from capital allocations.
UK	<ul style="list-style-type: none"> <li>• Good to see the high level of project co-financing particularly from the Government's own resources indicating commitment to the programme and from the private sector. Could the project team clarify where the co-financing budget line on 'IFC and partners/PPCR' for \$55.5 million comes from, is this IFC financing?</li> </ul>	Indeed, the US\$55.5 million includes both the PPCR contribution to the IFC-administered project (US\$1.5 million in technical design grant and US\$13.5 million in credit for investment) as well as IFC's and the private sector partners' expected matches (at a ratio of 1:1:2)
UK	<ul style="list-style-type: none"> <li>• Good to see the apparently high level of partner coordination and consultation. There are a large number of stakeholders in this project so it will involve quite intensive coordination including across Government Ministries.</li> </ul>	Thank you. We agree that intensive coordination will be needed.
UK	<ul style="list-style-type: none"> <li>• Assumptions need to be justified with evidence and reasons as to why certain factors were discounted and why certain timespans and numbers were used. For example the appraisal was done over a 20 year period but the benefits from environmental policies can be felt for very long periods of time, which would appear strange. Also would be good to get some of the reasons for things like discount rates, expected rates of return as these form</li> </ul>	We have separated what we consider to be tangible benefits from those that are long-term and difficult to quantify (such as policy reforms or transformational benefits). The first set of benefits - those used in the quantitative economic analysis - were computed for a realistic lifetime of 20 years since this is the expected maximum stream of benefits from the infrastructure and softer adaptation investments.

	the basis of the economic appraisal	<p>The World Bank does not have a specified discount rate, but generally uses a discount rate of 12% for economic analyses. However, in the case of climate resilience benefits, an argument can be made for inter-generational fairness that would assume a lower discount rate. Hence, we used three discount rates in the sensitivity analysis to show that the analysis is still robust enough to meet the World Bank's standard internal rate of return (IRR) of 12%, while exceeding this benchmark if a lower rate was used. This is further explained on Annex 6.</p>
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