

GREEN FINANCING IN ZIMBABWE

Case of the Infrastructure Development Bank of Zimbabwe

Presented by

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Presentation Outline



1 IDBZ Mandate Overview

2 Zimbabwe's Policy Frameworks for Green Finance

3 IDBZ Green Finance and Sustainability Initiatives

4 Way Forward

IDBZ Mandate and Sector Focus

- The IDBZ is a **Development Finance Institution (DFI)** created through an Act of Parliament to spearhead **infrastructure development and financing** in Zimbabwe.
- Bank fulfills its mandate through various **interventions** including:
 - ✓ Providing technical advisory capacity in **project preparation/packaging** and **project implementation monitoring**;
 - ✓ **Mobilising resources** from domestic and foreign sources to finance project development and implementation;
 - ✓ Providing **Capacity Building and Knowledge Sharing** within the Bank's mandate area.
- Responsible for **monitoring implementation of public infrastructure projects funded from the National Budget** under the Public Sector Investment Programme (PSIP).



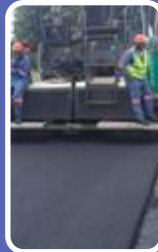
Type of Projects Undertaken/Financed

These sectors are identified as **key enablers** for socio-economic development



Energy

- Power plants (rehabilitation or new builds)
- ⑩ *Solar, Hydro, Thermal, Wind, CBM*
- Transmission lines (rehabilitation or new builds)



Transport

- Roads (rehabilitation or new builds)
- Rail (rehabilitation or new builds)
- Airports upgrades
- Upgrading of Border Posts



Water and Sanitation

- Dam construction
- Water distribution infrastructure
- Water & sewer treatment plants
- **Irrigation Infrastructure**



ICT

- Backbone infrastructure
- ⑩ *Need to address duplications.*
- (No last mile service – other players step in)



Housing

- On-site & off-site infrastructure
- ⑩ *Water & sewer reticulation*
- ⑩ *Roads construction*
- ⑩ *Electricity reticulation*
- Student Accommodation
- Learning facilities

Zimbabwe's Green Finance Trajectory

- Zimbabwe is among developing countries that have **committed to addressing climate change in their development pathways**.
- At a global level, Zimbabwe signed the United Nations Framework Convention on Climate Change (UNFCCC) in 1992, **ratified the Kyoto Protocol in 2009 and the Paris Agreement in 2016**, respectively.
- Following Zimbabwe's ratification of the Paris Agreement, the country has an **obligation to contribute to the global mitigation action** through reduction of greenhouse gas emissions and adaptation in line with the country's Nationally Determined Contribution (NDCs).

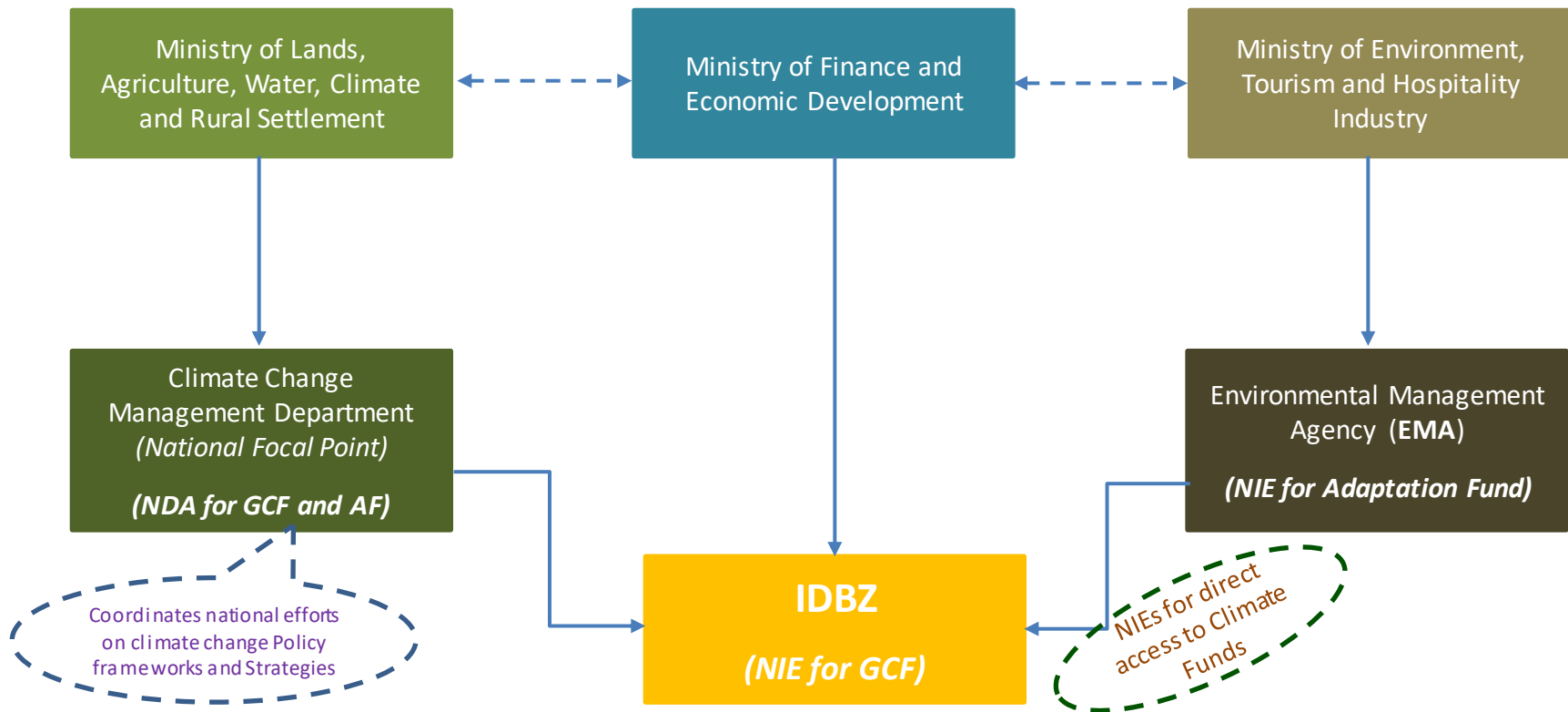
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- Our commitment is to achieve carbon emissions per capita by 2030 that are 33% below the projected "business as usual" level.
 - As with other developing countries, **Zimbabwe requires financial and technical support for accelerated implementation of its Adaptation and Mitigation programmes**.
 - This calls for **innovative funding mechanisms**; the need to **broaden funding sources**; and having our local investors and the mainstream banking system embrace the concept of green finance.
 - As a National DFI, the **IDBZ is at the centre of national efforts to come up with these innovative funding platforms and coordination packaging of green projects** in the infrastructure sector.

National Policy Frameworks for Green Development

- Zimbabwe has made strides in creating an enabling environment for Green Finance by putting in place appropriate Policy and Institutional Frameworks to address climate change....*

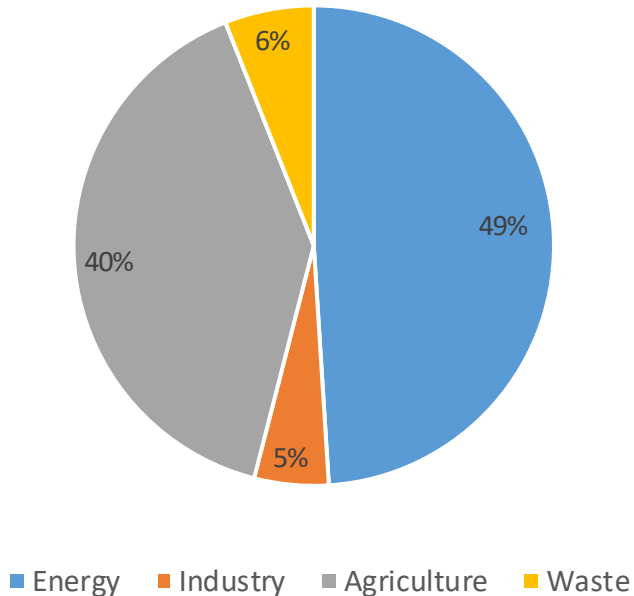


Institutional Framework



- **Establish/identify key institutions to drive Climate Change Policy & Strategies and to work directly with Climate Funds:**
 - ✓ Establishment of a **National Designated Authority (NDA)** for the Adaptation Fund (AF) and Green Climate Fund (GCF) => the Climate Change Management Department within the MoLAWCRS is the NDA for both the AF and GCF in Zimbabwe.
 - ✓ **EMA** is the designated **National Implementing Entity (NIE) for the Adaptation Fund** => currently working towards accreditation.
 - ✓ The **IDBZ** is the **NIE for the GCF** and is also undergoing accreditation to the GCF.
- **Government funding towards climate initiatives is slowly peaking**, reflecting appreciation of climate change issues – increased allocation to the CCMD from the fiscus.

Distribution of GHG Emissions



Country Factsheet:

- Population of 13.1 million [2012 Census], of which **70% lives in the rural areas**.
- **Agricultural sector which constitutes 10-15% of National GDP is largely rain-fed and hence highly sensitive to climate change.**
- Approximately **80% of the rural population's livelihoods are dependent on rain-fed agriculture (i.e. highly vulnerable to climate change)**.
- Zimbabwe generates about 1200MW of **electricity** against peak demand of 1600MW, of which **40% is from thermal sources** and 60% is from hydro power. **Contribution of other abundant renewable energy resources such as solar and waste energy is negligible.**
- **Low energy access - Access to electricity is approximately 44% at national level**; access much lower in rural areas where firewood is the primary source of heat and kerosene is the main source of lighting.
- **Energy sector accounts for 49% of Greenhouse Gas (GHG) emissions, followed by Agriculture (incl. forestry) with 40%.**
- **These two sectors are therefore key to achieving the country's carbon emission targets.**

Country Experience on Green Finance

- Finance flows to date primarily focused on supporting establishment of policy frameworks and climate strategies, readiness of key institutions, and selected adaptation projects

Policy Frameworks & Institutional Capacity

Project Name	Amount	Type of Funding	Implementing Agency	Funders
Support on Review of Nationally Determined Contributions (NDCs), Development of NDC Monitoring, Reporting and Verification (MRV) Framework, and Development of Low Emission Development Strategy (LEDS)	US\$1m	Grant	Climate Change Management Department	Russia Climate Facility
National Adaptation Plan <i>(Formulation of National Adaptation Plan and Capacity Building)</i>	US\$3m	Grant	Climate Change Management Department	Green Climate Fund (GCF)
ZIMREF Climate Change Technical Assistance <i>(Climate Finance Readiness Support; Integration of Climate Change into Planning, Design & Implementation of Projects)</i>	US\$1.5m	Grant	Climate Change Management Department	World Bank
GCF Readiness Support <i>(Capacity Building for the NDA and NIEs)</i>	US\$300k	Grant	Climate Change Management Department	Green Climate Fund (GCF)

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Adaptation Projects

Project Name	Amount	Type of Funding	Implementing Agency	Funders
Maintenance of Irrigation Schemes <i>(Targeting 11,300Ha & over 2000 household beneficiaries)</i>	US\$7m	Grant	Ministry of Agriculture	Government of Zimbabwe
Zimbabwe Resilience Building Fund <i>(Targeting over 830,000 beneficiaries in 18 Rural Districts => Irrigation development, livestock rearing, market linkages, rural saving schemes, etc)</i>	US\$75m	Grant	Ministry of Agriculture	EU, DFID and Embassy of Sweden
Smallholder Irrigation Revitalisation Programme <i>(Targeting 12,500 beneficiaries in dry land; 15,000 beneficiaries under irrigation; Masvingo, Manicaland, Midlands and Matebeleland South)</i>	US\$60	Grant (\$45m)	Ministry of Agriculture	International Fund for Agricultural Development (IFAD) and GOZ
		Loan (\$15m)		OPEC Fund for International Development (OFID)
Rehabilitation of and development of Nyakomba Irrigation Scheme in Nyanga, along Gairezi River <i>(Targeting 674Ha)</i>	US\$15m	Grant	Ministry of Agriculture	Japanese International Cooperation Agency (JICA)

Adaptation Projects

Project Name	Amount	Type of Funding	Implementing Agency	Funders
Rehabilitation of Irrigation Schemes for Smallholder Farmers <i>(incl. support for Training and Extension Services)</i>	US\$48m	Grant	Ministry of Agriculture	Department for International Development, UN (DFID)
Strengthening Biodiversity and Ecosystems Management & Climate-Smart Landscapes <i>(Mid to Lower Zambezi Region)</i>	US\$10m	Grant	Ministry of Environment, Tourism & Hospitality Industry	GEF Trust Fund (with co-financing from UNDP)
Supporting Enhanced Climate Action for Low Carbon and Climate Resilient Development Pathway (SECA-LCCRDP) <i>(Focusing on Early Warning Systems, Solar powered Irrigation Systems, etc)</i>	US\$33 <i>(\$14m mobilised to date)</i>	Grant	Ministry of Energy; Civil Protection Dept; Ministry of Environment; Min. of Agriculture	GEF Trust Fund, UNDP, UNV
Technical Support for Rehabilitation and Development of Irrigation Schemes <i>(Chimanimani, Gwanda, Chipinge, Beitbridge and Mangwe Districts)</i>	US\$7.8m	Grant	Ministry of Agriculture	European Union (EU)

IDBZ at the centre of Adaptation and Mitigation Actions in the Infrastructure Sector.....



Renewable Energy



Water & Sanitation

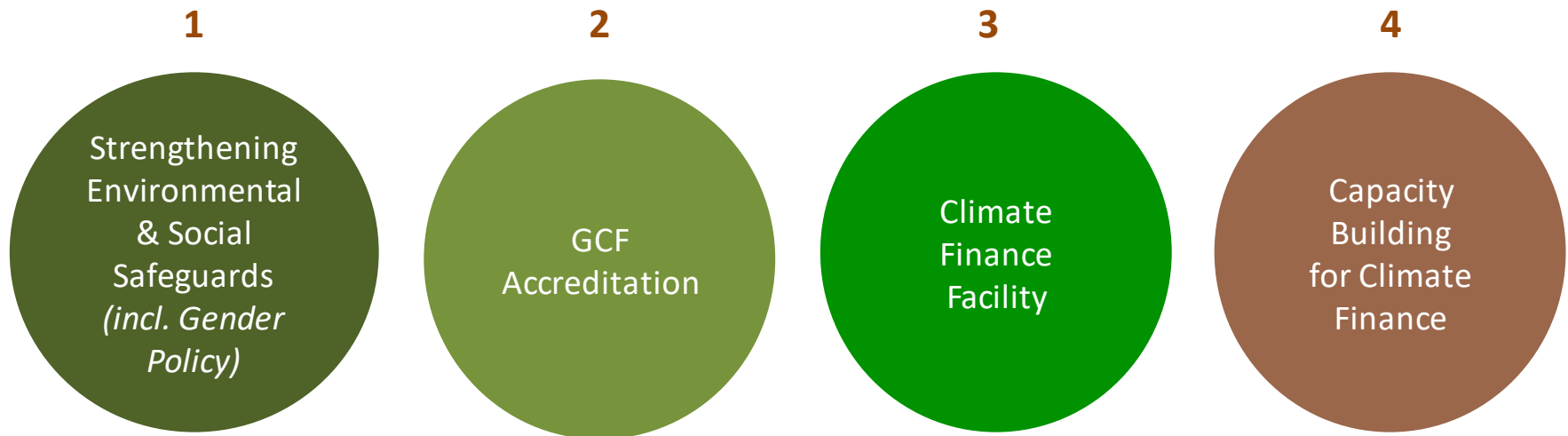


Irrigation Infrastructure



Transport Infrastructure

- Key actions include the following:
 - ✓ **Increasing renewable sources in the energy mix** [e.g. hydro-power, solar, coal bed methane (CBM), etc]
 - ✓ **Changing thermal power station technologies to low carbon technology** (i.e. repowering projects)
 - ✓ Development of **integrated waste management systems** (*incl. waste-to-energy*)
 - ✓ Increasing **water harvesting** through Dam construction
 - ✓ Development of **Irrigation Schemes** (idle dams)
 - ✓ **Urban transport systems**, etc



- Established a dedicated **Climate Finance and Sustainability Division in January 2018** to build internal capacity to respond to climate change issues in project planning and implementation; and also to advance the Bank's Climate Finance Initiatives....



In pursuit of Zimbabwe's first Green Bank

- IDBZ received **technical support from the World Bank** to develop its Environmental and Social Safeguard Standards and Gender Policies.
- The Bank's Environmental and Social Standards (ESS) are in line with the International Finance Corporation (IFC) Performance Standards (PS).
- The ESS and Gender Policies are **implemented through the Environmental and Social Sustainability Management System (ESSMS)** which is a set of management processes and procedures that allow the Bank to:
 - ✓ identify, analyze, control and manage the **adverse environmental and social impacts** of its activities; and
 - ✓ maximize any potential **environmental and social benefits** in a consistent way.
- IDBZ's infrastructure operations have impacts on the environment and communities => The **ESSMS provides the framework for managing Environmental & Social and Gender issues.**
- The Bank now fully mainstreams environmental, social and gender considerations in the planning, design and implementation of infrastructure projects.

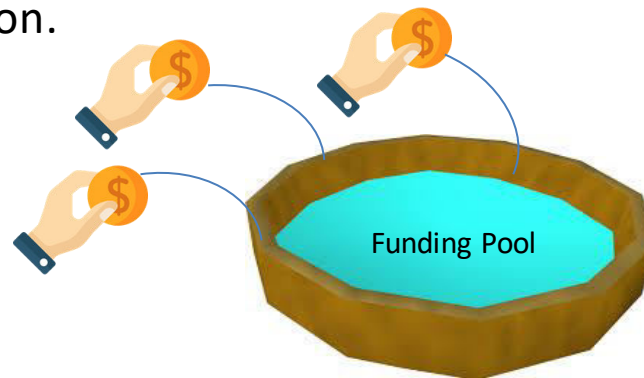


GREEN
CLIMATE
FUND

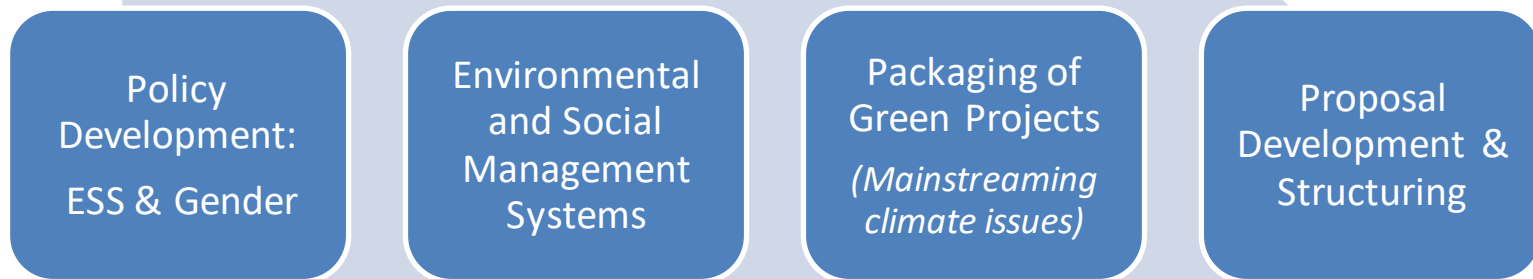
- IDBZ's **key milestones to date** on GCF Accreditation:
 - ✓ Approval of Readiness Funding support by GCF
 - ✓ PwC Gap Assessment and Action Plan
 - ✓ Development of ESS and Gender Policies
 - ✓ Environmental and Social Safeguards Management System formulation
 - ✓ Formulation of the Information Disclosure and Independent Evaluation Policies
 - ✓ Online Application submitted in March 2019 and review ongoing
- GCF Concept Note formulation ongoing parallel to accreditation process – have ready projects for preparation funding support.

Climate Finance Facility

- The Bank is in the process of establishing a **Climate Finance Facility (CFF)** which is essentially a **ring-fenced Fund dedicated to financing green projects** in Zimbabwe in the priority areas of renewable energy, energy efficiency, irrigation schemes, waste management systems, etc.
- **The intention is to use the CFF as a platform to crowd-in various climate finance sources and private sector investment into the financing of green projects so that as a country we don't rely solely on the GCF for funding.**
- The CFF will support broader efforts to establish the country's Green Investment Framework.
- The Bank has **engaged a Consultant to undertake a Feasibility Study** for the CFF to inform its business case, legal and governance structure, capitalization and implementation.



Capacity Building for Climate Finance



Objectives of ongoing Capacity Building:

- To address key gaps in the Bank's fiduciary and ESS standards as identified in the **GCF Gap Assessment (e.g. Project-at-Risk Assessment framework needs strengthening)**.
- **Align IDBZ processes and institutional arrangements** to requirements of climate funding platforms e.g. GCF, GEF and IFC/World Bank.
- **Develop expertise in packaging of green projects**, with particular focus on **mainstreaming of climate issues**.
- Position the Bank as an effective Direct Access Entity for channelling climate finance resources towards the country's NDC Work Programme (**in line with NCP**).

Conclusion

- **At a national level** there is need to:
 - ✓ **Allocate more fiscal resources towards national climate change adaptation and mitigation programmes** and awareness.
 - ✓ Accelerate the **development and promulgation of the Climate Change Bill** – *to compel companies and municipalities to cut emissions and report on their carbon emissions, provide incentives to companies for going green, create punitive measures for failing to transition to clean technologies, etc*
 - ✓ Accelerate the **development of the National Climate Fund** which will act as a financing mechanism for priority climate change actions and interventions (*still at consultation stage*).
 - ✓ Accelerate **development of a comprehensive Measurement, Reporting and Verification (MRV) system** to track green financing in Zimbabwe - *significant resources already being channelled to irrigation systems in the Agriculture sector and dam construction in the Water sector.*
 - ✓ Develop a **Green Investment Framework** (including Green Bond Framework) to bring mainstream banking and capital markets (local & international) into green investments in Zimbabwe – *use fiscal incentives.*
- **IDBZ** needs to:
 - ✓ **Strengthen the Bank's capacity to package green projects** (i.e. integration of climate and sustainability issues in project planning & design, appraisal and implementation).
 - ✓ **Deepen collaboration with Development Partners** in the area of Climate Finance.
 - ✓ **Develop the Bank's Measurement, Reporting and Verification (MRV) capacity** on implementation of green projects (planning and design, appraisal, implementation, monitoring and evaluation).
- **The IDBZ is looking to play a key role in the country's Climate Actions and seeks support from Cooperating Partners.**

THANK YOU. TATENDA. SIYABONGA!

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