



TRANSPARENCY
INTERNATIONAL
ZAMBIA

CLIMATE AND CARBON FINANCE MECHANISMS IN ZAMBIA

Gap Analysis and Corruption
Risk Vulnerability Assessment

ABOUT THE REPORT

Transparency International Zambia (TI-Z) has published this Gap Analysis Report with the financial support from the Waverley Street Foundation under Transparency International's Climate Governance Integrity Project (CGIP), and the support of the Swedish International Development Agency (Sida). The Climate Governance Integrity Programme (CGIP), implemented by Transparency International (TI) seeks to ensure integrity, transparency, and accountability in climate finance governance, so that the most vulnerable communities can adapt to the climate crisis in 25+ countries around the world.

The research, language, views, and conclusions outlined in this report are those of the Author and do not necessarily reflect the views of the Waverly Street Foundation, Transparency International or Sida. Transparency International Zambia made every effort to verify the accuracy of the information contained in this report. We believe that all the information is correct as of July 2024. Notwithstanding, TI-Z cannot accept responsibility for the consequences of its use for other purposes or contexts.

This Analysis would not have been possible without the technical and research support from our staff. We therefore thank Ms. Tamika Halwiindi, Ms. Leah Phiri, and Ms. Sandie Sikazwe for conducting the analysis and writing the draft report. We also thank the external reviewer, namely, Dr. Morgan Katati and the internal TI-Z reviewer, Mr. Bright Chizonde for providing insightful comments and edits, respectively. The report also benefited from the comments made by colleagues from the TI Secretariat Climate Governance Integrity Programme team, namely, Mr. Anoukh de Soysa, and Dr. Gvantsa Gverdtsiteli. Work on the graphic layout was done by Pierpaolo Crivellaro. TI-Z would like to acknowledge and thank all the respondents who provided input into this report without whom this research would not have been possible.

Published: July 2024

Funded by:



TABLE OF CONTENTS

Abbreviations and Acronyms	5
Executive Summary	6
1.0 Introduction	8
2.0 Methodology	9
2.1 Research Design, Approaches and Tools	9
2.2 Report Structure	10
3.0 The International Climate Finance Architecture	10
3.1 Typology of Climate Finance	11
3.1.1 Carbon Markets and Trading	13
4.0 Zambia's Climate Finance Architecture	16
4.1 Legal and Institutional Framework	16
4.1.1 The Carbon Market Framework in Zambia	18
4.1.2 Gender and Climate Change	21
4.2 Climate Change Budgeting and Finance	22
5.0 Corruption Vulnerability Risks in Climate and Carbon Finance	27
5.1 Key Governance Issues and Corruption Concerns	27
5.2. Climate Finance Corruption Risks	29
5.3. Corruption Risks in Carbon (Forest) Initiatives	33
6.0 Conclusion and Recommendations	40
6.1 Conclusion	40
6.2 Recommendations	40
References	43
Annexes	46

TABLES AND FIGURES

Table 1: Sources of climate funding	12
Table 2: Average estimated annual climate finance needed for SSA	13
Table 3: Zambia’s climate change context	20
Table 4: Budgetary allocation for climate change (2022–2024)	23
Table 5: Government and Donor Climate Change Expenditure Budget	24
Table 6: Risk Likelihood Interpretation	29
Table 7: Climate Finance Corruption Risk Vulnerability Assessment	30
Table 8: Carbon (Forest) Initiatives Vulnerability Likelihood Assessment	33
Figure 1: Climate Change and Environmental Sustainability 8NDP Coordination mechanism	17
Figure 2: Illustrative interaction of corruption, gender and climate	22
Figure 3: Distribution of Climate Financing in Zambia Pre-Covid: External versus Domestic Financing	24

ABBREVIATIONS AND ACRONYMS

8NDP: Eighth National Development Plan
CMF: Carbon Market Framework
CAG: Cluster Advisory Group
CCGAP: Climate Change Gender Action Plan
CFMG: Climate Forest Management Group
CFU: Climate Funds Update
COP: Conference of the Parties (to the United Nations Framework Convention on Climate Change)
Covid-19: Coronavirus Disease 2019
CRB: Community Resource Board
CSO: Civil Society Organization
DMMU: Disaster Management and Mitigation Unit
GCF: Green Climate Fund
GEF: Global Environment Facility
GESI: Gender Equality and Social Inclusion
GHG: Green House Gases
MoFNP: Ministry of Finance and National Planning
MoGEE: Ministry of Green Economy and Environment
MoU: Memorandum of Understanding
NAP: National Adaptation Plan
NDC: National Determined Contribution
ND-GAIN: Notre Dame Global Adaptation Initiative
NGO: Non-Governmental Organisation
REDD: Reducing Emissions from Deforestation and Forest Degradation
REDD+: The “+” signifies the role of conservation, sustainable management of forests and enhancement of forest carbon stocks.
SDG: Sustainable Development Goals
SSA: Sub-Saharan Africa
TI: Transparency International
TI-Z: Transparency International Zambia
UNFCCC: United Nations Framework Convention on Climate Change
UPND: United Party for National Development
US(A): United States (of America)
ZEMA: Zambia Environmental Management Agency

EXECUTIVE SUMMARY

Transparency International Zambia (TI-Z) conducted a gap analysis on the legal and regulatory frameworks as well as associated corruption risks of climate and carbon finance. The analysis also focused on carbon markets with particular interest on climate forest initiatives in Zambia. The gap analysis sought to identify corruption vulnerabilities and risks in climate finance and carbon markets, and trading mechanisms, considering the increased interest in trading mechanisms in Zambia. The analysis outlines the current international and Zambian context and the substantial amounts of monies required and earmarked for climate mitigation and adaptation, which aggravate the corruptions risks in climate finance. This was done so as to provide a contextual basis for the identification of corruption vulnerabilities and risks in climate finance and carbon (forest) initiatives in Zambia. The Gaps Analysis followed a qualitative approach, including desk-based reviews, key informant interviews and focus group discussions.

The findings of the analysis indicate inadequacies in the regulatory framework in climate and carbon finance, as Zambia is yet to enact comprehensive climate change legislation. The analysis also highlights gaps in communication and information disclosure on climate finance at different levels of interventions. This extends to climate finance and project tagging or earmarking as well as tracking of climate finance inflows and outflows by the government. Moreover, the findings reveal that presently most of Zambia's climate funds are from external sources, accounting for about 95 percent of total climate funding during the years before the Covid pandemic.

This corruption vulnerability assessment also revealed significant risks pertaining to climate financing. These included inadequate monitoring, reporting and verification (MRV) systems, limited accountability mechanisms, as well as complex regulatory systems that do not expressly define carbon rights and carbon ownership on the side of landowners. Moreover, the analysis revealed limited opportunities for right-based community consultations exacerbated by inadequacies in technical knowledge in carbon projects. These challenges are compounded by pre-existing gender exclusion and land governance issues in these communities, which increase the risks of land grabs and evictions in carbon project areas.

This gap analysis established that the corruption risks in climate financing and carbon trading negatively affect the integrity of the system. This highlights the importance of addressing corruption risks and governance bottlenecks in climate finance mechanisms through a variety of interventions such as enhancing accessibility and disclosure of information. This would facilitate systematic information disclosure and thereby improve transparency and accountability in climate financing in Zambia. The Zambian Government should also enhance the coordination, monitoring and verification of climate financing and projects as well as safeguard communities' right to consultation and participation in climate action and carbon finance projects.



“

Global warming is estimated to generate a median **loss of 1.5 percent of annual Gross Domestic Product in developing countries** and in Sub-Saharan Africa – Intergovernmental Panel on Climate Change, 2022

”

1.0 INTRODUCTION

Climate change has emerged as one of the existential threats to human existence and development.[1] Internationally, the United Nations Framework Convention on Climate Change (UNFCCC) and the 2030 Agenda for Sustainable Development guide the agenda for climate efforts. The Sustainable Development Goal (SDG) number 13 on Climate Action exemplifies this with the intention of scaling up efforts that address climate change. The scaling up of efforts includes country efforts in domesticating international agreements conceived from the UNFCCC such as the Paris Agreement of 2015 on Climate Change. A renowned espousal of the Paris Agreement includes commitments by developed countries to mobilise US\$100 billion per year in form of climate finance to support climate mitigation and adaptation efforts in developing countries.[2] However, the estimated annual climate finance flows to developing countries reached only US\$ 1.3 billion in the years 2021 and 2022.[3]

There is therefore a significant financing gap. This is likely to widen as the estimated climate finance needed from 2031 to 2050 leaps to over US\$10 trillion annually.

It is further estimated that to achieve 2030 targets of net zero emission the substantial low-carbon investments needs to increase steadily from USD\$8.1 trillion to USD\$9 trillion. [4] In addition to this financing gap, there are also some notable equality concerns. Despite indigenous communities contributing to safeguarding about 80 percent of the world's biodiversity, they will receive a meagre one percent of total climate funding within the next decade and allocated mostly towards afforestation and or reforestation efforts.[5] This has brought to the fore arguments pushing for increased equality in climate financing.[6] Thus, the effective mobilization, allocation as well as utilisation of these funds will ultimately determine how the world deals with the climate crisis, in addition to dealing with the twin problems of inequality and poverty, exacerbated by the climate crisis.

Footnotes:

[1] https://ssir.org/articles/entry/debt_for_climate_swaps_can_save_the_planet_why_arent_they?utm_source=Enews&utm_medium=Email&utm_campaign=SSIR_Now

[2] <https://unfccc.int/news/governments-commit-to-increase-climate-finance-through-2025-0>

[3] Barbara Buchner, et al, Climate policy initiative; Global Landscape of Climate Finance 2023.

[4] The Global Partnership for Social Accountability (GPSA); Greening social accountability for climate finance.

[5] <https://climatechampions.unfccc.int/system/indigenous-peoples-finance/>

[6] https://acetforafrica.org/research-and-analysis/insights-ideas/articles/trillions-people/?gad_source=1&gclid=CjwKCAjwrlxhBhBbEiwACEqDJRDkyelyBsU5b2kn77rd4bL2n8zvnqsDWqhADFZv0sHMDj2dp9uYvBoC5boQAvD_BwE

The global push for more climate financing could also bring about substantial misuse of funds and corruption. This is because of the colossal sums of money involved and the urgency to improve the lives and livelihoods of the people in developing countries. Further, the fact that countries in dire need of climate financing experience high levels of corruption also elevates this corruption risks and vulnerabilities. Transparency International (TI) contends that corruption risks in climate financing undermine mitigation and adaptation efforts. In the case of the former, efforts such as reducing greenhouse gas emissions (GHG) could result in further increased emissions aggravating the environmental and social impacts of climate change.[7] This, therefore, necessitates the development of mechanisms to ensure transparency, integrity, accountability, and inclusive public participation in climate financing as a way of safeguarding and strengthening the governance of these funds. Therefore, this study sought to analyse the gaps in climate financing in the Zambian context.

This necessitated an overview of the global climate finance architecture and the current legal as well as fiscal frameworks and mechanisms in Zambia. The paper also assesses corruption risks at two levels: corruption risks in climate financing more broadly in Zambia, and the second layer of risks related to corruption in carbon markets. The report also proposes recommendations to address the gaps and risks identified with the intent of promoting greater transparency, accountability and public participation in climate financing in Zambia.

“**Corruption in climate finance has two basic negative impacts:** mitigation measures do not reduce carbon emissions or even further increases them. Adaptation measures will be suboptimal – U4 Anti-Corruption”

2.0 METHODOLOGY

2.1 RESEARCH DESIGN, APPROACHES AND TOOLS

This study employed a basic qualitative design, including desk-based review, Key Informant Interviews (KIIs) and focus group discussions. The desk-based review focused on published sources, reports and publications, including international agreements and treaties, commitments and agreements, as well as domestic laws and policies. In order to generate deeper insights on corruption risks and vulnerabilities we

conducted semi-structured interviews, during the period August 2023 to March 2024. We used purposive sampling to identify and select the fifteen (15) key informants for the research and classified them based on their roles as either government, private sector, or civil society organisations, and used snowballing sampling to identify other key respondents not initially identified.

[7] Transparency International 2021. Corruption-Free Climate Finance: Protecting Forests and People.

We further conducted two focus group discussions in Chipata and Kasempa through our district level structures called Transparency Action Groups (TAGs). These districts were selected due to the proliferation of carbon initiatives and representation of the TAGs. Further, we administered a Risk Rating Assessment (RRA) during the key informant interviews and focus group discussions to support the substantiation of corruption vulnerabilities identified during the desk-based review. As part of the RRA, participants rated the risks identified using a likelihood score ranging from 'impossible' to 'almost certain'. This approach was derived from Transparency International's Corruption Risk Assessment for identifying risks in mining awarding and approval processes. Section 5.2 gives more detail on the process used to derive the corruption risks and risk statements.

We also obtained key contextual information to fill specific gaps following the focus group discussions, from traditional leaders, community groups, forestry department offices and the private sector.

2.2 REPORT STRUCTURE

In Section 3.0, we contextualise key issues in climate financing from a global perspective to the Zambian context. Likewise, Section 4.0 provides a contextual basis and information prior to delving into the corruption risk findings resulting from the study.

The report then details the corruption risks identified pertaining to climate finance and carbon (forest) initiatives in Section 5.0. After which, we draw conclusions from the findings and provide specific recommendations to address the gaps and risks identified.

3.0 THE INTERNATIONAL CLIMATE FINANCE ARCHITECTURE

The term "climate finance" entails the mobilization of financial resources to benefit the environment, while reducing harm and managing environmental risks including Green House Gases.[8] Climate financing is important considering the magnitude of investment required to combat climate change in a plethora of sectors including energy, transport, agriculture, and infrastructure.[9]

The global climate finance architecture is a dynamic and intricate system encompassing channels within and outside the United Nations Framework Convention on Climate Change (UNFCCC) financial mechanism.[10] With its near universal membership, the UNFCCC encompasses the substantive framework and mechanisms of climate finance.[11]

[8] Chartered Banker Institute, 2020; Barua and Chiesa, 2019; Chiesa and Barua, 2019.

[9] M. Nest, S. Mullard & C. Wathne, U4 Brief. Corruption and climate finance: Implications for climate change interventions. 2020:14, CMI. Available at : <https://www.u4.no/publications/corruption-and-climate-finance.pdf>

[10] Transparency International 2021. *Corruption-Free Climate Finance: Protecting Forests and People.*

[11] Intergovernmental negotiation committee for a framework convention on Climate Change, Tenth Session, Geneva, 22 August – 2 September 1994, Item 4 (a) and (b) of the provisional Agenda A/ AC. 237/ 74 (August 1994) available at: <http://unfccc.int/resource/docs/a/74.pdf>

The UNFCCC acknowledges that climate finance is not just about access to financial resources but also includes practical efficacy in assessing how the financed interventions contribute to the reduction of emissions and attaining the overall goal of maintaining global average temperature increments well below 2 Degree Celsius.[12]

Moreover, the Paris Agreement facilitated for the establishing of the Green Climate Fund (GCF)[13], which essentially originates from Article 11 of the UNFCCC and calls on the Parties to create a mechanism for developed countries to support developing countries financially in implementing the Convention. Presently, the GCF is the world's largest climate fund,[14] and its mandate includes mobilisation of funding for investments in developing countries to realize the Nationally Determined Contributions (NDC) ambitions in alignment with the Paris Agreement.

It is through these international arrangements that developed countries have committed to provide new and additional financial resources, and further committed to a goal of jointly mobilizing US\$ 100 billion dollars per a year by 2025 in order to address the climate financing needs of developing countries.[15]

In climate change nomenclature, there is a distinction between climate adaptation and climate mitigation.[16] Similarly, it is important to differentiate climate finance for adaptation from mitigation financing.



According to the *European Environment Agency*...

CLIMATE ADAPTATION is the process of adjusting to the current and future effects of climate change to prevent or minimise climate change effects

CLIMATE MITIGATION is the process of lessening the severity of the impacts of climate change by preventing or reducing the emission of greenhouse gas (GHG) into the atmosphere.

3.1 TYPOLOGY OF CLIMATE FINANCE

Presently there are several sources of climate financing:[17] Table 1 presents some of the sources of climate financing.

[12] United Nations Framework Convention on Climate Change, supra note 28, Art.2 and Decision 1/CP. 21, The Paris Agreement, supra note 96, Art 2: 1 (a) (b) and (c).

[13] The GCF is one element of the financial mechanism that is operated by the Global Environmental Facility, others include the Special Climate Change Fund (SCCF) and the Least Developed Countries Fund (LDCF)

[14] <https://www.greenclimate.fund/>

[15] Decision -/CMP.5, Copenhagen Accord; proposal by the President, Agenda Item 15; Conference of the parties serving as the meeting of the parties to the Kyoto protocol. UN. Doc. FCCC/KP/CMP/2009/L.9 (December 2009) and <https://unfccc.int/news/governments-commit-to-increase-climate-finance-through-2025-0>

[16] [https://www.eea.europa.eu/help/faq/what-is-the-difference-between#:~:text=In%20essence%2C%20adaptation%20can%20be,\(GHG\)%20into%20the%20atmosphere](https://www.eea.europa.eu/help/faq/what-is-the-difference-between#:~:text=In%20essence%2C%20adaptation%20can%20be,(GHG)%20into%20the%20atmosphere)

[17] <https://unfccc.int/topics/introduction-to-climate-finance>

Table 1: Sources of climate funding

SOURCE	DESCRIPTION
Public finance	These are domestically sourced funds at national or local government levels to support climate-related initiatives, including budget allocations and public grants.
Private finance	These are funds sourced from private sector entities such as commercial banks, businesses, and institutional investors. This can also be realised through mechanisms such as green bonds, public-private partnerships, and venture capital.
Multilateral funding	Provided through and by international institutions such as the Green Climate Fund (GCF), the Global Environment Facility (GEF), as well as Development Banks such as the African Development Bank and World Bank to support climate projects and programmes in developing countries.
Bilateral funds	These are funds from governments and governmental agencies to another government and or government agency and typically complement multilateral climate finance flows.
Climate funds and facilities	These are resources designated for climate-related initiatives for sectors or regions, provided as loans, grants, or technical assistance, for instance, the Adaption Fund and Clean Technology Fund.
Carbon financing	This funding tool places financial value on carbon emissions and allows individuals or companies to offset their emissions by buying carbon credits earned from sustainable projects.
Carbon Markets	These are market-based mechanisms that can generate revenue directed towards climate initiatives through the trading of carbon.
Climate-related philanthropy	Resources from philanthropic organisations (well-wishers) for climate-related initiatives, such as foundations, individuals, and non-governmental organisations.
Loss and Damage Fund (LDF)	Established at the end of the 27th Conference of the Parties (COP27) and operationalised at the 28th Conference of Parties (COP28), the fund has the specific purpose of assisting developing countries, particularly those vulnerable to the adverse effects of climate change.[18]

Although climate financing for sub-Saharan Africa is likely to increase to US\$ 50 billion per year by 2050, the estimated climate finance needs of the continent, on average, are over US\$ 140 billion per year against the annual current flows of US\$20 billion.

This is unfortunate since sub-Saharan Africa contributes less than 4 percent of annual greenhouse gas (GHG) emissions and yet likely to experience the most deleterious effects of climate change.[19]

[18] Technical paper on gaps in existing institutional arrangements within and outside of the Convention to address loss and damage, including those related to slow onset events. Technical paper FCCC/TP/2013/12.

[19] Climate Funds Update: <https://climatefundsupdate.org/wp-content/uploads/2023/03/CF7-2023-ENG-SSAfrica.pdf>

Therefore, there have been calls for Africa’s compensation for this emission gap[20] as developing countries also commit to increasing climate financing for Africa.

Table 2: Average estimated annual climate finance needed for SSA

Theme	Avg. climate funds needed annually (USD)	% approved funds
Adaptation	30 billion	21.4%
Mitigation	70 billion	50.0%
Loss and Damage	40 billion	28.6%
Total	140 billion	100%

Source: African Centre for Economic Transformation

3.1.1 CARBON MARKETS AND TRADING

Carbon markets, also known as Emissions Trading Systems (ETS), include cap-and-trade systems[21] designated to reduce greenhouse gas (GHG) emissions and combat climate change.[22] Carbon markets operate on the principle of creating a market for buying and selling carbon credits to offset GHG emissions.[23]

Arguably, Carbon markets provide flexibility for businesses to find the most effective ways to reduce emissions through the ‘polluter pay’ principle. It is however unclear whether carbon markets incentivize innovation and investment in low-carbon solutions.[24]

In terms of scale and operability, Carbon markets differ nationally, regionally, and internationally. Broadly, however, there are two types of carbon markets. These are compliance or mandatory markets and voluntary markets. Under a compliance carbon market, the government or regulatory body issues a limited number of permits, or allowances, equal to the overall emissions cap. These allowances represent the right to emit a certain amount of greenhouse gases. Regulated entities, which differ in respective countries, are then required to hold enough allowances to cover their emissions. Essentially, if a regulated entity reduces its allocated emission allowances, it can then sell the excess on the carbon market where other entities that are unable to meet their emission reduction targets can buy the excess in order to comply with obligations. In the case of voluntary carbon markets, carbon credits can take many forms, including “avoidance credits” for projects that avoid or reduce GHG emissions, or “removal credits” for projects that sequester carbon dioxide from the atmosphere typically through nature-based solutions such as afforestation.

[20] https://acetforafrica.org/research-and-analysis/insights-ideas/articles/trillions-people/?gad_source=1&gclid=CjwKCAjwrlxhBhBbEiwACEqDJRDkyelyBsU5b2kn77rd4bL2n8zvnvqsDWqhADFZv0sHMDj2dp9uYvBoC5boQAvD_BwE

[21] Cap-and-trade is a system that limits aggregate emissions from a group of emitters by setting a ‘cap’ on maximum emissions.

[22] <https://climatepromise.undp.org/news-and-stories/what-are-carbon-markets-and-why-are-they-important>

[23] <https://unfccc.int/climate-action/united-nations-carbon-offset-platform>

[24] <https://www.powershiftafrica.org/publications/the-africa-carbon-markets-initiative-a-wolf-in-sheeps-clothing>

In recent years, the voluntary carbon market has experienced expansion, quadrupling in value to approximately US\$2 billion from 2020 to 2021.[25]



According to *UN Framework Convention on Climate Change 1992...*

CARBON CREDITS technically referred to as **Certified Emission Reductions**, under the Kyoto Protocol, are units issued by the United Nations Framework Convention on Climate Change (UNFCCC) Clean Development Mechanism (CDM).

One tradable carbon credit equals **one tonne of carbon dioxide** or the equivalent of a different GHG reduced, sequestered or avoided.

When a carbon credit is used, it becomes an offset and is no longer tradable.

The anticipated proliferation of carbon markets is particularly notable because they provide a means through which countries and industries can achieve the Paris Agreement goal of limiting global warming to 1.5 degrees Celsius by reducing greenhouse gas emissions. For instance, 83 percent of countries' NDCs propose international market mechanisms such as carbon markets as a means of reducing GHG emissions.[26]

According to 2021 projections, the value of the global voluntary carbon markets will rise from US\$2 billion in 2021 to the value of US\$50 billion by 2030.[27] This increased popularity of market-based solutions could however exacerbate the risks associated with elite capture, green washing, as well as potential land grabs and displacement for local communities, due to large forestry land relegation.[28]

Carbon trading has also led to the utilisation of carbon accounting to measure the impact made by companies, individuals, and governments. The framework creates financial incentives for countries and companies to create emission-reducing technology and initiatives, such as carbon capture systems and forest planting to help reduce and or offset carbon levels in the atmosphere using market mechanism. Therefore, carbon-offset projects may lead to the exclusion of communities from their land and in certain instances result in green washing.[29] The most popular carbon offsets are from REDD+ conservation projects, accounting for just over half of offset projects.[30] For this reason, there is need to consider, in detail, the environmental and corruption risks pertaining to forest climate initiatives or projects such as REDD+ that are also popular in Zambia.

[25] <https://www.morganlewis.com/pubs/2022/09/recent-developments-in-voluntary-carbon-markets#:~:text=In%202021%2C%20the%20voluntary%20carbon,dioxide%20emissions%20from%20the%20atmospher e.>

[26] <https://climatepromise.undp.org/news-and-stories/what-are-carbon-markets-and-why-are-they-important>

[27] <https://africanarguments.org/2023/08/revealed-big-conservation-ngos-majority-governed-finance-africa-carbon-markets/>

[28] <https://africanarguments.org/2023/08/revealed-big-conservation-ngos-majority-governed-finance-africa-carbon-markets/>

[29] <https://act.survivalinternational.org/page/123852/action/1?locale=en-GB>

[30] <https://interactive.carbonbrief.org/carbon-offsets-2023/companies.html>



“

Zambia has been facilitating carbon trading projects and initiatives since the adoption of the Kyoto Protocol in 1997, in which countries committed to the reduction of greenhouse gas emissions.

”

4.0 ZAMBIA'S CLIMATE FINANCE ARCHITECTURE

4.1 LEGAL AND INSTITUTIONAL FRAMEWORK

Zambia signed and ratified the UNFCCC[31] and is signatory to the Kyoto Protocol in 1997 and the Conference of Parties (COP) Paris Agreement (Paris Climate Accords) in 2015. Presently, the Ministry of Green Economy and Environment (MoGEE) is the designated ministry with the mandate to “promote the effective and sustainable use of the environment by support for adaptation to, and mitigation of the effects of climate change” in the country as outlined in the Government Gazette Notice No. 1123 of 2021. [32] The MoGEE is also the UNFCCC focal point for the country and the immediate past Chair for the African Group of Negotiators on Climate Change through the Directorate of Climate Change and Environment.[33] Zambia’s tenure ended in 2023 after COP 28, having been critical to the negotiations that saw the establishment of the Loss and Damage Fund.[34]

Several laws and policies are critical in defining the legal and policy framework for climate change and climate financing in Zambia. The government of Zambia commenced the development of the Climate Change Bill in 2019, which according to the MoGEE, has undergone a substantial consultation process. Following submission to the Ministry of Justice, stakeholders expect the bill to be presented to Parliament in 2024. The Climate Change Bill, once enacted into law, will provide for the national climate change fund, carbon market trading, and GHG emissions framework, among others. Other laws related to climate change and financing include the Public Finance Management Act of 2018[35], the Environmental Management Act of 2011[36], and its 2023 amendment[37]; the Forest Act of 2015[38], the Water Resources Management Act of 2011[39] and the Energy Regulation Act of 2019[40].

[31] United Nations Framework Convention on Climate Change: <https://unfccc.int/>

[32] https://media.zambialii.org/files/government_gazette/files/zm-government-gazette-dated-2021-09-24-no-7039.pdf

[33] <https://www.lusakatimes.com/2021/11/11/zambia-elected-chair-of-african-group-of-negotiators-on-climate-change-for-2-years/>

[34] <https://www.uneca.org/stories/african-group-of-negotiators-call-on-cop28-to-conclude-with-a-decision-on-climate-justice>

[35] <https://www.parliament.gov.zm/sites/default/files/documents/acts/The%20Public%20Finance%20Management%20Act%202018.pdf>

[36] <https://www.parliament.gov.zm/sites/default/files/documents/acts/Environmental%20Management%20Act%2012%20of%202011.pdf>

[37] <https://www.parliament.gov.zm/sites/default/files/documents/acts/ACT%20No.%208%20OF%202023%2C%20The%20Environmental%20Management%20Amendment%29.pdf>

[38] <https://www.parliament.gov.zm/sites/default/files/documents/acts/The%20Forest%20Act%202015.pdf>

[39] https://www.parliament.gov.zm/sites/default/files/documents/acts/Water_Resources_Management%2C%20Act%20No.%2021%20of%202011.pdf

[40] <https://www.parliament.gov.zm/sites/default/files/documents/acts/The%20Energy%20Regulation%20Act%20No.%2012%20of%202019.pdf>

In the absence of a substantive climate change legislation, the updated and revised Nationally Determined Contribution (NDC)[41] to the Paris Agreement and the Eighth National Development Plan (8NDP)[42] guide Zambia’s climate resources and projects. These outline several areas and interventions pertaining to climate change and the environment. Further, climate change and environmental themes are coordinated through the 8NDP and the National Policy on Climate Change Policy 2016[43], though the latter under revision, as crosscutting issues. In the 8NDP, the ‘environmental sustainability’ pillar encompasses interventions and initiatives in the environment and climate change, with coordination of pillar facilitated through a Cluster Advisory Group (CAG), where the MoGEE is providing and ensuring coordination and complementarity of interventions and initiatives. The Ministry co-chairs the CAG of the Environmental Sustainability pillar with a non-state organisation in the sector.

The National Policy on Climate Change as well as the Climate Change bill[44] also provide a coordination framework at three layers. The first is the Council of Ministers, which comprises all line ministers and chaired by the Vice President. This Council is responsible for providing policy and strategic guidance on climate change and convenes when such a need arises.

Strategic Development Area 3:
Enhanced Mitigation and Adaptation to Climate Finance & Sustainable Environmental and Natural Resources Management

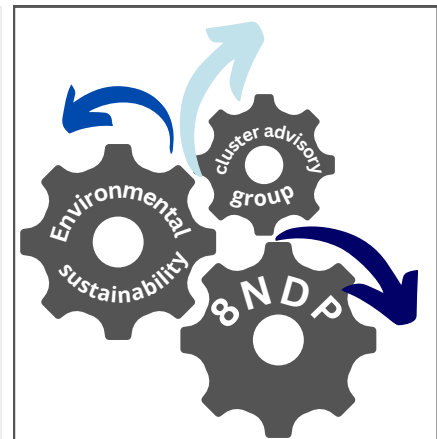


Figure 1: Climate Change and Environmental Sustainability 8NDP Coordination mechanism

The second layer is the Steering Committee of Permanent Secretaries while the third layer is the technical committee on climate change, with the latter providing technical guidance to the Steering Committee. In terms of composition, the technical committee includes representatives from relevant ministries, the private sector, academia, and civil society.

The national climate change policy[45] also provides for three thematic sub committees. These are adaptation, mitigation, and means of implementation sub-committees. The Disaster Management and Mitigation Unit (DMMU), based under the Office of the Vice President, chairs the sub-committee on adaptation while the Zambia Environmental Management Agency (ZEMA) spearheads the mitigation sub-committee.

[41] https://unfccc.int/sites/default/files/NDC/2022-06/Final%20Zambia_Revised%20and%20Updated_NDC_2021_.pdf

[42] <https://www.sh.gov.zm/wp-content/uploads/2022/09/EIGHTH-NATIONAL-DEVELOPMENT-PLAN-2022-2026-05-07-2022.pdf>

[43] <https://faolex.fao.org/docs/pdf/zam174957.pdf>

[44] <https://www.daily-mail.co.zm/2024/05/02/climate-change-bill-reaches-advanced-stage/>

[45] <https://faolex.fao.org/docs/pdf/zam174957.pdf>

Due to the importance of financial resources and planning in implementation, the Ministry of Finance and National Planning (MoFNP) leads the sub-committee on means of implementation. Notwithstanding, it should be noted that the national climate change policy is under review to align it to the policy direction of the United Party for National Development (UPND) Administration. The revision of the policy may change these coordination mechanisms. Moreover, in acknowledging and seeking to harmonise various coordination mechanism of climate change and finance, the MoGEE launched the country's first ever Green Growth Strategy in April 2024.[46]

Considering this intricate coordination structure, the varying focal points on these committees are responsible for facilitating efficient inter-ministerial communication. In addition, the MoGEE is the secretariat to the Technical Committee, Steering Committee and Council of Ministers on Climate Change. Further, under the Climate Smart Governance Programme, the MoGEE is receiving support to develop a web-based platform as way of enhancing information sharing on climate change projects and initiatives[47].

4.1.1 THE CARBON MARKET FRAMEWORK IN ZAMBIA

Zambia has been facilitating carbon trading projects and initiatives since the adoption of the Kyoto Protocol in 1997, in which countries committed to the reduction of greenhouse gas emissions[48]. The 8NDP, and the MoGEE draft strategic plan for the period 2022 to 2026 acknowledge climate financing, specifically carbon trading mechanisms and markets, as viable avenues to addressing the deleterious impacts of climate change on local communities under the Environmental Sustainability Strategic Development Area[49].

The government also finalized the National Strategy to Reduce Deforestation and Forest Degradation.[50] The strategy aims to reduce GHG emissions through improving forest and land management, as well as ensuring equitable sharing of carbon and non-carbon benefits among local communities and stakeholders. The government is also in the process of enhancing the Greenhouse Gas Transparency Framework to support inventory of greenhouse gas emissions and has indicated plans to signing six Memoranda of Understanding (MoU) with data compliers to that effect.[51]

[46] <https://www.mgee.gov.zm/wp-content/uploads/2024/04/2NATIONAL-GREEN-GROWTH-STRATEGY-2024-2030-6.pdf>

[47] Key Informant interview September 2023: Ministry of Green Economy and Environment

[48] Kelvin Mulungu, 2021. The Luangwa Community Forests Project in Zambia: A review of the biggest REDD+ project in Africa financed by the Italian oil and gas company ENI. Commissioned by Greenpeace Italy.

https://www.greenpeace.org/static/planet4-italy-stateless/2021/06/719f406b-gp-lcfcf_scientific-report_english-version-1.pdf

[49] <https://www.sh.gov.zm/wp-content/uploads/2022/09/EIGHTH-NATIONAL-DEVELOPMENT-PLAN-2022-2026-05-07-2022.pdf>

[50] <https://faolex.fao.org/docs/pdf/zam181907.pdf>

[51] Ministry of Finance and National Planning, 2022 Annual Progress Report on the implementation of the Eighth National Development Plan (8NDP)

In 2021, the government issued Statutory Instrument (SI) No. 66 of 2021 – The Forest (Carbon Stock Management) Regulations[52], which provides for community forest management groups’ participation in carbon trading including through ‘reducing emissions from deforestation and forest degradation, forest conservation and sustainable forest management’ (REDD+). However, SI 66 of 2021 is noticeably restrictive, as it does not address other forms of carbon trading besides those related to forests initiatives. The proposed Climate Change bill will provide for other forms of carbon projects and trading as well as expectedly harmonise carbon trading initiatives in Zambia.

In 2023, the MoGEE launched the first part of the country’s Carbon Market Framework (CMF): Guidelines for the Submission and Evaluation of Proposed Mitigation Activities under Article 6 of the Paris Agreement.[53] These guidelines seek to strengthen the previously released interim guidelines for handling carbon markets and trading in Zambia. In addition, the CMF guidelines define the framework conditions and requirements for Article 6 activity approval in Zambia, thereby enabling a quick start of new Article 6 projects and programmes in the country. This includes REDD+ projects that will also be subject to sectoral compliance under the Forestry Department of the MoGEE.

The establishment of a carbon market framework in Zambia is timely, considering the expected proliferation of carbon markets. For instance, the government, through the MoGEE signed two memoranda of understanding (MoUs) for carbon trading projects. In February 2023, the Ministry signed an agreement with United Arab Emirates Dubai-based Company for the implementation of sustainable forest management, covering eight (8) million hectares of forests.[54] The government also recently signed a MoU with a Chinese investment company for the cultivation of carbon sink, covering four million hectares of forests.[55] Other MoUs include European Union – Zambia Forest partnership[56], whose implementation plan is under development by the government of Zambia.



[52] Statutory Instrument 66 of 2021: <https://zambialii.org/akn/zm/act/si/2021/66/eng@2021-06-25>

[53] Ministry of Green Economy and Environment, Part 1 of the Carbon Market Framework for Zambia. <https://www.mgee.gov.zm/wp-content/uploads/2024/04/2NATIONAL-GREEN-GROWTH-STRATEGY-2024-2030-6.pdf>

[54] https://www.carboncapture-expo.com/industry_news/blue-carbon-and-zambia-sign-mou-to-collaborate-on-carbon-removal-projects-in-the-forest-sector/

[55] <https://web.facebook.com/100076467723449/posts/govt-signs-mou-to-cultivate-4-million-hectares-of-carbon-sinknanchang-september-/320574347168154/?rdc=1&rd>

[56] https://international-partnerships.ec.europa.eu/system/files/2022-10/mou-forest-partnership-c2022-6687-zambia_en.pdf

Table 3: Zambia's Climate Change context

Zambia ranks 141 out of 192 countries most vulnerable to the impacts of climate change and has a low adaptive capacity to the negative effects of climate change.[57] In the absence of mitigation and adaptation measures, climate change is predicted to reduce the country's GDP by about 6 per cent by 2045 - 2050.[58] Over the past decade, the country has progressively experienced the effects of climate change and climate variability as evidenced by the shift of weather patterns, and increased drought as well as flood cycles[59].

Zambia's GHG emissions were 120 MtCO₂e in 2011, representing about 0.26 percent of the world's total emissions, which amounted to 46,906 MtCO₂e during the same period.[60] Further, Zambia's GHG emissions, excluding Land Use, Land Use Changes and Forestry (LULUCF), increased by 24.07 MtCO₂e between 1990 and 2013.[61] During the same period, the average annual change in total emissions during was 2.5 per cent, with sector-specific average annual changes as follows: agriculture, 2.6 percent; energy, 2.6 percent; industrial processes, 6.3 percent, and waste, 2.6 percent.

Government reports also show that the agriculture sector is the leading source of GHG emissions followed by energy.[62] Moreover, Zambia's communication to the UNFCCC, which includes a GHG inventory for the period 1995- 2010, shows LULUCF to be a source of emissions rather than a sink.[63] Therefore, to adapt to the effects of climate change, Zambia would need substantive investment in its agricultural, energy and infrastructural sectors. In 2023, Zambia was the sixth topmost recipient country of climate funds in SSA[64].

The country has recorded a significant drop-in deforestation rate in 2020 from 250,000 hectares per annum during the years 2008 - 2019 [65] to 172,000 hectares per annum post 2020.[66] LULUCF activities released an average of 17.2 MtCO₂e per year from 1990 to 2010, which is consistent with the observed loss of forest cover during that period. Zambia remains a net carbon sink, albeit reports indicate a reduced net sink status because of increased greenhouse gas emissions of 47 percent during the period 1994 to 2016.[67]

[57] <https://gain.nd.edu/our-work/country-index/rankings/>

[58] The African Climate Foundation and the International Food Policy research Institute with support from the CGIAR Research Initiative on Foresight. "From Climate Risk to Resilience: Unpacking the Economic Impacts of Climate Change in Zambia". November 2023. Available at: <https://africanclimatefoundation.org/wp-content/uploads/2023/11/800835-ACF-Zambia-country-note-04.pdf>

[59] The Government of the Republic of Zambia (GRZ), National Climate Change Response Strategy (NCCRS) developed in 2010, Ministry of Environment Tourism and Natural resources.

[60] https://www.climatelinks.org/sites/default/files/asset/document/GHG%20Emissions%20Factsheet%20Zambia_final%20for%20PDF_11-09-15_edited_rev08-18-2016.pdf

[61] GRZ (2020) Nationally Determined Contribution. Ministry of National Development planning. Available at: https://unfccc.int/sites/default/files/NDC/2022-06/Final%20Zambia_Revised%20and%20Updated_NDC_2021_.pdf

[62] GRZ, 2020. Biennial update report (BUR1) to the United Nations Framework Convention on Climate Change. Available at: <https://unfccc.int/documents/267111>

[63] GRZ (2020) Third National Communication. Available at : <https://unfccc.int/documents/254196>

[64] Climate Funds Update: <https://climatefundsupdate.org/wp-content/uploads/2023/03/CFF7-2023-ENG-SSAfrica.pdf>

[65] Government Republic of Zambia (GRZ) Forestry Department, Integrated Land use Assessment I 2008 & ILUA II 2014

[66] Forestry Department, Second Forest Reference Emission Level, 2020, Ministry of Lands and natural resources.

[67] Government Republic of Zambia, Eighth National Development Plan, 2022 -2026, p.60 and Ministry of Finance and National Planning, 2022 Annual Progress Report on the implementation of the Eighth National Development Plan (8NDP)

4.1.2 GENDER AND CLIMATE CHANGE

While climate change may have negative impacts on all, women and girls bear a particular brunt of the impacts, considering their responsibilities and care giving roles in society.[68] For this reason, Zambia developed a Climate Change Gender Action Plan (CCGAP) in 2017[69]; spearheaded by the erstwhile Ministry of Gender, which provided a comprehensive strategy for mainstreaming gender in the country's climate change and environmental framework. However, the UPND Administration relegated the Ministry of Gender from a Ministry status to a department under the Vice President's office in 2021. This has arguably affected the CCGAP's implementation. Moreover, the CCGAP is also in the process of being revised and will be facilitated by the Gender Division Desk.[70]

Generally, climate change affects vulnerable groups such as rural remote communities, who are typically dependent on natural resources such as water, agriculture, and forests. When it comes to decision making on climate change, these groups are also usually underrepresented.[71] Further, the labour burden shift caused by climate disruptions disproportionately affects women and girls considering their care giving roles especially in rural and peri-urban areas.[72]

Climate change is posited to increase poverty vulnerability in Africa, with women making up the majority of poverty-prone individuals.[73] In Zambia, female-headed households are more likely to be extremely poor in comparison to male-headed households.[74] Climate change therefore heightens poverty vulnerability risks for women with more extreme risks of poverty vulnerability in rural areas. This arises from the effects that climate change has on weather conditions, food production (agriculture), energy costs and food prices which undermine food security.[75] For example, climate variability may result in droughts and/or floods, thereby undermining communities' access to safe water and heightening the prevalence of water borne diseases in the case of floods[76]. These effects may pose further strain on the country's resources and result in the need for increased financing for climate adaptation and mitigation initiatives.

So far, only about one-third of global climate finance projects consider gender equality with minimal climate funds spent at local levels.[77]

[68] Climate Change Gender Action Plan, Republic of Zambia, 2016. Available at: https://www.climatelinks.org/sites/default/files/asset/document/2017_IUCN_Climate-Change-Gender-Action-Plan-Zambia.pdf

[69] <https://genderandenvironment.org/zambia-climate-change-gender-action-plan-ccgap-report/>

[70] Key Informant Interviews, 2023

[71] National Policy on Climate Change, Ministry of Lands, Natural Resources and Environmental Protection, 2016.

[72] Climate Change Gender Action Plan of the Republic of Zambia 2017 and Key Informant Interviews, 2023

[73] Zambia Statistics Agency; Highlights of the 2022 Poverty Assessment in Zambia

[74] Census of Population and Housing: Zambia 2022. Available at: <https://www.zamstats.gov.zm/wp-content/uploads/2023/12/2022-Census-of-Population-and-Housing-Preliminary.pdf>

[75] Climate Funds Update: <https://climatefundsupdate.org/wp-content/uploads/2023/03/CFF7-2023-ENG-SSAfrica.pdf>

[76] National Policy on Climate Change, Ministry of Lands, Natural Resources and Environmental Protection, 2016.

[77] Climate Finance Shadow Report 2020: Assessing progress towards the \$100 billion commitment. Oxfam.

The loss of livelihoods and resources resulting from climate change exacerbates women's vulnerability by further restricting resource accessibility and the amount of unpaid care work, thereby fostering, and widening existing gender gaps. Moreover, accessibility of climate finance for women remains a challenge due to the technicality of accessing resources, considering the general low literacy levels of most women compared to men, especially in rural areas.[78] Notwithstanding, women have demonstrated leadership in communities by initiating strategies to mitigate the harmful effects of climate change.[79] It is vital that women, girls and other under-represented groups are not only considered in climate change adaptation and mitigation initiatives, but that they are also take up leading roles in decision making in climate finance. Their participation should extend to decision making on how climate funds allocation, expenditure as well as in the elaboration and operationalisation of carbon markets.

The interrelation of climate change, gender inequalities and socials exclusion, and corruption presents a compounding triad problem. Although research exploring the relationship of the trio problem is limited, scholars contend that corruption in climate action and finance has more dire effects on women, girls and other marginalised groups in society.[80] As noted by Transparency International, women often feel the effects of climate change more acutely because discrimination can result in greater exposure

to corruption and can mean women are disproportionately affected by it and prevented from challenging corrupt actions because of limited access to resources.[81]



Figure 2: Illustrative interaction of corruption, gender and climate. Source: U4 Climate change, gender and corruption

4.2 CLIMATE CHANGE BUDGETING AND FINANCE

Nationally determined Contributions (NDCs) are critical to the Paris Agreement and encompass countries' climate change efforts and targets. Zambia has costed its NDC to the tune of US\$50 billion dollars for the period 2021 to 2030, if provided with substantial international support.[82] This is an ambitious target considering it is the same amount of climate financing expected for Sub-Saharan Africa by 2050. Also, the NDC Partnership's indication for Zambia for 2018 – 2020 shows that the total allocated budget on climate change from all sources averaged US\$300 million per year.[83]

[78] Key informant interviews, 2023.

[79] Climate Change Gender Action Plan, Republic of Zambia, 2016

[80] <https://www.u4.no/publications/climate-change-gender-and-corruption/fullversion>

[81] <https://www.transparency.org/en/blog/we-must-prioritise-gender-in-anti-corruption-and-climate-efforts-maldives-zambia-brazil>

[82] Climate Finance Mapping for NDC Implementation in Zambia. Commonwealth Secretariat 2021

[83] NDC Partnerships, 2022. Spreadsheet on climate change investments in Zambia. Data is available until 2020.

In 2023, the MoGEE launched the NDC Implementation Framework for Zambia for the period 2023 – 2030.[84] The NDC Implementation Framework indicates that the country needs to mobilise US\$17.2 billion to contribute effectively to the country’s commitments espoused in the Paris Agreement.[85] Meanwhile Zambia’s climate budget is approximately US\$2.1 billion annually representing a deficit of about US\$400 million during the NDC eight-year implementation framework period.[86] Historically, domestic public budgetary support towards environmental sustainability and climate change programmes and projects has been minimal, comprising less than 5 percent of climate financing particularly in years prior 2021.[87] Moreover, the high levels of public debt and the impact of the COVID pandemic seemingly further constrained the fiscal space, thereby limiting the allocation towards climate and environmental sustainability. Budgetary allocations towards environmental sustainability have been less than 0.6 percent of the total budget from 2020 to 2023.[88] However, this percentage is projected to increase to 1.2 percent in subsequent years.[89].

Table 4 shows available data on public funds earmarked for climate change, through the MoGEE, during the years 2022 to 2024.[90] The three-year period does not indicate progressive budgetary allocation of resources towards climate change adaptation and mitigation interventions.

Table 4: Budgetary Allocation for Climate Change (2022 – 2024)

	2022 (ZK million)	2023 (ZK million)	2024 (ZK million)
Government budget	172,987	167,321	177,891
MoGEE budget [91]	817.20	774.75	812.24
% national budget	0.47%	0.46%	0.46%

Source: Estimates of Revenue and Expenditure (Output Based Budgets) for years: 2022, 2023 & 2024

In addition to domestically mobilised public financing, Zambia receives international funding for both adaptation and mitigation from bilateral and multilateral sources.

[84] Accessible at: <https://www.mgee.gov.zm/wp-content/uploads/2023/10/NDC-Implementation-Framework-for-Zambia-2023-Full-package.pdf>

[85] Ibid.

[86] <https://www.mgee.gov.zm/wp-content/uploads/2023/10/NDC-Implementation-Framework-for-Zambia-2023-Full-package.pdf>

[87] NDC Partnership, 2021. Climate Finance Mapping for NDC Implementation in Zambia. Available at: https://production-new-commonwealth-files.s3.eu-west-2.amazonaws.com/migrated/inline/Climate_Finance_Mapping_for_Zambia_UPDF.pdf

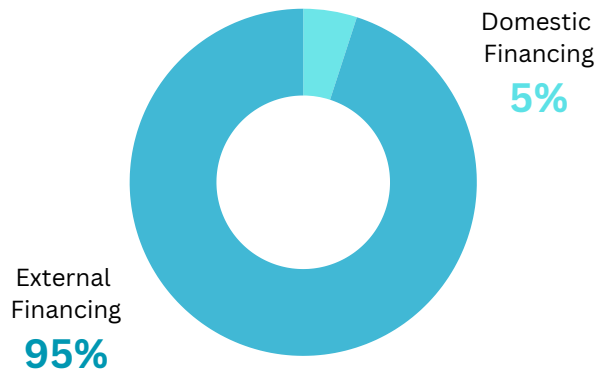
[88] <https://pmrczambia.com/wp-content/uploads/2022/10/PMRC-National-Budget-Analysis-2023.pdf>

[89] NDC Partnership, 2021. Climate Finance Mapping for NDC Implementation in Zambia. Available at: https://production-new-commonwealth-files.s3.eu-west-2.amazonaws.com/migrated/inline/Climate_Finance_Mapping_for_Zambia_UPDF.pdf

[90] Data from 2021 is not comparable as the MoGEE was gazetted in 2021 during the first year of UPND administration

[91] Variation in budgetary allocation amounts per Head (ministry) may differ due to variations in estimated budget, approved budget as well actual expenditures amounts

Figure 3: Distribution of Climate Financing in Zambia Pre-Covid: External versus Domestic Financing



The country has accessed dedicated climate finance from the public and private portfolios estimated between US\$65 million and US\$300 million per year.[92] Pre Covid, approximately 95 percent of climate financing in Zambia was from external sources such as bilateral, multilateral, and cooperating partners. Entailing that climate financing was heavily reliant on external sources since domestic funding accounted for a meagre 5 percent of climate funding. [93] However as shown in Table 5, domestic funding, including percentage wise, towards climate change has steadily increased whilst external funding, particularly loans, conversely decreased during the three-year period post-Covid, that is, 2022 to 2024.

Zambia’s external climate finance is mainly sourced through grants and loans. The country receives these funds through MoFNP, with the MoGEE registering projects through the national budget process. Although the MoFNP has increasingly discouraged loan-based funding, for projects in climate change, considering the country’s debt position as can also be shown in Table 5.

Table 5: Government and Donor Climate Change Expenditure Budget

	2022 (ZK million)	2023 (ZK million)	2024 (ZK million)
Government Budget	214.20	274.31	325.54
Grants – Cooperating Partners	75.10	45.90	67.53
Project Loans (e.g. WB, AfDB)	527.90	454.29	419.17
Grand Total	817.20	774.75	812.24
% Domestic Funding	26.2%	35.4%	40.1%

Source: Estimates of Revenue and Expenditure (Output Based Budgets) for years: 2022, 2023 & 2024

Additionally, the MoGEE indicates that grant project financing is the current preferred model.

Zambia has access to multilateral climate change funding including through the Green Climate Fund (GCF), Global Environment Facility (GEF) and the Adaptation Fund. Zambia’s approved aggregate multilateral climate funding is worth US\$236.5 million.[94] However, access to these climate funds in Zambia has been low in comparison to other countries. Challenges in accessing these funds include seemingly arduous procedures and requirements.

[92] NDC Partnerships, 2022. Spreadsheet on climate change investments in Zambia. Data is available until 2020.

[93] Climate Finance Mapping for NDC Implementation in Zambia. Commonwealth Secretariat 2021

[94] <https://climatefundsupdate.org/data-dashboard/#1541245745457-d3cda887-f010>

Therefore, the country leverages a fair amount of climate change through cooperating partners bilaterally.[95] Moreover, for specific private inflows, the diverse sources and opacity of financial statements poses challenge in determining precise inflows. However, between 2016 and 2018, Zambia's approved financing was about US\$238.2 million.[96] Overall, it is challenging to categorize and track the total amount of climate funds and resources in Zambia due to the manner in which the country receives climate funds, in addition to the multi-dimensionality of climate change financing.

Moreover, the Zambian government is broadening sources of climate finance to bridge the resource gap, including through emerging financing instruments such as green bonds.

To actualize this, Zambia developed a framework through the Green Bond guidelines in 2019.[97] As a way of incentivizing the private sector further, towards green investment and financing, the MoFNP in 2022 announced withholding tax exemption on interest earned on green bonds, with a maturity period of at least 3 years and listed on the security exchange in Zambia.[98] However, the country has not recorded any issuance or listing of green bonds since the development of these guidelines. Considering the country's high-indebtedness, there is a possibility that Zambia may consider debt-for-climate swaps in future.

[95] NDC Partnership, 2021. Climate Finance Mapping for NDC Implementation in Zambia. Available at : [https://production-new-commonwealth-files.s3.eu-west-](https://production-new-commonwealth-files.s3.eu-west-2.amazonaws.com/migrated/inline/Climate_Finance_Mapping_for_Zambia_UPDF.pdf)

[2.amazonaws.com/migrated/inline/Climate_Finance_Mapping_for_Zambia_UPDF.pdf](https://production-new-commonwealth-files.s3.eu-west-2.amazonaws.com/migrated/inline/Climate_Finance_Mapping_for_Zambia_UPDF.pdf)

[96] CFU and Organisation for Economic Co-operation and Development (OECD) project

[97] The Securities (Green Bonds) Guidelines, 2019

[98] <https://bowmanslaw.com/insights/tax/zambia-2023-national-budget-government-considering-green-finance-mechanisms/>

**AVAILABLE, ACCESSIBLE AND AFFORDABLE:
TOWARDS A CLIMATE FINANCE ARCHITECTURE THAT
DELIVERS FOR ALL**

“

Most respondents contended that the **climate finance agenda is determined globally rather than domestically**, which results in unrealistic conditions or unreciprocated priorities for climate finance.

”

5.0 CORRUPTION VULNERABILITY RISKS IN CLIMATE AND CARBON FINANCE

This section presents findings from the key informant interviews and focus group discussions pertaining to the corruption vulnerabilities and risks in climate and carbon finance. We present the findings as common and main observations in Section 5.1 that emerged during the interviews and focus group discussions, thereby providing a summary of key findings to contextualise the risk assessment. We then outline the findings from the risk assessment in Sections 5.2 and 5.3.

5.1 KEY GOVERNANCE ISSUES AND CORRUPTION CONCERNS

A: Global Focus and Profit Motive:

Respondents noted that corruption in climate change is a new frontier and can be complex. Most of the respondents contended that the climate finance agenda is determined globally rather than domestically, which results in unrealistic conditions or unreciprocated priorities for climate finance. Also apparent was the disregard for indigenous knowledge in global climate action in addition to the juxtaposition of conservation versus profit motives in the sector.[99] Relating to carbon markets, respondents referred to the influx of 'carbon cowboys' – actors who are more driven by profit motives rather than preservation and conservation of the environment.

The influx of 'carbon cowboys' poses significant corruption risks and could potentially undermine climate action and finance considering the primary motivation being driven by profits.

B: Risks of Green Washing: The increase in climate forest initiatives also poses substantial governance risks including green washing schemes where polluting companies typically in the global north buy carbon 'credits' to obtain carbon neutral status, thereby not contributing to the reduction of GHG emissions in a meaningful way. Respondents also expressed concerns in that carbon offsetting could crowd out other abatement mechanisms while shifting burdens from wealthy consumers to poor forest-dependent people. This further highlights the risk of greenwashing, where proponents of projects or resources misleadingly label them as "green" or "climate focused" – when in fact not.[100]

C: Consultation and Technical Knowledge:

Furthermore, carbon offset projects typically threaten rural communities land tenure rights where the government designates such areas as protected for the purposes of carbon sequestering. There is evidence of limited community consultation and beneficiation as most CSOs and community respondents purported that community members are not aware of climate financing mechanisms and

[99] Power Shift Africa. The Africa Carbon Markets Initiative: A Wolf in Sheep's Clothing. 5 September 2023 https://www.powershiftafrica.org/publications/the-africa-carbon-markets-initiative-a-wolf-in-sheeps-clothing_

[100] The Oakland Institute. Green Colonialism 2.0 – Tree Plantations and Carbon Offsets in Africa. 2023. Accessible at: <https://www.oaklandinstitute.org/green-colonialism-two-carbon-offsets-africa>

have inadequate capacity to demand their rights in order to take action. It was also apparent from the responses that there is disparity between the amount of money in carbon profits made globally as compared to the amount or percentages given to the communities in form of benefits. This is corroborated by the report published by GreenPeace on the Luangwa Community Forest Project[101] as well as the Parliamentary Report on Carbon Markets and Trading in Zambia.[102] The interviews and discussions with traditional leaders and communities that are involved in carbon credit initiatives such as REDD+ voiced concerns related to technicality in the measurement of carbon stocks and calculations of carbon credits. The majority of these respondents were not aware of how to calculate and account for the credits.

D: Accountability and Management of funds: The interviews revealed that decisions on utilization of community ‘benefits’ from carbon credits are made at community level, a finding also supported by the Parliamentary Committee report on carbon markets and trading.[103] Though funds are in some cases kept by the donor or private partners, and only released or disbursed in phases to the communities.

In clarifying this, some private sector respondents noted that benefits typically accrue in two parts, monetary and project specific. In terms of management of funds, they usually release the direct monetary benefits to the community into a community account typically managed by the Community Forest Management Group (CFMG) and while the project specific funds are retained for projects identified by the community.

E: Awareness of Complaint Mechanisms:

Respondents also alluded to complaints mechanisms being project or initiative specific, including safeguarding mechanisms developed for REDD+ projects. Respondents noted that awareness of complaints and safeguard mechanism was generally low among community members. In addition, respondents indicated that there was limited information and awareness about available project specific complaints mechanisms especially at community level. The issues pertaining to limited awareness and redress mechanisms highlighted by respondents is also referenced in the Report published by Greenpeace on the Luangwa Community Forests Project in Zambia.[104]

[101] Kelvin Mulungu, 2021. The Luangwa Community Forests Project in Zambia: A review of the biggest REDD+ project in Africa financed by the Italian oil and gas company ENI. Commissioned by Greenpeace Italy. https://www.greenpeace.org/static/planet4-italy-stateless/2021/06/719f406b-gp-lcfp_scientific-report_english-version-1.pdf

[102] Republic of Zambia Report of the Committee on Agriculture, Lands and Natural Resources on Carbon Markets and Trading in Zambia: Opportunities and Challenges. Accessible at: https://www.parliament.gov.zm/sites/default/files/documents/committee_reports/Report%20of%20the%20Committee%20on%20Agriculture%2C%20Lands%20and%20Natural%20Resources%20on%20Carbon%20Markets%20and%20Trading%20in%20Zambia.pdf

[103] Ibid.






[104] Kelvin Mulungu, 2021. The Luangwa Community Forests Project in Zambia: A review of the biggest REDD+ project in Africa financed by the Italian oil and gas company ENI. Commissioned by Greenpeace Italy. https://www.greenpeace.org/static/planet4-italy-stateless/2021/06/719f406b-gp-lcfp_scientific-report_english-version-1.pdf

5.2 CLIMATE FINANCE CORRUPTION RISKS

The Corruption Risk Assessment methodology employed in this study was adapted from the Mining Awards Corruption Risk Assessment (MACRA) methodology.[105] Further, the Risk Statements were developed and drawn from existing literature in the form of reports, publications and media articles on corruption in climate and carbon finance. We then asked the respondents to score the risk statements based on their practical experience and or expert opinion. Thereafter, we generated Risks Vulnerabilities based on the likelihood of occurrence that could point to or indicate potential weak points in processes or systems. We therefore based the likelihood scores on averaged scores of all respondents' assessment of the respective identified vulnerabilities. We also gave the respondents the option of not rating any particular risk if they did not think they had sufficient information or knowledge about the risk.

The likelihood scores ranged from 0 to 4, using the likelihood categories of impossible, unlikely, possible, likely, and almost certain, with the lowest score of zero assigned to impossible and the highest score of 4 assigned to almost certain. Table 6 below presents these likelihood categorizations and interpretations.

Table 6: Risk Likelihood Interpretation

 Impossible $0 = R < 0.4$	No likelihood of the risk manifesting and very little historical occurrence of the risk generally
 Unlikely $0.5 \leq R < 1.4$	No possibility of the risk occurring in the national context despite some occurrences of the risks in other geographies
 Possible $1.5 \leq R < 2.4$	There is potential for the risk to occur in the national context which can be extrapolated from occurrences in other jurisdictions and similar sectors in the country
 Likely $2.5 \leq R \leq 3.4$	Possibility of the risk occurring with some examples (instances) that can be referenced
 Almost certain $3.5 \leq R < 4$	The risk is evident and can be demonstrated by wide occurrence of the risk

Note: R is the risk likelihood and ranges from 0 to 4.

Table 7 and 8 below now present the findings from the Climate Finance Corruption Risks Assessment.

[105] The Mining Awards Corruption Risk Assessment tool is a methodological research framework that helps in identifying and assessing causes of corruption in mining approval and awarding. The tool is accessible at: <https://mining.transparency.org.au/macra-tool/>

Table 7: Climate Finance Corruption Risk Vulnerability Assessment

3
Likelihood
score

There is a risk of opacity in climate finance processes and decisions making

Respondents noted that the budget process provided a level of transparency in decision-making and process pertaining to climate finance. However, respondents noted that transparency was lacking in the process of drafting the climate change bill as well as signing of climate related agreements, for example. When policy makers and leaders make decisions without adequate public scrutiny, there may be opportunities for undue influence and policy capture.[106] For instance, Zambia signed a MoU for carbon-credit generation projects in the forest sector involving 8 million hectares of forest estimated to be about 10 percent of the land mass[107] without publicly disclosing the MoU. Meanwhile, CSOs flagged an agreement in Liberia pertaining to the same private sector entity for possible infringement of community rights to land ownership and consultation (FPIC).[108]

3
Likelihood
score

There is a risk that (corrupt) actors may divert funds (for their own benefit) due to the inadequate checks and balances in place to ensure that climate funds are used for their intended purposes

Respondents extrapolated the likelihood score from the broader public resource management challenges documented in iterations of public audits conducted by the Supreme Audit Institution[109], that is, the Office of the Auditor General. In addition, the inadequate mechanisms particularly to oversee carbon finance mechanisms undermine checks and balances, considering that the principal law for climate change and finance has not been enacted[110]. Lack of oversight can contribute to climate funds being misused, abused or mismanaged leaving affected communities and people without the optimal support to mitigate or adapt to the climate crisis.

[106] <https://landportal.org/blog-post/2024/06/beyond-transparency-meaningful-and-inclusive-public-participation-counter-land>

[107] https://www.carboncapture-expo.com/industry_news/blue-carbon-and-zambia-sign-mou-to-collaborate-on-carbon-removal-projects-in-the-forest-sector/
<https://www.znbc.co.zm/news/uae-royal-seeks-investments-in-zambia/>

[108] https://reddmonitor.substack.com/p/international-statement-on-the-carbon?utm_source=profile&utm_medium=reader2

[109] TI-Z, ActionAid Zambia demand tough action on Auditor General Reports - <https://tizambia.org.zm/2020/07/ti-z-action-aid-demand-tough-action-on-auditor-general-reports%EF%BF%BC/>

[110] Key Informant Interviews, 2023

Table 7: Climate Finance Corruption Risk Vulnerability Assessment

3.5

Likelihood
score

There is a risk that inadequate monitoring and evaluation systems, which make it cumbersome to track the utilisation of climate finance funds, make it easier for (corrupt) actors to misappropriate funds?

Monitoring and evaluation of climate financing by stakeholders is characterised by limited as well as fragmented disclosure of information pertaining to climate finances. The monitoring and evaluation framework for climate financing is not only fractured and ineffective[111] but can also be quite technical and complicated. This poses significant challenges in monitoring and evaluating climate funds and projects by oversight agencies and citizens.

3.5

Likelihood
score

There is a risk that (corrupt) actors may feel emboldened to engage in corrupt practices due to the lack of accountability mechanisms in climate and carbon finance?

Information gaps exist on climate action commitments, and climate funds receipts as well as utilisation, and exacerbated by complex climate financing mechanisms. There are also limited accountability platforms in place to facilitate citizen's holding duty bearers accountable on climate action and finance. Therefore, the inadequacies of accountability mechanism emboldens corrupt actors to divert funds from their intended use.[112]

3.5

Likelihood
score

There is a risk that (corrupt) actors may be able to exploit loopholes or take advantage of regulatory gaps especially when regulatory frameworks are ambiguous and complex?

The current climate finance framework in Zambia is inadequate in guiding increasing intricate climate finance instruments such as special purpose vehicles.[113] Climate change being a cross cutting issue adds another layer to this complexity. For instance, climate finance pertains to various sectors such as Tourism, Agriculture, Water, Infrastructure, Energy, Lands and, Natural Resources.

[111] Key Informant Interviews, 2023.

[112] <https://landportal.org/blog-post/2024/06/beyond-transparency-meaningful-and-inclusive-public-participation-counter-land>

[113] <https://zambianbusinesstimes.com/african-parks-to-start-carbon-credits-trading/>

Table 7: Climate Finance Corruption Risk Vulnerability Assessment

4

Likelihood
score

There is a risk that the host communities will not be consulted and thus risk loss of access to land, evictions and ultimately not benefitting from climate and carbon finance

While respondents indicated that there could be efforts to ensure community consultation as well as Free, Prior and Informed Consent (FPIC), also intimated in the Zambia National Strategy for REDD+[114], climate initiatives such as reforestation or afforestation for carbon credits or renewable energy projects that require huge tracts of land, could lead to communities' loss of access to customary (traditional) land. This can also lead to loss of access to forests, due to insecurity of land tenure on which communities draw their livelihoods. Respondents cited some examples in Eastern and Muchinga provinces where traditional leaders (chiefs) agreed to designate land through agreements without informing the community. This points to perennial issues due to the dual tenure land system, whereby chiefs consent to land-based investment pertaining to customary land.[115]

Further, communities either are left out of the consultation process or are typically given limited time to decide and can be swayed by stated monetary benefits of climate initiatives without fully understanding the repercussions or demands of such initiatives.

3.5

Likelihood
score

There is a risk that gender and social barriers in the climate-financing framework deter participation of women, the aged, youth, persons with disabilities and rural communities, for example.

Respondents noted that some mechanisms to ensure inclusion are in place, but these were mostly project specific mechanisms, for instance, participatory learning and action approaches.[116] Nonetheless, barriers reinforced by social norms and cultures perpetuate exclusion of marginalized groups. Typically, respondents stated that men are in the first line of consultation due to the patriarchal societal norms, with women being rarely consulted.[117] Additionally, even though climate initiatives are recognized gender and social inclusion, there are still existing cultural and societal inequalities that pose challenges in the implementation of gender and social inclusion strategies.

[114] Zambia National Strategy to Reduce Emissions from Deforestation and Forest Degradation (REDD+). Accessible at: <https://faolex.fao.org/docs/pdf/zam181907.pdf>

[115] <https://www.iied.org/traditional-authorities-need-clearer-role-land-governance>

[116] Key Informant Interviews, 2023

[117] The Oakland Institute. Understanding Land Investment Deals in Africa. Country Report: Zambia. 2011. Accessible at: https://www.oaklandinstitute.org/sites/oaklandinstitute.org/files/OI_country_report_zambia.pdf

5.3 CORRUPTION RISKS IN CARBON (FOREST) INITIATIVES

The most common type of climate financing in Zambia are nature based solutions, typically comprising of initiatives such as climate smart agriculture, forest initiatives and conservation of wildlife habitats, channelled through different programmes and projects. REDD+ is a form of results-based climate financing that is widely implemented in Zambia especially under forest initiatives. Akin to other climate financing initiatives, climate forest initiatives such as REDD+ exhibit corruptions risks at local, national, and international levels.

These risks include, for instance, undue influence from industry to change or weaken policies, elite capture to ensure policy design benefits industry players, collusion to manipulate data, rent-seeking behaviour by officials in benefit sharing extraction from communities as well as fraudulent measurement of carbon credits and in the collecting and managing of REDD+ revenues. [118] [119] Table 8 below presents the findings from the corruption risk assessment of Carbon (Forest) Initiatives.

Table 8: Carbon (Forest) Initiatives Vulnerability Likelihood Assessment

POLICY AND DECISION-MAKING PROCESSES

3

Likelihood
score

There is a risk of policy capture by elites to ensure policies benefit them

Due to the imbalance of power, elite groups such as corporations (project proposers) have more leverage to influence policy and decision-making to their advantage and to meet a particular agenda from a global and national perspective.[120] Most corporations that buy carbon credits/offsets are typically the biggest emitters of GHG, which poses risks of conflict of interest, influence peddling, and revolving doors risks.[121]

3

Likelihood
score

There is a risk that the process of decision making on identifying climate mitigation projects (like REDD+) target areas are not transparent

There is limited disclosure of the criterion for project identification, thereby creating opportunities for political interference in decision making in target areas and districts. Further, decision makers have been signing carbon sequestering MoUs without public disclosure of contents of agreements, including target areas.[122]

[118] Transparency International 2021. Corruption-Free Climate Finance: Protecting Forests and People.

[119] Kelvin Mulungu, 2021. The Luangwa Community Forests Project in Zambia: A review of the biggest REDD+ project in Africa financed by the Italian oil and gas company ENI. Commissioned by Greenpeace Italy.

https://www.greenpeace.org/static/planet4-italy-stateless/2021/06/719f406b-gp-lcfp_scientific-report_english-version-1.pdf

[120] <https://landportal.org/blog-post/2024/06/beyond-transparency-meaningful-and-inclusive-public-participation-counter-land>

[121] Ibid.

[122] Republic of Zambia Report of the Committee on Agriculture, Lands and Natural Resources on Carbon Markets and Trading in Zambia: Opportunities and Challenges. Accessible at:

https://www.parliament.gov.zm/sites/default/files/documents/committee_reports/Report%20of%20the%20Committee%20on%20Agriculture%2C%20Lands%20and%20Natural%20Resources%20on%20Carbon%20Markets%20and%20Trading%20in%20Zambia.pdf

Table 8: Carbon (Forest) Initiatives Vulnerability Likelihood Assessment

2.5

Likelihood score

There is a risk that REDD+ funding can be diverted, misappropriated, misapplied, or misused.

The lack of transparency regarding the amount of funding available[123] makes it difficult to account for funds as private sector partners or project developers do not fully disclose the value of carbon credits sold. Thus funds are susceptible to being diverted, misused, and misappropriated. This is worsened by the volatility of carbon credits on the global carbon markets.

2

Likelihood score

There is a risk that communities will not be consulted or participate in conception and implementation of climate mitigation projects such as REDD+

The respondents submitted that the national REDD+ strategy[124] encompasses a checklist for project conception especially community participation unless project developers deliberately disregard these guidelines. Nonetheless, through rushing the implementation of projects, community participation can be limited to certain community members deliberately or incidentally. Additionally, some traditional leaders expressed concerns about the manner in which private sectors project proposers have engaged communities in REDD+ initiatives in the past.

3

Likelihood score

There is a risk that community leaders (traditional leaders) will make decisions without consulting/informing their subjects (affected people) in carbon trading projects

Traditional leaders do not always consult communities about decisions that affect them because the Lands Act of 1995 Chapter 184[125] of the Laws of Zambia does not expressly guarantee community consultation that abides by Free Prior Informed Consent (FPIC) principles. Moreover, traditional leaders, specifically Chiefs, have a strong influence on communities' decision-making. Furthermore, due to pressure, traditional leaders may commit to carbon deals without consulting their subjects.

3

Likelihood score

There is a risk that the right beneficiaries will not be identified through the benefit sharing mechanism

There are also possible risks of favouritism, patronage and or nepotism in the identification of beneficiaries, as benefits may only go to a select few in the community leaving out the most vulnerable and affected groups. In extreme cases, there are indications that some communities not befitting from these initiatives.[126] Ultimately, the exclusion of beneficiaries is determined by targeting methods utilized.

[123] Ibid.

[124] Zambia National Strategy to Reduce Emissions from Deforestation and Forest Degradation (REDD+). Accessible at: <https://faolex.fao.org/docs/pdf/zam181907.pdf>

[125] <https://zambialii.org/akn/zm/act/1995/29/eng@2010-11-19>

[126] <https://www.theguardian.com/environment/2024/mar/15/money-carbon-credits-zimbabwe-conservation-aoe>

Table 8: Carbon (Forest) Initiatives Vulnerability Likelihood Assessment

INFORMATION DISCLOSURE AND TRANSPARENCY

3.5

Likelihood score

There is a risk that agreements will be signed without informing the community and will not be disclosed

Community members may not fully know or understand the terms of signed agreements because such signed agreements are not typically disclosed or publicly available.[127] Some respondents referred to unfair agreements in North Western province where chiefs had been ‘coerced’ to sign 30 years carbon deals and relinquish land in exchange for profits from carbon credit proceeds.

3

Likelihood score

There is a risk that community leaders (traditional leaders) will request personal benefits or favours before signing agreements for carbon credits

There are typically inadequate transparency mechanisms relating to how traditional leaders give consent and sign agreements including those pertaining to land investments. According to some respondents, personal benefits from the project usually undermine traditional leader’s objectivity pertaining to the proposed project.

2

Likelihood score

The is a risk that investors (project proposers) will offer benefits or favours to traditional leaders and or over promise benefits of REDD+ projects

Considering the opacity of engagements and agreements between project proposers and traditional leaders, there is a possibility of inducement from the supply-side. The precedent of ‘offers’ to influence traditional leader’s decisions in favour of projects such as mining were referenced by some respondents.

1

Likelihood score

There is a risk that communities will ask for personal benefits or favours before agreeing to agreements on carbon credits

Respondents rated this risk as unlikely, considering that community members neither have influence in decision-making nor the bargaining power to demand prior pecuniary advantages.

[127] Republic of Zambia Report of the Committee on Agriculture, Lands and Natural Resources on Carbon Markets and Trading in Zambia: Opportunities and Challenges. Accessible at: https://www.parliament.gov.zm/sites/default/files/documents/committee_reports/Report%20of%20the%20Committee%20on%20Agriculture%2C%20Lands%20and%20Natural%20Resources%20on%20Carbon%20Markets%20and%20Trading%20in%20Zambia.pdf

Table 8: Carbon (Forest) Initiatives Vulnerability Likelihood Assessment

2

Likelihood score

There is a risk that the benefit sharing plan/mechanism (of carbon credits transacted) will not be disclosed/availed to the communities

There is evidence of some level of disclosure of benefit sharing plans, which prescribe allocative percentages. For example, one Community Forest Management Group (CFMG) disclosed that their carbon credit benefits shares were 40% to the private partner, 40% to the community and 20% to the Chief. However, CFMGs and communities do not know the value of these percentages given the opacity and complexity in carbon credit assessments and calculations.

BENEFIT SHARING TRANSPARENCY AND INTEGRITY

2.5

Likelihood score

There is a risk that officials or community leaders will extract ‘rents’ and or unduly influence how benefits will be used at local and community levels

Most benefit sharing mechanisms have percentage allocation including towards the traditional leaders (Chief) in the designated areas which reduces the risk of community leaders asking for extra ‘rents’ over and above the agreed percentage allocations. However, some respondents stated that there had been cases of undue influence by government officials pertaining to procurement processes that involved benefits paid to the community from a carbon forest initiative.

3.5

Likelihood score

There is a risk that carbon credits will be overstated and or revenues from carbon credits understated

Project developers, standard-setters, and verifiers have an incentive to overstate offset claims to increase revenue and profits considering the conflict of interest inherent in carbon markets.[128] On the other hand, limited transparency on total worth of carbon credits sold could lead to understatement to the communities and government on proceeds made.[129] Moreover, communities’ and CSO’s inadequate capacity and technical knowledge on carbon calculation, verification, and auditing mechanisms could compound this risk.[130]

2

Likelihood score

There is a risk that projects from benefits accrued will be decided without involving or consulting the community

Some CFMGs reported that the once benefits are paid; communities are informed, and decisions are made collectively with the communities to identify projects that address key problems or needs of the community.

[128] Kelvin Mulungu, 2021. The Luangwa Community Forests Project in Zambia: A review of the biggest REDD+ project in Africa financed by the Italian oil and gas company ENI. Commissioned by Greenpeace Italy.

[129] Power Shift Africa. The Africa Carbon Markets Initiative: A Wolf in Sheep’s Clothing. 5 September 2023 <https://www.powershiftafrica.org/publications/the-africa-carbon-markets-initiative-a-wolf-in-sheeps-clothing>.

[130] Key Informant Interviews, 2023

Table 8: Carbon (Forest) Initiatives Vulnerability Likelihood Assessment

2.5

Likelihood
score

There is the risk that communities' will be paid less than agreed amounts

Communities rarely know the total amount or worth of carbon credit value.[131] A CFMG also alluded to the lengthy pay out period of the benefits made by the partner, which then eroded community trust and raised suspicion about the project. Although respondents noted that putting in place and disclosure of the benefit-sharing plan, as well as consistent community engagement by project partners, could reduce or mitigate this risk for communities.

2.5

Likelihood
score

There is a risk that communities (beneficiaries) will not have information about projects and benefits accrued

High levels of illiteracy, particularly in rural areas, leads to limited understanding of information about projects and benefits. Further, some respondents noted that the provided information is not in a manner that is easy for the community to understand. This is compounded by the technical language used in carbon project documents, this information is rarely simplified for communities to understand.

2

Likelihood
score

There is a risk that REDD+ benefits will be diverted or misused

According to some respondents, each community typically has a utilization plan for how benefits accrued through initiatives such as REDD+. Usually, the utilization of benefits is in accordance with agreed community projects to address their needs.

1

Likelihood
score

There is the risk that benefits (funds) accrued will not be used

In consideration of the numerous needs of communities, respondents stated that it is unlikely that benefits accrued to communities would not be utilised.

[131] Republic of Zambia Report of the Committee on Agriculture, Lands and Natural Resources on Carbon Markets and Trading in Zambia: Opportunities and Challenges. Accessible at: https://www.parliament.gov.zm/sites/default/files/documents/committee_reports/Report%20of%20the%20Committee%20on%20Agriculture%2C%20Lands%20and%20Natural%20Resources%20on%20Carbon%20Markets%20and%20Trading%20in%20Zambia.pdf

Table 8: Carbon (Forest) Initiatives Vulnerability Likelihood Assessment

GENDER CONSIDERATIONS

3

Likelihood score

There is a risk that women will not be consulted in decision making on how benefits (funds) will be used

Cultural and social norms about gender roles may limit consultation of marginalized groups[132] including women, the aged and persons with disabilities. Respondents noted that apart from those considered 'privileged' and in leadership positions, women are not fully involved or consulted. This is also evident in how decision makers introduce projects in communities.

2.5

Likelihood score

There is a risk that women will not be represented in Community Resources Boards (CRBs) and or Community Forest Management Groups (CFMGs)

Guidelines and criteria, which include gender and inclusion considerations, are in place to guide establishing of groups.[133] Some respondents noted that, as a criterion for REDD+ projects, the projects use a quota system of about 30%. However, represented women may still not have the voice and agency due to patriarchal norms and cultural practices particularly in rural communities.

2

Likelihood score

There is a risk that women will not benefit from the benefits accrued (paid)

Even through the process provides for the representation of women, some respondents noted that the ultimate ownership of funds/benefits might accrue to men (fathers, husbands, etc.), depending on the dynamics at household and community levels.

2

Likelihood score

There is a risk that community projects identified will not be responsive to women's priorities and needs

Most projects from carbon proceed are designed and implemented by NGOs, donors, and private sector organizations that support communities in identifying community projects that encompass gender and social inclusion considerations. However, it is unclear from the responses received to what extent the project identification considers indigenous knowledge or participatory methods.

[132] Key Informant Interviews, 2023; Climate Change Gender Action Plan of the Republic of Zambia - <https://portals.iucn.org/union/sites/union/files/doc/ccgap-zambia-final-web.pdf>

[133] National Guidelines for Community Forestry in Zambia -

https://ziflp.org.zm/download/community/Draft_National_Guidelines_Community_Forestry_Zambia_WOut_Annexes_Jul2018.pdf



“ ———
| **Carbon offset projects typically threaten rural communities land tenure rights (...).** There is evidence of limited community consultation and beneficiation as most community respondents purported that community members are not aware of climate financing mechanisms
| ——— ”

6.0 CONCLUSION AND RECOMMENDATIONS

6.1 CONCLUSION

Zambia, just like other vulnerable countries, is seeking to increase public resources in addition to mobilizing other sources of financing to counter and redress the effects of climate change. However, in seeking for increased climate finance, it is critical to develop mechanisms that enhance transparency as a means of safeguarding resources. To guarantee such transparency and accountability the process needs to be participatory and inclusive. Presently, elites at global, national and community levels dominate the sector.[134] This dominance is to the detriment of the communities that endure the most the effects of climate change and who are also the custodians of the natural resources and environment, and are key to mitigating climate change effects.

This study highlights the gaps and corruption risks that undermine climate and carbon finance in Zambia. It has established that there are some deficiencies in transparency and accountability within decision-making processes, thereby creating opportunities for corruption in this sector. Therefore, there is need to develop anti-corruption mechanisms that would add value and support climate-financing mechanisms in ensuring the achievement of the intended results, in a manner that promulgates transparency, accountability, and public participation. In this regard, transparency and accountability mechanisms are pivotal in climate financing.

Further, the findings demonstrate the need for private sector companies and multilateral partners to enhance their disclosure practices and establish accessible grievance redress mechanisms. This would engender trust within communities and ensure the effective and inclusive delivery of climate and carbon finance benefits. It is also crucial to establish mechanisms that ensure public scrutiny and prevent undue influence in climate finance institutions. Strengthening monitoring mechanisms and enhancing coordination among stakeholders can aid in preventing greenwashing and guarantee that projects and resources genuinely prioritize climate mitigation and adaptation.

Finally, the gap analysis also shows the need to expedite the enactment of the Climate Change Law in Zambia in order to develop a comprehensive carbon market framework. The enactment of the Climate Change Law would also help in harmonizing mechanisms for carbon finance, benefits as well as ensuring that climate finance legal and policy frameworks mainstream gender and social inclusion considerations.

6.2 RECOMMENDATIONS

Following the gap analysis and corruption risk and vulnerability assessment, Transparency International Zambia makes the following recommendations:

[134] Kelvin Mulungu, 2021. The Luangwa Community Forests Project in Zambia: A review of the biggest REDD+ project in Africa financed by the Italian oil and gas company ENI. Commissioned by Greenpeace Italy.

1. Enhance communication and disclosure mechanisms for information sharing on climate finance and funds. Information on climate action and finance should be publicly accessible and disclosed. This should include the development of a repository of climate and carbon financing by theme and funder.



Responsible: Ministry of Green Economy and Environment, Ministry of Finance and National Planning

2. Government should expedite the enactment of the Climate Change Law and refine the carbon trading (regulations) guidelines and framework, which would harmonize mechanisms of carbon credit benefits. The climate finance legal and policy frameworks should also mainstream gender and social inclusion as well as Free Prior Informed Consent principles.



Responsible: Ministry of Green Economy and Environment, Members of Parliament

3. Enhanced coordination and regular monitoring as well as auditing (verification) of climate and carbon finance initiatives in order to deter fraud and corruption. Greenwashing poses a serious risk to climate action, and thus strengthening monitoring and audit coordination could deter fraudulent terming of projects or resources as 'green or climate focused' when in fact not.



Responsible: MoGEE, Office of the Auditor General, Law Enforcement Agencies, Cooperating partners, NGOs, CSOs

4. Climate financing programmes and projects should encompass gender and inclusion assessments and audits to understand and evaluate gender and inclusion implications and impacts. Additionally, there is need to review, popularize and monitor the implementation of the Climate Change Gender Action Plan. There is also need to revise and update the CCGAP.



Responsible: Ministry of Green Economy and Environment, Gender Division (Office of the Vice President)

5. Conduct in-depth analyses to understand the interplay of corruption in climate change action (finance) vis-à-vis marginalised groups such as women, girls, persons with disabilities, the elderly as well as rural communities.



Responsible: Cooperating partners, NGOs, CSOs

6. Private sector companies and multilateral partners should strengthen transparency and accountability mechanisms through developing comprehensive and systematic disclosure of information, including agreements, and accessible grievance redress mechanism. This would help in engendering trust between the private sector companies and the communities



Responsible: Private sector, Multilateral agencies, NGOs

7. Enhanced advocacy, coordination, and collaborative efforts to ensure climate change policies and finance are not captured but reflect national and community level priorities.



Responsible: Ministry of Green Economy and Environment, Members of Parliament, CSOs, NGOs, and Media

8. Improve **communities' understanding of the climate and carbon concepts** and thus engender accountability through increasing understanding, awareness and sensitization for communities in contextualized and localized ways on climate change and finance.



Responsible: Ministry of Green Economy and Environment, Media, CSOs, NGOs

9. Strengthen and **enhance the coordination of complaint mechanisms** to make them more accessible, independent, effective, and fit for purpose.



Responsible: Ministry of Green Economy and Environment, Cooperating partners and donors, Private Partners, CSOs and NGOs

10. Improve **active community participation in climate change policy making and projects**, particularly in their respective jurisdiction to ensure accountability. Other stakeholders can support this community participation by providing spaces and engagement platforms.



Responsible: Communities, Local Authorities, CSOs and NGOs

CORE LITERATURE REFERENCED

GOVERNMENT POLICIES, PLANS, GUIDELINES, AND STATUTORY INSTRUMENTS

- Climate Change Gender Action Plan of the Republic of Zambia, 2016
- Ministry of Green Economy and Environment; Guidelines for the Submission and Evaluation of Proposed Mitigation Activities under Article 6 of the Paris Agreement: Part I of the Carbon Market Framework for Zambia.
- Ministry of Finance and National Planning, 2022 Annual Progress Report on the implementation of the Eighth National Development Plan (8NDP)
- Ministry of Lands and Natural Resources, Forestry Department. National Guidelines for Community Forestry in Zambia. Version July 2018.
- Ministry of Lands, Natural Resources and Environmental Protection, Forestry Department. Zambia National Strategy to Reduce Emissions from Deforestation and Forest Degradation (REDD+). January 2025. UN-REDD Programme. Authors: P. Matakala, M. Kokwe and J. Statz.
- Republic of Zambia, Eighth National Development Plan, 2022 – 2026: Social-Economic Transformation for Improved Livelihoods.
- Republic of Zambia. Estimates of Revenue and Expenditure (Output Based Budget) for the Years: 2021, 2022, 2023 & 2024
- Republic of Zambia, Forestry Department, Integrated Land use Assessment (ILUA) I 2008 and II 2014
- Republic of Zambia, Statutory Instrument 66 of 2021, Forest (Carbon Stock Management) Regulations.
- Republic of Zambia, Ministry of Green Economy and Environment, Interim Guidelines, “Handling of Carbon Markets and Trading in Zambia”, December 2022
- Republic of Zambia, Ministry of Green Economy and Environment, NDC Implementation Framework for Zambia 2023 – 2030
- Republic of Zambia, Ministry of Green Economy and Environment, National Green Growth Strategy 2024 – 2030
- Republic of Zambia, National Policy on Climate Change, April 2016
- Republic of Zambia. Report of the Parliamentary Committee on Agriculture, Lands and Natural Resources on Carbon Markets and Trading in Zambia: Opportunities and Challenges. For the Third Session of the Thirteenth National Assembly. Printed by the National Assembly of Zambia July 2024

PUBLICATIONS AND REPORTS

- African Center for Economic Transformation, 2022. Policy Brief: Climate Action for Africa at COP27
- The African Climate Foundation and the International Food Policy research Institute with support from the CGIAR Research Initiative on Foresight. “From Climate Risk to Resilience: Unpacking the Economic Impacts of Climate Change in Zambia”. November 2023. <https://africanclimatefoundation.org/wp-content/uploads/2023/11/800835-ACF-Zambia-country-note-04.pdf>
- Commonwealth Secretariat, 2012. Climate Finance Mapping for NDC Implementation in Zambia.
- Ernst & Young, 2020. Budget Analysis on Climate Resilience, 2016 –2018
- Oxfam; Climate Finance Shadow Report 2020: Assessing progress towards the \$100 billion commitment.
- K. Mulungu, 2021. The Luangwa Community Forests Project (LCFP) in Zambia: A review of the biggest REDD+ project in Africa financed by the Italian oil and gas company ENI. Commissioned by Greenpeace Italy, May 2021. https://www.greenpeace.org/static/planet4-italy-stateless/2021/06/719f406b-gp-lcftp_scientific-report_english-version-1.pdf
- M. Nest, S. Mullard & C.Wathne; U4 Brief 2020:14; “Corruption and climate finance: Implications for climate change interventions
- Power Shift Africa. The Africa Carbon Markets Initiative: A Wolf in Sheep’s Clothing. September 2023. <https://www.powershiftafrica.org/publications/the-africa-carbon-markets-initiative-a-wolf-in-sheeps-clothing>
- The Oakland Institute. Green Colonialism 2.0: Tree Plantations and Carbon Offsets in Africa. August 2023. <https://www.oaklandinstitute.org/green-colonialism-two-carbon-offsets-africa>
- The Oakland Institute. Understanding Land Investment Deals in Africa. Country Report: Zambia. 2011. https://www.oaklandinstitute.org/sites/oaklandinstitute.org/files/OI_country_report_zambia.pdf
- Transparency International 2016. REDD+ and Corruption Risks for Africa’s Forests: Case Studies from Cameroon, Ghana, Zambia and Zimbabwe.
- Transparency International 2021. Corruption-Free Climate Finance: Protecting Forests and People.
- U4 Anti-Corruption Resource Centre Brief, “Corruption risks and experiences in REDD+ financial benefit sharing mechanisms.” December 2014, Issue 11.
- U4 Anti-Corruption Resource Centre Brief, by M. Nest, S. Mullard and C. Wathne. “Corruption and Climate finance:implications for climate change interventions.” 2020, Issue 14. CMI.

UNFCCC

- Decision -/CMP.5, Copenhagen Accord; proposal by the President, Agenda Item 15; Conference of the Parties serving as the meeting of the parties to the Kyoto protocol. UN. Doc. FCCC/KP/CMP/2009/L.9 (December 2009)
- Intergovernmental negotiation committee for a framework convention on Climate Change, Tenth Session
- Geneva, 22 August – 2 September 1994, Item 4 (a) and (b) of the provisional Agenda A/ AC. 237/ 74 (August 1994) available at <http://unfccc.int/resource/docs/a/74.pdf>
- United Nations Framework Convention on Climate Change, supra note 28, Art.2 and Decision 1/CP. 21
- The Paris Agreement, supra note 96, Art 2:1 (a) (b) and (c)
- Technical paper on gaps in existing institutional arrangements within and outside of the Convention to address loss and damage, including those related to slow onset events.
- Technical paper FCCC/TP/2013/12

ANNEXES

ANNEX I: STAKEHOLDERS SAMPLED FOR INTERVIEWS

Government

- Ministry of Green Economy and Environment – Interview Successful
- Provincial Forestry Department – Eastern Province – Interview Successful
- District Forestry Department – Kasenengwa – Interview Successful

Traditional leader

- His Royal Highness Chief Chanje – Interview Successful

Private sector

- Bio Carbon Partners – Interview Successful
- COMACO (Lusaka) – Unresponsive
- COMACO Lusangazi – Interview Successful
- Forest Carbon Investment Limited (Miombo) – Unresponsive

CSO/NGOs

- Action Aid Zambia – Interview Successful
- Caritas Zambia – Interview Successful
- Centre for Environmental Justice – Interview Successful
- Mizu Eco-Care – Interview Successful
- Namfumu Conservation Trust – Interview Successful
- Non-Governmental Organisation's Gender Coordinating Council – Interview Successful
- World Wide Fund (WWF) for Nature Zambia – Interview Successful
- Zambia Climate Change Network – Interview Successful

Community Representatives

- Provincial Chairperson CRB Mambwe District – Interview Successful
- Chipata Transparency Action Group – Focus Group Discussion successful
- Kasempa Transparency Action Group – Focus Group Discussion successful
- CFMGs (Mphomwa; Chikuwe, Kapatamoyo Tondweni; Nyamphande) – Focus Group Discussion successful



<https://tizambia.org.zm>



+260 211 293 649
+260 973 683 431
+260 955 504 535



info@tizambia.org.zm



128 Mwambula Road,
Jesmondine, Lusaka,
Zambia