



Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

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BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Zambia	EASTERN AND SOUTHERN AFRICA	P179507	
Project Name	Zambia Jobs & Economic Transformation Project		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Finance, Competitiveness and Innovation	Investment Project Financing	4/17/2023	6/23/2023
Borrower(s)	Implementing Agency(ies)		
Ministry of Finance and National Planning	Ministry of Commerce Trade and Industry		

Proposed Development Objective

To contribute to increased access to markets, finance and firm growth in Zambia's Agribusiness sector.

Financing (in USD Million)

Amount

Total Project Cost

70.00

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

A. Country Context:

1. A decade of unsustainable debt accumulation and fiscal deficits in Zambia has driven declining trends on several development indicators and re-classification as low-income country. After unprecedented growth in the 2000s, Zambia was reclassified as a lower-middle-income country in 2011. However, Zambia’s annual per capita GDP growth averaged just 0.5 percent over the 2011-2021 period. Over this decade, global copper prices collapsed and fiscal deficits averaged an unprecedented 9 percent (versus budgeted targets of 5.4 percent of GDP). With the per capita income declining to US\$1,040 as of 2021, Zambia has recently been re-classified as a low-income country.



2. In 2020, Zambia’s preexisting macroeconomic imbalances were exacerbated by the COVID-19 pandemic, and the economy experienced its first recession since 1998. Lower demand, COVID-19 related restrictions and measures, and supply chain disruptions decreased economic activity, especially in mining and services, Zambia’s main export generator. Zambia witnessed double digit inflation throughout 2020 and 2021, with inflation growing from 7.6 percent in 2019 to 13.7 percent in 2020 and 27.6 percent in 2021. In addition, in 2020, the Zambian Kwacha depreciated by over 50 percent against the U.S. dollar, and the fiscal deficit grew to 14.2 percent of GDP (compared to a target deficit of 5.5 percent). As a result, Zambia defaulted on its Eurobonds and became the first sub-Saharan African country to default since the COVID-19 pandemic.

3. Zambia is one of the most unequal countries globally. Its Gini Index is estimated at 57.1, and nearly 54.4 percent population lives below US\$1.90 per day (measured in purchasing power parity) as of 2015. A recent World Bank survey in 2020 suggests that more than half of Zambian households experienced loss of income during the pandemic. The rate of poverty in Zambia was estimated to be at 62 percent in 2021. In urban Zambia, household welfare fell especially hard among those working in the informal sector. Most recently, job and income losses were further compounded by fuel and food price increases and reduced access to public services. In rural Zambia, the incidence of poverty is three times that of urban areas and especially high amongst women.

4. Productivity and job outcomes, especially those driven by the private sector, have been relatively less impressive in Zambia. Between 2000 to 2014, although annual GDP growth averaged 7.3 percent, and per capita GDP growth averaged 4.3 percent, annual employment grew by only 2.81 percent per year. The unemployment rate has increased steadily from 8 percent in 2012 to 13 percent in 2021. Nearly 70 percent of growth in value added per worker between 2000 and 2014 came from shifts in labor from primary agriculture to manufacturing and services, while within-sector labor productivity growth was essentially stagnant, especially in primary agriculture. With agriculture accounting for half of the jobs and nearly 50 percent of non-copper exports there are significant opportunities for food processing, agribusinesses and commercial farming that can boost jobs, incomes, economic diversification and inclusion.

5. Zambia has been experiencing adverse impacts of climate change with increased frequency and severity of seasonal droughts, increased temperatures, flash floods, dry spells (occasionally) and changes in the growing season. Zambia is developing sustainable approaches and programs in the wake of climate changes for agriculture and allied sectors like livestock, poultry, fisheries, etc. Zambia is also developing anticipatory scenarios for low-carbon CRD pathways for the agricultural sector, aimed at informing input into national climate policy.

B. Sectoral and Institutional Context:

6. The private sector’s role in Agribusiness growth is critical to drive productivity, employment and structural transformation in Zambia. Agriculture accounts for half of all jobs in Zambia, but labor productivity—and by extension, worker incomes—remains low in the sector, and hence the value added in agriculture accounts for less than 5 percent of GDP. Boosting output and productivity in agriculture and downstream value addition would create more jobs and raise incomes for the large portion of Zambians already working in the sector. Improving private agriculture and agribusiness performance would also help reduce Zambia’s reliance on copper mining—which currently accounts for 70 percent of exports. In turn, this would make Zambia’s economic growth less vulnerable to commodity price shocks as well as make growth more inclusive given copper mining’s low labor intensity, male-



centric workforce, and geographic concentration. To harness the private sector’s potential in agribusiness, Zambia needs to address challenges around market access, firm-level capabilities, access to finance, trade, and the business enabling environment.

7. Many Zambian producer organizations and agribusinesses lack sufficient capabilities to scale up and improve productivity. The Zambian agribusiness ecosystem provides inadequate training opportunities on business planning, strategy, marketing and supply chain management (i.e., identifying appropriate markets and products- in both input and output segments), operations, financial management, and digital skills. Relatedly, Zambian firms (especially MSMEs) often lack awareness in terms of available financing options, their own financing needs, and requirements to apply for and successfully access finance. Finally, most agricultural producers in Zambia continue to operate at a subsistence level, with limited knowledge of Good Agricultural Practices (GAP), standards, and market requirements which could improve yields and commercial market access. Without these factors, agricultural producer organizations and agribusinesses in Zambia cannot successfully scale, diversify, innovate, adopt new technologies, access financing, or compete internationally. Thus, in the WEF Global Competitiveness Index (2016-2017 edition), Zambia ranked 105th out of 138 countries in terms of business sophistication and 125th in terms of higher education and training.

8. Relatedly, Zambian farmers and agribusinesses also require assistance to adopt climate-smart agricultural practices to improve their resilience. Zambia is situated in the climate change “hotspot” of Southern and Eastern Africa, indicating that urgent action is required at both the national and regional levels for adaptation and mitigation. In addition to helping agribusinesses adapt to emerging challenges from climate change, there are also opportunities for Zambia to leverage its land and water endowments to increase production to serve neighboring markets such as Kenya whose agricultural productivity and food security will be adversely impacted by climate change. However, this requires that Zambia improves yields, production and processing standards to enable exports, in addition to improved policy environments for trade and quality infrastructure as discussed below.

9. Constraints related to the supply of financing prevents even creditworthy agribusinesses from accessing funding to expand and improve productivity. As per the 2019 Economic Survey, over 30 percent of Zambian firms reported access to finance as their top business environment constraint, more than for any other potential constraint. This obstacle is attributable to the lack of formal financing options, insufficient sector-specific financial products, the high cost of borrowing, high collateral requirements by banks, and challenging assessment frameworks by banks. Firms in rural areas (i.e., many agribusinesses) face more exclusion as compared to those in urban areas given banks’ limited branch networks. As a result, domestic credit to the private sector is much lower in Zambia than in peer countries, totaling just 15 percent of GDP, as compared to more than 25 percent in Rwanda and Kenya. Where loans are made, interest rates are generally high: According to Bank of Zambia (BoZ), commercial banks’ average published nominal lending rates were as high as 25 percent as of August 2022. Lending rates for micro-finance institutions stood at 38 percent on average in March 2020. Such interest rates are not sustainable for private sector profitability, especially in the current environment of high input costs and supply chain disruptions. In addition, firms lack access to alternative funding sources such as venture capital, private equity, crowdfunding, and capital markets, which remain underdeveloped in Zambia.

10. Zambia’s business enabling environment needs to be improved to allow private producers and agribusinesses to enter, operate, scale up, diversify and thrive. For example, starting a business in Zambia remains expensive and burdensome, costing 34 percent of per capita income on average, versus 22 percent and 0 percent in Kenya and Rwanda, respectively. This deters innovative entrepreneurs from entering and putting pressure on competitors to



improve. The provision of accreditation and metrology services can be improved given that only seven percent firms in Zambia are accredited in agribusinesses. Technical regulations remain heavily nascent in case of Zambia. Relatedly, Zambia lacks sufficient capacity and resources to conduct assessment of gaps and provide streamlines technical regulatory services to businesses and hand holding to relevant agencies.

11. Bordering eight countries, Zambia can be a conduit for trade, riding on proximity to lucrative markets in the region if the supporting “ecosystem” along with investments in the quality infrastructure, trade facilitation, promotion of warehousing and agri-logistics industries is realized. There is increasing evidence of the role that regional markets can play in allowing local firms to learn and achieve the scale necessary to compete on global markets⁵. Poor trade logistics performance is a constraint that penalizes Zambian exporters that rely on imported inputs very often making them uncompetitive⁶. Further, while reduced barriers to trade including concerns with border trade policies and facilities are still crucial, increasingly, constraints such as standards and quality infrastructure have also become critical⁷. For instance, small scale farmers face excessive delivery times without market infrastructure and compounded with the long distance to markets end up selling 80% of their production in local markets since they do not have access to quality infrastructure, warehousing and cold chains. The Zambia Development Agency notes that the long distances between production and consumption areas means that 65 percent of aquaculture production is lost, since farmers often lack cold storage and refrigerated trucks. Weak distributor networks are also a constraint for sourcing inputs which results in high transaction costs per unit for small quantities. Developing market linkages will enable the agribusiness sector to meet the growing urban demand for food products, as well as tap into export markets.

12. The African Continental Free Trade Agreement (AfCFTA) will create significant opportunities for exports of Zambian agricultural goods. The AfCFTA will link 54 countries with 1.3 billion people and a combined potential GDP of USD 3.4 trillion into one market. The biggest wage gains are estimated to be for women which could see a rise by 11.2 percent and 9.8 percent for men by 2035, albeit with regional variations depending on the industries that expand the most in specific countries. Zambia’s natural endowments create the potential for significant agricultural exports, and agriculture-linked goods already account for almost half of Zambia’s non-copper exports. Zambia can leverage the AfCFTA to grow industry, bring higher-paid, and better-quality jobs by implementing its commitments and taking advantage of the opportunities offered by the continental agreement.

13. However, realizing Zambia’s full potential for agricultural exports will require investments in trade facilitation to improve access to markets. Zambia has made some progress on trade facilitation, including on processes and procedures (pre-arrival processing), improving risk management (conducting joint inspections at borders), improving trade automation Single Payment Point (SPP) Platform) and building better trade infrastructure (One Stop Border Posts (OSBP)). However, further investments and improvements are necessary to make trade sufficiently seamless to realize Zambia’s agricultural export potential: Documentary compliance for exporting takes nearly 100 hours on average in Zambia, versus 30 or less in Rwanda and Kenya. There can be up to 17 agencies present at Zambia’s borders while many neighbors are reducing to five. The trade automation necessary for reducing the cost to trade through the Zambia Single Window covers only 3 agencies (and needs to be expanded to 17).

14. Improvements in sanitary and phytosanitary (SPS) and quality infrastructure are also needed to enable SPS and other technical agencies to provide a menu of services that promotes rather than restricts Zambia’s trade. These agencies need to simplify and streamline trade processing while investing in their capabilities and capacity (trainings,



certifications, and accredited laboratories) to provide services demanded by Zambian producers, firms and farmers that will enable them to promote higher-quality production within Zambia and access regional and global markets.

15. In this context, the ongoing World Bank supported Zambia Agribusiness and Trade project (ZATP) has been instrumental in contributing to firm growth, market linkages and agriculture diversification. Supported by ZATP and other Government of Republic of Zambia (GRZ) initiatives, value addition and market orientation have seen a significant improvement. Key interventions include building farmer productive alliances and MSME supplier development linkages that facilitate productivity-enhancing investments and connect farmers and firms with buyers. ZATP provides in-depth technical trainings to Zambian SMEs and farmers for a period of 3-18 months on Agribusiness operations, including financial management, production, packaging, distribution, good agricultural practices, food safety, and marketing. This enables beneficiaries to improve their operations and know-how and in turn access domestic, regional, and global markets. ZATP continuously offers support to farmer Producer Organizations (POs) to ensure that they continue to meet buyer's requirements in terms of quantity, quality and consistency. The project also supported small farmers through linking them to sustainable commercial markets to improve their income, productivity, and employment growth.

As such, ZATP has laid the foundations for long term agriculture transformation in the state by shifting the focus to higher value addition and market access. This move towards higher value products offers opportunities for firm growth and sector competitiveness eventually.

Institutional context:

16. Mandated with leading the national private sector development agenda, MCTI's mission is "to facilitate and promote the growth, development and competitiveness of commercial, trade and industrial sectors in order to enhance socio-economic development." The Ministry of Commerce, Trade, and Industry (MCTI) is the main implementing entity. Other key line ministries relevant for the project such as the Ministry of Agriculture, Ministry of Livestock Development, Ministry of Small and Medium Enterprise Development and Ministry of Green Economy will provide advisory support. Key regulatory agencies with mandates to facilitate business regulation, quality infrastructure, metrology, trade and export promotion will be supported. All ten provincial governments and relevant agencies in the Ministries of Agriculture, MSME as well as Fisheries and Livestock will be key for project implementation and will benefit from support in capacity building. The Public Private Dialogue Forum (PPDF) provides a structured, participatory, and inclusive platform for public- private sector engagement on policy matters with a focus on leveraging partnerships. Its Agricultural and Manufacturing Technical Working Groups support dialogue between GRZ ministries and the private sector on project-relevant reform priorities. Building on the experience of the ZATP project, the World Bank and MCTI have experience crafting a whole-of-government approach to coordinate efforts across the multiple government bodies that need to collaborate to drive the private sector and financial development agenda.

C. Relationship to CPF

16. Zambia JET is aligned with the Zambia Country Partnership Framework (CPF) for FY19-23, which aims "to expand employment opportunities and develop alternative sources of growth that contribute to economic diversification". As reflected through the title, the project's main objectives are fully aligned with CPF goals. The project fits well with CPF



objectives to assist the Government of the Republic of Zambia in its efforts to chart a high-growth path that is more diversified, inclusive, and sustainable. The envisaged project is in line all three CPF focus areas:

- a. Focus Area 1 covers “more even territorial development: opportunities and jobs for rural poor”, which centers on accelerating inclusive and sustainable rural development, enabling resilience, and connecting lagging regions of the country to the main internal and external markets. This centers on rebalancing opportunities across regions to increase inclusiveness, expanding employment opportunities, and developing alternative sources of growth that contribute to the diversification of the economy. Under Focus Area 1, the proposed project will specifically target Objective 1.1 (“agri-food sector [that is] less maize-centric, more productive, and better connected to domestic and external markets”) and Objective 1.2 (“selected rural communities become more resilient to climate and environmental shocks”).
- b. Focus Area 2 covers “Public Services and Social Protection for Job Participation”, making sure that fiscal policies and policies to develop livelihoods and economic opportunities adequately account for women and youth. In line with Objective 2.1, the proposed project will specifically target women’s access to economic opportunities by improving women’s and youth’s access to jobs and finance in the agribusiness sector.
- c. Focus Area 3 covers “Institutions for Resilience”, seeking to create mechanisms that improve trade and infrastructure for economic integration. Under Focus Area 3, the proposed project will specifically target Objective 3.2 (“Trade and infrastructure for economic integration and shared natural resources management with the broader region increases”).

17. Relatedly, the proposed project is also in line with GRZ’s 8th National Development Plan (2022-2026), which identifies economic transformation and job creation agenda as its foremost strategic development area. Launched in April 2022, the 8th NDP, emphasizes the need for greater private sector investment to increase production, value addition, diversification of goods, and services and improved trade facilitation. Along with Vision 2030, it aims to move Zambia to become “a prosperous middle-income country” by the end of the decade. The key drivers for economic transformation and job creation are the agriculture, mining, tourism, and manufacturing sectors, supported by strategic interventions in the energy, transport, and water development sectors.

18. The project interventions will be fully aligned to 8th NDP priorities as below:

a. Strategic Development Areas 1: Economic Transformation and Jobs

Development Outcome 1 on “industrialized and diversified economy”: The proposed project would contribute to Strategy 1, which aims to “improve agriculture production and productivity” and identifies “agribusiness development” as a priority program. It would also contribute to Strategy 3 to “promote value addition and manufacturing” through value chain development, market linkages, and investment promotion and Strategy 9 on “enhanced digital capacity”.

Development Outcome 2 on “enhanced citizen participation in economy”: The project would contribute to Strategy 2 on “enterprise promotion”, which encompasses MSME development, BDS provision, cooperatives development, etc . It would also contribute to Strategy 3 (promoting entrepreneurial skills) and Strategy 4 (promoting financial inclusion with programs on rural finance and financial literacy).

Development Outcome 3 on “competitive private sector”: strategy 1 to promote quality and productivity, strategy 2 to facilitate trade; strategy 3 to improve access to finance for production and exports

b. Strategic Development Area 2: Human and Social Development

Development Outcome 4 on “reduced poverty, vulnerability and inequality”: This Development Outcome will guide the design and implementation of project interventions. For example, in line with Strategy 2 to “enhance welfare of



poor and vulnerable people”, the project will support gender-based violence elimination. In line with Strategy 3 to “reduce developmental inequalities”, project interventions will promote gender equality, rural industrialization, youth entrepreneurship and financial inclusion.

c. Strategic Development Area 3: Environmental Sustainability

Development Outcomes 1 and 2 on “enhanced mitigation and adaptation to climate change”: The project will promote climate change mainstreaming, sustainable agriculture, pollution prevention and management, green energy, and technology promotion. It will also promote integrated environmental management through pollution prevention, chemical management, and other related measures.

PROPOSED PDO/RESULTS

A. Proposed Project Development Objective(s)

To contribute to increased access to markets, finance and firm growth in Zambia's Agribusiness sector.

B. Key Results

Success in achieving the PDO will be monitored by the below indicators.

PDO level indicators:

- a) Number of beneficiaries who report increased average sales (relative to baseline, of which female-owned or -led)
- b) Percentage of beneficiaries who meet buyer’s requirements through commercialization agreements
- c) Number of beneficiaries accessing external finance (of which female-owned or -led, of which % in rural Zambia)
- d) Percentage beneficiaries with increased sales via exports (relative to baseline, of which female-owned or -led)
- e) Total number of farmers and workers supported through project beneficiary firms and POs (defined as direct members and direct and indirect employees of beneficiary POs and firms, and outgrower farmers with supply contracts to beneficiary firms and POs not already counted in prior categories)

19. Direct beneficiaries of the project are expected to be producers (small and marginal farmers) and growth-oriented agribusinesses in Zambia. Firms across the economy and government agencies will benefit from component two on strengthening the institutional and regulatory frameworks.

PROJECT CONTEXT

A. Concept

20. The Zambia Jobs and Economic Transformation project builds on the Zambia Agribusiness and Trade Project (ZATP; P156492), which is currently operational in twenty districts in five out of ten provinces in Zambia. Based on successful implementation of ZATP and the relevance of interventions, GRZ is keen to scale up the ZATP model across all ten provinces in Zambia. Z-JET aims to build on ZATP to close the gaps in access to markets and credit and render



the agribusiness sector competitive through upstream business enabling reforms, providing quality infrastructure, and facilitating trading across Zambian borders.

21. Z-JET aims to diversify the Zambian economy to sustain private sector-led growth as well as to create employment for Zambia's fast growing and youthful population. The project centers on inclusion and impact at scale as it targets growth for the bottom 40 percent of earners, most of whom are employed in Zambia's agricultural sector in micro and small businesses. While doing so, the project will also future proof Zambia's agribusiness sector and render it competitive, with an impetus on i) leveraging opportunities presented by Africa Continental Free Trade Agreement (AfCFTA); ii) aligning the private sector agenda with the Paris Agreement; and iii) mainstreaming the role of women and rural youth as Zambia transitions to an inclusive and greener economy.

1. Description

22. The project is proposed to be an Investment Project Financing under the SWL/SUM window with a credit amount of USD 70.00 million, with interventions that are mutually reinforcing across three project components: 1) Support access to markets and finance; 2) Promote Trade and Agribusiness Competitiveness by Strengthening Regulatory & Institutional Frameworks; and 3) Project Management.

23. Building on ZATP's success, Z-JET will continue supporting the private sector in Zambia's agribusiness sector through direct investments and business development service provision to farmers and growth-oriented businesses as well as promote upstream enablers related to trade, quality infrastructure, and regulatory and institutional strengthening. On the one hand, the project will deepen the business capabilities and market linkages agenda by scaling up ZATP's 'Productive Alliance' and 'MarketConnect' models. However, to maximize the leverage from public funding and increase sustainability, the project will introduce the dimension of a credit facility for high growth agribusinesses—a deviation from the ZATP model, which was fully reliant on financing through matching grants. A portion of funding is proposed to be channeled through a line of credit to enable better leverage and impact at scale for this segment of beneficiaries. The focus of Component 2 will be two-fold: i) providing quality infrastructure (metrology and national accreditation) and fast-tracking trade across borders through 'soft' investments in ICT infrastructure, digitalization at select border posts, etc.; and ii) streamlining economy-wide and sector-specific reforms through institutional and regulatory frameworks, which will be achieved through Performance Based Conditions (PBCs) centered around national accreditation, technical regulations coordination, and leveraging opportunities through the Africa Continental Free Trade Agreement (AfCFTA).

Component 1: Support access to markets and finance (USD 42.00 million)

24. This component aims to improve market linkages, profitability, growth, and eventually resilience for farmers and businesses in all ten provinces of Zambia. This will be achieved through i) capacity building and/ or business development services to direct project beneficiaries, including on topics like financial management, good agriculture and manufacturing practices, business resilience, food safety standards, digitalization, climate smart agriculture, and green technologies; ii) addressing coordination failures, information asymmetries, and inadequate integration along the value chains; and iii) increased investments in value addition, product and process upgrades, standards and certification, branding and marketing, technology adoption, and upskilling and managerial trainings, especially for women and rural youth. The interventions planned under this directly component support two sets of beneficiaries:



small and marginal farmers who are associated through cooperatives or producer organizations (POs) and growth-oriented agribusinesses. Accordingly, this component has the following subcomponents:

25. Subcomponent 1.a. MarketConnect (USD 15.00 million) is essentially a scale-up of the ongoing flagship initiative MarketConnect under ZATP, which supports enhanced market access. This will comprise of capacity building and technical assistance to small and marginal farmers organized under cooperatives/ producer organizations and high growth agribusinesses. Business development services (BDS) will be provided on value addition, product and process upgrades, standards and certification, branding and marketing, technology adoption, digitalization, greening business processes where feasible, and upskilling and managerial trainings, especially for women and rural youth.

26. Subcomponent 1.b. Productive Alliances (USD 12.00 million) will support integrating small and marginal farmers into value chains through commercialization arrangements with off takers. A necessary step towards this will be to enhance investments to build the capacity of producer organizations (POs) and off takers and facilitation of production alliances (PAs) between POs and off takers. This will be done through matching grant investments to small and marginal farmers or in some cases off takers whose cash flows do not permit access to commercial credit for productive investments. A review of ZATP’s matching grant model is being undertaken to ensure that women-managed/led POs and agribusinesses, climate smart initiatives, and the digital agenda are prioritized and embedded in the eligibility criteria.

27. Subcomponent 1.c. Line of Credit to support Agribusinesses (USD 15.00 million) will seek to enhance access to finance to the targeted beneficiaries across agribusiness value chains. This is meant to galvanize financial intermediation to growth oriented MSMEs through a line of credit that is complemented by technical assistance to the financial intermediaries to ensure proper dimensioning of credit risk. Lines of credit provide dedicated bank financing to support agribusinesses for investment, scale-up, diversification, and exports—often for longer tenors than those that are available in the Zambian market. A credit line of USD 12.00 million will be provided to apex financial institutions to provide longer term sources of funding to the underserved high growth agribusinesses and producer organizations. Technical assistance of USD 3.0 million is planned to complement the lending component and will focus on capacity building of apex financial institutions and other participating financial institutions (PFIs). The technical assistance will also lay foundations to scale up existing de-risking instruments in the eco-system, including partial credit guarantees.

Overall—through a combination of capacity building, matching grants to jumpstart productive alliances and provision of credit facility—Component 1 will address demand-side constraints of farmers and high growth agribusinesses in Zambia.

Component 2: Promote Trade and Agribusiness Competitiveness by Strengthening Regulatory & Institutional Frameworks (USD 18.00 million)

28. The objective of this component is to enable the key stakeholders in Zambia’s agribusiness sector to take advantage of an enhanced business environment and opportunities emerging from AfCFTA. This component will support meso-level sectoral activities such as provision of quality infrastructure, trade facilitation, regional integration, and business enabling environment improvements. In turn, this will lead to provision of quality infrastructure, reduction in time and cost of trading across borders, and streamlined business-related technical regulations. Component 2 will comprise of 2 subcomponents:



29. Subcomponent 2.a. Export Orientation through Quality Infrastructure & Trade Facilitation (USD 15.00 million) will support Zambia's quality infrastructure by strengthening accreditation and metrology and transforming the cross-border clearance ecosystem in Zambia. Key activities include the provision of digital and automated systems, including for import-export accreditation systems. A gaps assessment on ICT needs of primary border agencies and digital solutions is underway. Investments will also be made to enhance Zambia's quality testing and accreditation infrastructure, such as metrology-related testing to promote harmonized measurement systems and testing accuracy. Similarly, project interventions to promote cross-border data-sharing and reduce touch points and human interaction will enhance transparency, resulting in faster border clearance times. This will reduce the use of paper, truck idling, and travelling of government officials and traders, contributing to the reduction of GHG emissions. Notable, for all activities where minor construction or civil works are planned, they will be carried out on existing GRZ or beneficiaries' own land. Any activities that will result in land acquisition or involuntary displacement or resettlement will not be financed by the project.

30. Subcomponent 2.b: Strengthening Regulatory and Institutional frameworks for Agribusiness Competitiveness (USD 3.00 million) will reinforce and support Zambia's business reforms in the following areas: a) strengthening the quality infrastructure through setting up a national accreditation body; b) harmonizing Zambia's domestic policies in line with AfCFTA trade and investment protocols; and c) improving the regulatory institutional capacities of MCTI through establishment of a Technical Regulations Department and with a strong mandate. Disbursements under this subcomponent will be made through use of Performance Based Conditions against achievement of agreed actions.

31. Overall—through a combination of support on regulatory frameworks, institutional capacity building, investments to support QI (metrology and accreditation), and automation/digitization of trade—this component will improve government to business service delivery and thereby address supply side constraints to agribusinesses sector competitiveness.

Component 3: Project Management (USD 7.00 million)

32. This component will ensure effective implementation of project activities, including monitoring and evaluation of project implementation progress. It will primarily build on implementation experience of ZATP, relying on the existing ZATP Project Implementation Unit (PIU) and MCTI Directorate of Planning and Information for project administration and coordination, respectively. This component will support i) operations of the PIU; (ii) implementation of the stakeholder engagement plan and feedback mechanism to inform project implementation, (iii) implementation of the project's grievance redress mechanism and iv) further strengthening of the monitoring and evaluation (M&E) system of ZATP to account for national level scale-up of project and additional sub-components being introduced on top of existing ZATP interventions. An indicative list of financed activities under this component includes dedicated staffing of the project at the PIU and provincial levels, accompanying costs to ensure fiduciary compliance and adherence to safeguards, consultancies, training and related material, project communications, office equipment (including project ICT systems), and incremental operational costs.

33. Guiding principles for proposed project activities



- Given the opportunity to have national footprint and operate in all ten provinces of Zambia, Z-JET will attempt to address territorial gaps (in line with Zambia CPF priorities) and reduce the rural-urban divide, especially on financial inclusion and integration into value chains.
- Gender will be mainstreamed and aspects that enable women to take on leadership/managerial roles, promote their asset base (and thereby access to finance), and capacitate them to access contestable markets will be embedded across all project activities.
- Greening and climate smart solutions will be prioritized through beneficiary level interventions.
- Digital solutions—whether for trade facilitation (government level) or access to contestable markets (at beneficiary level)—will be taken embedded across project activities.
- The project components involve no major civil/infrastructure works that may result in restrictive use of land, land acquisition, or involuntary resettlements. The only activity that could be taken up is construction of a metrology laboratory in the existing institutional area owned by GRZ in the vicinity of the ZABS laboratory that is being constructed under ZATP.

D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The proposed Zambia Jobs and Economic Transformation (ZJET) project is a follow project to the Zambia Agribusiness and Trade Project currently being implemented in twenty districts and five provinces of Zambia. ZJET will roll out to all ten provinces and new areas of expertise (quality infrastructure/metrology, trade facilitation and access to finance) that might be required given the proposed project scope.

The details of the specific project locations are not known but Zambia is a landlocked country in Southern Africa and covers a total area of 752,612 square kilometres. Zambia is administratively divided into ten provinces namely: Central, Copperbelt, Eastern, Luapula, Lusaka, Muchinga, Northern, North-Western, Southern and Western provinces. There are three seasons: rainfall occurs mainly between November and April, which is also the main farming season; the period from May to August is cool and dry; and September and October are typically hot and dry. Historically, Zambia is frequently inundated with seasonal floods and flash floods, extreme temperatures and droughts, with increased severity and frequency in recent decades. Inadequate infrastructure paired with the fact that a large proportion of the population is rural and poor, makes Zambia highly vulnerable to natural hazards, especially floods. Zambia is endowed with abundant natural resources and a fairly rich biological diversity. The country is highly dependent on the exploitation of biological resources for the livelihoods of the majority of its people especially those living in rural areas. The importance of biodiversity for Zambia lies mainly in its contribution to the provision of ecosystem goods and services for national economic development and livelihoods.

The network of Zambia's statutory protected areas is composed of: 480 Forest Reserves (FRs) comprising 175 National Forests (NFs) and 305 Local Forests (LFs) with an estimated combined total area of 74,361 km²; 20 National Parks (NPs) covering 63,630 km² and 36 Game Management Areas (GMAs) covering about 167,557 km². Zambia has eight



(8) Ramsar sites with a combined total area of 40,305 km². These wetlands are habitats of several important fauna and flora species including some endemic and endangered species.

Zambia is one of the unequal countries globally. Its Gini Index is estimated at 57.1, and nearly 54.4 percent population lives below US\$1.90 per day (measured in purchasing power parity) as of 2015. A recent World Bank survey in 2020 suggests that more than half of Zambian households experienced a loss of income during the pandemic. The poverty rate in Zambia was estimated to be 62 percent in 2021. In urban Zambia, household welfare fell especially hard among those working in the informal sector. Most recently, job and income losses were compounded by fuel and food price increases and reduced access to public services. In rural Zambia, poverty is three times that of urban areas and is especially high among women. Percentage of female employment in agriculture has declined from 79 percent in 2008 to 55 percent in 2019. Amongst the 7-14 year old children in employment, nearly 90 percent work in Agriculture sector, majorly for their families as unpaid labour. However, differences by sex are not too large, as girls are less likely to be engaged in agriculture activities. As per Finscope survey of 2019, 71.2% of males are financially included compared to 67.9% of females an formal financial inclusion gender gap reduced to 5.8 percentage points from 2015 Finscope survey. Also, males are more financial literate at 26.1 percent when compared to females at 21.4 percent.

D. 2. Borrower's Institutional Capacity

Ministry of Commerce Trade and Industry (MCTI) along with the existing ZATP PIU are expected to implement the project. There will be three levels of project oversight (i) the PIU (ii) a technical working committee and (iii) the steering committee chaired by PS MCTI. The project will rely on the existing ZATP Project Implementation Unit (PIU) which consists of an environment specialist and a social safeguards officer (to be upgraded to specialist under the new project), and MCTI Directorate of Planning and Information for project administration and coordination. Moreover, the project will transition the existing PIU team from ZATP to ZJET to ensure effective implementation of project activities including monitoring and evaluation of project implementation progress. Other key line ministries relevant for the project, such as the Ministries of Agriculture, Livestock Development, Small and Medium Enterprise Development and Green Economy, the ten provincial government authorities, and the key regulatory agencies with mandates to facilitate business regulation, quality infrastructure, metrology, trade and export promotion, will have no role in ESF implementation, but will provide advisory support for specific aspects of the project's implementation. The ZATP PIU has gained a considerable amount of safeguards experience and lessons learned under ZATP at screening potential subprojects, developing ESMPs, ESIA, supporting the development of CESMPs, supervising subproject implementation, learning to incorporate OHS and environmental considerations into the design of projects. They have developed and implemented Integrated Pesticide Management Plans, Grievances Redress mechanism, GBV action plan, but are unfamiliar with e-waste management. Their current ISR rating is satisfactory. However, the PIU have not worked on projects involving the Environmental Social Framework (ESF) and will require ESF training. The PIU is also challenged in implementing Occupational Health and Safety on the construction sites and have required several Bank interventions with the provision of OHS training modules, risk assessment development, direction on working at height and basic site safety. The supervising engineer on the ZABs Laboratory construction did not receive any direction or responsibilities for OHS in the ToRs or in his contract. Therefore, there was no subproject construction OHS oversight from the client side until the PIU environmental specialist stepped into this role. Looking forward, the PIU has learned lessons and the team will ensure this guidance is enshrined into the ESMF, in contracts, and contractor and supervising engineer TORs will reflect subproject OHS and E&S requirements. In addition, the PIU's capacity to manage E&S risks and impacts will be supplemented by hiring at least five environmental and social specialists (consultants) to be based on the field.



II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Moderate

Environmental Risk Rating

Moderate

The environmental risk rating is Moderate because the project expects component 2 minor construction works such as the metrology laboratory and infrastructure to support digital and automated trade and accreditation on systems. Component 1 activities include the direct support to small and marginal farmers associated through Producer Organizations (POs) and high growth agribusiness, which are moderate risk scale up activities building on the success of Zambia Agribusiness and Trade Project (ZATP). The project is not expected to include Associated Facilities. The subprojects under the farmers, POs and agribusiness activities may involve horticulture, aquaculture, animal husbandry, agro processing and farmer field demonstration for instruction in climate smart agriculture. These activities may require small infrastructure works such as warehouses, fishponds, bulking centres, boreholes, mechanized animal feed production and small plots of land for demonstration purposes. To support job creation and growth in agribusiness it is likely to involve some small infrastructure works to build or upgrade markets points and associated auxiliary structures in the agribusiness value chain. The project will enable a move to cross border trade accreditation, harmonized metrology, digitization of paper-based processes, a reduction in vehicle waiting times at border areas and a reduction in trade inspector vehicle journeys to inspection areas. This will result in positive environmental impacts such as a reduction in GHG emissions and use and disposal of paper-based materials. The continuation and the upscale of ZATP activities (as merged into ZJET) across a wider geographical area will see (i) the practice of climate smart agriculture introduced to five new provinces supported by the creation of multiple farmer field schools (ii) an expansion of Occupational Health and Safety practices that were introduced into ZATP for construction, farmer and POs activities and (iii) an improved subproject E&S screening and subproject design process perfected from ZATP lessons learned. The environmental risks and impacts of the project could include (i) the indiscriminate disposal of small amounts of e-waste generated from the proposed digitization activities when irreparable or at end of life (ii) construction related impacts from component 1&2 activities such as elevated dust and noise levels, raw material extraction, natural resource use, the generation and inadequate management of solid, construction and hazardous waste (iii) the uncontrolled use and application of pesticides by small scale farmers and POs (iv) energy generation using old diesel generators for POs, farmers and Agribusiness activities that emit GHGs, SOx and NOx (v) impacts on biodiversity and habitats through land conversion, pollution to land and waterways, introduction of alien species through farming and agricultural practices and land degradation from natural resource extraction (vi) inadequate implementation, supervision and management of OHS on all sites including the metrology laboratory construction leading to worker and community incidents and accidents (vii) infrastructure designed and built using inadequate building and fire codes resulting in climate susceptible and unsafe buildings; and (viii) project road related accidents and incidents caused by unqualified and unlicensed drivers, inadequate driver and operator oversight, poor road infrastructure, poor vehicle maintenance, driving at night, using fatigued drivers etc. Environmental risks will be managed using a framework approach because exact locations and activities are not known at this stage. The project ESMF will provide a rigorous E&S screening process for all subproject activities, a framework for ESMP development, an e-waste management plan and other related guidelines and plans.

Social Risk Rating

Moderate

The proposed social risk classification is Moderate at this stage, considering the nature and magnitude of the potential social risks and the impacts of subprojects. Though the project will be implemented across the entire



country, there are no conflict-affected areas that might have an impact on the project's implementation. Key activities proposed under the Project will include technical assistance, provision of grants and loans targeting small or marginal farmers and agribusinesses, the construction of the Metrology laboratory in the existing institutional area owned by the Government of Zambia (GRZ), and other minor civil works. Although subprojects relating to small or marginal farmers and agribusinesses are not preidentified, the associated impacts and risks are expected to be moderate given the nature, scale, and magnitude of the subprojects and the restrictions described under ESS1. Key potential risks include: (i) risk of exclusion of or discrimination against women, youth, and people living with disabilities in the selection of farmers and agribusinesses, (ii) risk of land acquisition and involuntary resettlement due to activities under sub-components 1 b, 1c and 2a, (iii) labor and working conditions risks due to failure to abide by national legislation on working hours, wages, overtime, compensation, or benefits, (iv) sexual exploitation and abuse, and sexual harassment (SEA/SH) among project workers, stakeholders and/or local communities; (v) risk of child labor in the farming activities and agribusinesses; and (vi) challenges in organizing or obtaining access to grievance redress and referral processes. These social risks will be addressed in ESF instruments which will be developed by the Borrower, such as the ESMF, Environment and Social Commitment Plan (ESCP), the Stakeholder Engagement Plan (SEP), which include the GRM, the Labor Management Procedures (LMP), to be prepared as part of the ESMF. The ESMF will also include a GBV action plan and an accountability and response framework which consist of procedures that detail how to respond to SEA/SH allegations, and guidance on how to screen for any land acquisition and resettlement. Screening criteria will be applied to all investments under Sub-component 1b and 1c. Small infrastructure investments under Subcomponent 2a will also be screened to avoid land acquisition and resettlement. To mitigate social risks for FI subprojects, an ESMS, which include eligibility criteria for accessing grants and loans and compliance with local labor laws, will be prepared by the Apex financial institution and the participating financial institutions (PFIs).

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

At this stage, various potential risks have not yet been fully identified, as the full list of subproject activities and their precise locations are yet to be finalized. However, considering the proposed activities, such as supporting small or marginal farmers and agribusinesses with accessing markets and finance, promoting trade and agribusiness competitiveness by strengthening regulatory and institutional frameworks, construction of the Metrology laboratory in the existing institutional area owned by the Government of Zambia (GRZ), and other minor civil works, in the Zambian context, the most significant foreseen social risks are related to: (i) The exclusion of or discrimination against women, youth, and people living with disabilities in the selection of farmers and agribusinesses; (ii) Poor labor and working conditions due to a failure to abide by national legislation on working hours, wages, overtime, compensation and/or benefits; (iii) Sexual exploitation and abuse, and sexual harassment (SEA/SH) among project workers, with stakeholders and/or local communities; (iv) Challenges in organizing or obtaining access to grievance redress and referral processes and; (v) risk of child labor in the farming activities and agribusinesses, (vi) lack of inclusive consultations especially where there may be excluded groups in remote locations or where there are language barriers, (vii) risk of land acquisition and involuntary resettlement due to activities under sub-components 1 b, 1c and 2a and; (v) the limited capacity of the PIU on ESF.



Key Environmental risks and impacts are expected to include (i) the indiscriminate disposal of e-waste (ii) Construction related impacts leading to the emissions of dust, noise, raw material extraction, natural resource use, the generation and inadequate management of solid, construction and hazardous waste (iii) the uncontrolled use and application of pesticides (iv) the use of fossil fuels for energy generation leading to the emission of GHGs (v) inadequate implementation, supervision and management of OHS on all sites leading to incidents and accidents to workers and the community (vi) inadequate standard of infrastructure design and construction and (vii) road related accidents and incidents from the use of project, contractor, PO and agribusiness vehicles and plant machinery.

In addition, technical-assistance activities for strengthening regulatory and institutional frameworks for agribusiness competitiveness are likely to have potential downstream environmental and social impacts. The terms of reference, work plans or other documents defining the scope and outputs of technical assistance activities will be drafted so that the advice and other support provided is consistent with ESSs 1-10.

This ESS requires that the Borrower carries out an assessment of the environmental and social impacts and risks of the Project. Therefore, the Borrower will prepare an Environmental and Social Management Framework (ESMF) as the precise locations and precise project activities have not yet been finalized. The ESMF will outline the principles, rules, guidelines, and procedures to assess, mitigate and monitor the environmental and social risks and impacts, include an exclusion list, the Labor Management Procedures (LMP), GBV action plan and an accountability and response framework consisting of procedures detailing how to respond to SEA/SH allegations as well as the requirements for recruitment and training of E&S staff. The ESMF will also include screening procedures to ensure that any land acquisition is avoided in minor civil works and in any agricultural enterprises supported by the project. The ESMF will be prepared before appraisal and will provide a rigorous E&S screening tool for all subproject activities, a framework for an ESMP, an e-waste management plan, pesticide management plan and other related guidelines and plans to manage pollution to air, water and land, conserve and protect natural resources and minimize and adequately manage the generation of all types of waste.

Regarding activities on strengthening the regulatory and Institutional frameworks for agribusiness competitiveness, once the content has been confirmed, a Strategic Environmental and Social Assessment (SESA) may be prepared (where relevant). The TORs for the SESA will be included in the ESMF.

In terms of the environmental and social management approach of the activities of Subcomponent 1.c which involve FIs, the apex financial institution will be required to develop, implement, and maintain an ESMS consistent with the requirements set out in ESS9. The ESMS will outline the criteria for screening and due diligence process for the eligibility of other participating FIs, agribusinesses and other entities and institutions who will be recipients of proceeds from project. There are no predefined subprojects at this time and the Bank support provided to the FI will be for a general purpose. Therefore, the requirements of ESS 9 will apply to the entire portfolio of the FI's future subprojects from the date on which the legal agreement becomes effective. The ESMS will also include an Exclusion List that will identify investments ineligible for support, including any potential investments considered to be high environmental and social risks under the ESF.

Lastly, the Borrower is expected to prepare an SEP, including a Grievance Redress Mechanism (GRM) and an ESCP prior to the appraisal. To manage the direct workers employed in the project activities as well as contracted workers



who might be working through contractors, the Borrower will prepare an LMP (as part of the ESMF). The project’s ESCP will also include all the requisite E&S actions and commitments between the Borrower and the Bank to ensure that environmental and social impacts are addressed and managed in keeping with the Bank’s ESF.

Areas where “Use of Borrower Framework” is being considered:

N/A

ESS10 Stakeholder Engagement and Information Disclosure

This standard is relevant. The Borrower will prepare, disclose, and consult as soon as possible and prior to appraisal, a Stakeholder Engagement Plan (SEP). This will (i) describe the project stakeholders, making a distinction between those directly affected by the project and other interested parties; (ii) describe the timing and methods of engagement with key stakeholders throughout the life cycle of the project, including engagement activities before project appraisal, as well as local-level consultations once the locations of subprojects activities is known; (iii) describe the type of information that will be provided to stakeholders and how feedback from stakeholders will be solicited and recorded, (iv) if necessary, include differentiated measures to remove obstacles to participation as well as allow the effective participation of those identified as disadvantaged or vulnerable; and (v) describe the project-level Grievance Mechanism to be developed by the borrower per the requirements of ESS10.

The GRM will build on existing mechanisms that have been developed for the predecessor project, the *Zambian Agribusiness and Trade Partnership project (ZATP)*, which is currently managed by the Borrower. Project documents, including environmental and social risk management instruments and the ESCP, will be disclosed in a timely manner to ensure a meaningful and informed engagement with all project stakeholders. Engagement with stakeholders will continue throughout project implementation. The timeline envisioned is for the SEP to be prepared, consulted, and disclosed prior to Appraisal, and finalized at the latest by project Negotiations.

Public Disclosure

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

This standard is relevant. At this stage, project workers are expected to fall into three categories:

1. Direct workers (people employed or engaged directly by the Borrower, such as PIU staff, the project implementing agencies, and consultants)
2. Government workers (these include civil servants employed by several ministries and government agencies engaged in the project like the Ministry of Agriculture, Ministry of Livestock and Fisheries, Ministry of MSMEs, Ministry of Technology and Science, Ministry of Green Economy, Bank of Zambia, Zambia Credit Guarantee Scheme, and Ministry of Finance and National Planning)



3. Contracted workers (such as people employed or engaged by small or marginal farmers and agribusinesses, and people engaged by third parties to work on the construction of the Metrology laboratory any other minor civil works on the subprojects)

It is still being determined at this stage whether the project will include primary supply and community workers in any proposed activities. Key labor risks include failing to abide by national legislation on working hours, wages, overtime, compensation, benefits, and child or forced labor in the farming activities and agribusinesses.

To manage labor risks, the Borrower will develop a Labor Management Procedures (LMP as part of the EMSF). The LMP will outline requirements related to working conditions, management of worker's relationships, occupational health and safety, code of conduct (including relating to SEA/SH), age of employment, non-discrimination in hiring especially related to women's employment and provision of safe working conditions, grievance arrangements for employees, and contractor management, based on the provisions of ESS2 and in the ESHGs, and considering national laws and regulations.

Civil servants, whether full-time or part-time, will remain subject to the terms and conditions of their existing public sector employment agreement or arrangement. ESS2 will not apply to such government civil servants, except for the provisions of paragraphs 17 to 20 of the ESS2 in ESF (Protecting the Work Force) and paragraphs 24 to 30 (Occupational Health and Safety), which fall under the requirements for workers' safety, as outlined in ESS 2.

For component 1. c activities that involve FIs, relevant aspects of ESS2 will apply to the FI itself. The FI will have in place and maintain appropriate labor management procedures (as part of the ESMS), including procedures relating to working conditions and terms of employment, nondiscrimination and equal opportunity, grievance mechanisms, and occupational health and safety. To mitigate social risks for FI subprojects, the ESMS, will include eligibility criteria for accessing grants and loans such as compliance with local labor laws. In addition, the FI will apply the relevant requirements of the ESSs to any FI subproject that involves significant risks or impacts on labor and working conditions.

A worker Grievance Redress Mechanism (GRM) will be available for all project workers on all project-related matters, including terms and conditions of employment; nondiscrimination and equal opportunity; workers' organizations; child labor; forced labor; occupational health and safety, harassment, and other behavioral complaints.

ESS3 Resource Efficiency and Pollution Prevention and Management

ESS 3 is relevant because project activities could generate (i) localized water and air pollution from inadequate management of construction, solid, hazardous, animal and sanitation wastes (ii) the use of wood (for heat energy and construction material), water, river sand for construction, irrigation and food processing (iii) the prolific use of diesel generators by POs, agribusiness and small scale farmers that emit GHGs, SOx and NOx and particulate matter for energy generation due to site remoteness, preference to fossil fuel based energy uses, , energy intensive processes, and long lead times for ZESCO connection (iv) the generation of e-wastes from irreparable and end of life electronic equipment used in the digitization process (v) and the application of pesticides within subproject agricultural activities.



The project ESMF will provide a rigorous E&S screening tool for all subproject activities, a framework for an ESMP, an e-waste management plan, pesticide management plan and other related guidelines and plans to manage pollution to air, water and land, conserve and protect natural resources and minimize and adequately manage the generation of all types of waste. The potential cumulative impacts from the use of diesel power generation over ten provinces within multiple subprojects requires a reinvigorated push to invest in local off grid renewable and low carbon energy solutions and adopt more efficient practices in energy-use. This includes adopting low energy demand infrastructure such as PVs coupled with the installation of energy conservation technologies (solar water heaters, LED lighting etc), building insulation and the incorporation of passive solar measures (use of strategically planted deciduous trees and roof overhangs to shade lodges, orientation of buildings and other facilities).

ESS4 Community Health and Safety

ESS4 is considered relevant. Given that the project will finance technical assistance, provision of grants and loans targeting small or marginal farmers and agribusinesses, the construction of the Metrology laboratory, and other minor civil works, the critical potential community health and safety risks could include be (i) traffic and road safety risks resulting from and an increase in construction and operational related traffic in rural areas leading to vehicle impacts with local community and livestock (ii) poorly designed and constructed infrastructure resulting in collapse, fires and a lack of climate change resilience (iii) a lack of security at some subproject sites such as where renewable energy equipment is installed, fuel and small scale equipment (iv) inappropriate disposal of wastes of all types (wastewater, solid, hazardous) leading to the spread of infectious diseases among the community, and community health impacts from local water resource contamination and air pollution from burning of solid and hazardous waste etc (iv) SEA/SH.

Labor influx and related risks are not expected. For subprojects to be financed under the matching grants (Component 1), the project's ESMF will address sub-project activities that may pose community health and safety risks and identify mitigation measures to be applied through ESMPs where applicable. For subprojects to be financed through FIs, (Component 1. c), the ESMS will assess sub-project activities that may pose community health and safety risks. The ESMS will include provisions to consider ESS4 requirements in screening all FI-Subprojects to exclude activities that could involve significant risks to community health and safety.

Community health and safety mitigation measures may include (i) appropriate road safety policies, plans and mitigation measures detailed in the ESMF and ESMPs (ii) appropriate international recognized building and infrastructure construction codes with an emphasis on climate resilience, fire prevention and safety (iii) sub project site security measures to prevent theft of equipment and ancillaries (iv) appropriate waste management plans including the use of the standards and management procedures set out in the WB ESHGs and agreed GIIP where appropriate (v) the appropriate level of Covid 19 mitigation measures (vi) the appropriate management of hazardous materials to prevent discharge to the environment, fire or accidental or intentional access by local community members.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement



This standard is relevant. Risks related to land acquisition and resettlement are relevant under sub-components 1b, 1c and 2a. Activities under these sub-components include expansion of agribusinesses that could include land acquisition and, possibly, resettlement. However, the magnitude of resettlement impacts is not expected to be large as the works are expected to be small scale in nature. To avoid land acquisition as much as possible, the Borrower will opt for sites that are already owned by the government and free of leaseholders and squatters. The ESMF will provide guidance on how to screen for any land acquisition and resettlement. Screening criteria will be applied to all investments under Sub-component 1b,1c, and 2a, to avoid land acquisition and resettlement.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

ESS 6 is relevant because the project activities may involve horticulture, aquaculture, animal husbandry, agro processing and farmer field demonstration plots for climate smart agriculture, small and large infrastructure works such as warehouses, bulking centres, mechanized animal feed production, the metrology laboratory and construction of facilities to house digital equipment. Project activities could impact on biodiversity or living natural resources (i) through land conversion to agriculture (ii) pollution discharge to water, land and air from construction, animal husbandry, agricultural activities (iii) indiscriminate disposal of wastes of all types within critical and natural habitats and (iv) the indiscriminate and illegal extraction of natural resource commodities for construction, farmer, PO and Agribusiness activities that could cause irreversible damage to critical and natural habitats.

The ESMF will include subproject identification, screening, an exclusion list, and will facilitate the implementation of ESMPs that will be guided by a mitigation hierarchy (following the principles of avoidance, minimization, restoration, and offsets) based off ESSs, ESHG and GIIP. Biodiversity Management Plans could be developed if required to manage impacts on biodiversity and living natural resource. The ESMF will provide a BMP TOR. The sub project screening procedures will guide the identification of impacts to biodiversity and living natural resources and exclude from the project (i) activities that are likely to negatively impact on protected areas or other natural areas considered of local, regional and/or international importance due to biodiversity (ii) activities that will significantly degrade or convert land from critical or natural habitats (iii) any activity that will introduce alien species of flora or fauna to critical or natural habitats or areas where they are not normally found (iv) any activity that is likely to irreversibly degrade the environment such as natural resource extraction etc (v) the project will be required to assess the cumulative risks and impacts of activities on living natural resources if there are many small producers within the same geographical area (vi) activities of POs, agribusiness, small scale farmers and areas for demonstration plots should be on already converted land or is land that is already highly degraded and (vii) activities involving animal husbandry are to follow GIIP and the guidance in the ESHGs.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

ESS7 is not considered relevant to this project as there are no distinct social and cultural groups in the project area that exhibit characteristics of indigenous or traditionally under-served communities as spelled out under this standard. Should a subsequent screening process indicate that a particular group meets the requirements of ESS7 and will be impacted by this project, a social development plan which accords with this standard will be developed.



ESS8 Cultural Heritage

This standard is relevant as the project will support the construction of the Metrology laboratory and other minor civil works. These activities are expected to occur within existing operational footprints and may involve civil works and excavations that could impact tangible cultural properties. To manage these risks, Chance Find procedures will be prepared as part of the ESMF and ESMS and applicable to any grant financing or FI investments that involve any construction or rehabilitation activities. The sub project screening procedures will guide the identification of impacts to cultural heritage and exclude from the project (i) activities that are likely to negatively impact on tangible and intangible cultural heritage after mitigation measures are in place.

ESS9 Financial Intermediaries

This standard is relevant as the project will provide a credit line of USD 12.00 million to an apex financial institution to provide longer-term funding sources to the underserved high-growth agribusinesses and producer organizations. Recipients of the use of proceeds under the activity, including the apex financial institution and sub-Borrowers, have yet to be identified, as well as the targeted agribusinesses. Therefore the Bank support provided to the FI will be for a general purpose. The requirements of ESS 9 will apply to the entire portfolio of the FI’s future subprojects from the date on which the legal agreement becomes effective. The apex financial institution will be required to develop, implement, and maintain an ESMS consistent with the requirements set out in ESS9. The ESMS should include: (a) E&S policy, (b) clearly defined E&S procedures and capacity to screen projects (application of exclusion list, review of industry sector and technical aspects of the project) and conduct due diligence to evaluate E&S risk and assign risk category (low, medium and high risk), (c) systems/processes for due diligence to evaluate, monitor, review and manage E&S risks and impacts of subprojects (evaluate the E&S performance of ongoing subprojects and the portfolio periodically), (d) organizational capacity and competence including a budget and a senior management position designated for reporting on the ESMS as well as providing training and capacity-building on ESMS procedures and performance; (e) external communications and reporting mechanisms on E&S performance.

Based on risk screening, if the subprojects are assessed to result in no or minimal adverse E&S risks or impacts following para. 9 of ESS9, then the Borrower will apply national law.

Public Disclosure

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways	No
OP 7.60 Projects in Disputed Areas	No

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered?	No
Financing Partners	



N/A

B. Proposed Measures, Actions and Timing (Borrower’s commitments)

Actions to be completed prior to Bank Board Approval:

The following instruments will need to be prepared: (i) Environmental and Social Management Framework (ESMF), (ii) ESMP framework, (iii) e-waste management plan, (iv) pesticide management plan, (v) GBV/SEA/SH action plan and an accountability and response framework, (vi) LMP consistent with ESS2, (vii) TORs for TA activities, (viii) subproject exclusion list (ix) Stakeholder Engagement Plan (SEP), and (x) Environmental and Social Commitment Plan (ESCP).

Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):

- (i) Recruitment of qualified Environmental Specialist(s) and Social Development Specialist(s) as key staff in Project Implementation Unit (PIU) as identified in the ESMF.
- (ii) Prepare and implement site specific Environmental and Social Management Plans (ESMPs), in line with approved Environmental and Social Management Framework (ESMF)
- (iii) Update the Stakeholder Engagement Plan (SEP) and re-disclose prior to project effectiveness.
- (iv) Publicize and operate an accessible grievance redress mechanism, to receive and facilitate resolution of grievances.
- (v) Finalize training plan for strengthening capacity of PIU and contractors on World Bank Environmental and Social Standards and all Project related ESHS plans including ESMF and subproject ESMPs after project effectiveness.
- (vi) include an activity exclusion list

C. Timing

Tentative target date for preparing the Appraisal Stage ESRS

28-Mar-2023

IV. CONTACT POINTS

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Borrower/Client/Recipient

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Public Disclosure



Implementing Agency(ies)

Implementing Agency: Ministry of Commerce Trade and Industry

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VI. APPROVAL

Task Team Leader(s):	Ankur Huria, Soujanya Krishna Chodavarapu, Hazem Ibrahim Hanbal
Practice Manager (ENR/Social)	Helene Monika Carlsson Rex Recommended on 17-Feb-2023 at 10:58:46 EST
Safeguards Advisor ESSA	Julia Bucknall (SAESSA) Cleared on 21-Feb-2023 at 01:25:15 EST