



# Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 27-Sep-2024 | Report No: PIDIC00171



BASIC INFORMATION

A. Basic Project Data

Project Beneficiary(ies)	Operation ID	Operation Name	
Zambia	P507116	First Zambia Recovery and Resilience Programmatic DPF with CAT-DDO	
Region	Estimated Approval Date	Practice Area (Lead)	Financing Instrument
EASTERN AND SOUTHERN AFRICA	12-Dec-2024	Macroeconomics, Trade and Investment	Development Policy Financing (DPF)
Borrower(s)	Implementing Agency		
Ministry of Finance and National Planning	Ministry of Finance and National Planning		

Proposed Development Objective(s)

The program development objectives are to make Zambia's economy more resilient to shocks and underpin a private-sector-led recovery in enabling sectors

Financing (US\$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)?	To be decided
Is this project Private Capital Enabling (PCE)?	To be decided

SUMMARY

Total Financing	100.00
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DETAILS

Total World Bank Group Financing	100.00
World Bank Lending	100.00

Decision

The review did authorize the preparation to continue



## B. Introduction and Context

### Country Context

1. **Zambia faces significant climate change impacts and fiscal constraints, calling for a concerted focus on disaster risk management (DRM) and resilience to support an inclusive recovery and fiscal sustainability.** Poverty increased from 57 percent in 2010 to 60 percent in 2022 (national poverty line). The current drought, the driest in 40 years, has affected 9.8 million people, with 6.6 million facing severe food insecurity. Only 31 percent of the 2.2 million hectares of planted maize was harvested. Real GDP growth is projected to drop from an average of 5.6 percent between 2021-2023 to 2.3 percent in 2024, worsening poverty. Public spending pressures from the drought response will turn last year's primary surplus into a deficit. At the same time, Zambia is in debt distress and remains committed to concluding debt restructuring through the G20 Common Framework and fiscal consolidation under an IMF program. This context calls for strengthening DRM to build resilience to poverty-increasing shocks and preserve hard-won progress toward sustainable public finances.
2. **Zambia's markets and physical infrastructure in enabling sectors are deficient and not climate-resilient, discouraging private sector participation and exacerbating vulnerabilities to shocks.** Zambia relies on hydropower for electricity generation, and under the ongoing drought, it is facing a power generation deficit surpassing 1,000MW, with load-shedding exceeding 20 hours per day. Drying water sources, decreasing groundwater availability, and power outages are severely impacting the supply and access to safe water for firms and households in affected areas. Huge infrastructure gaps discourage private sector development and constrain economic growth. At the same time, public capital expenditure is expected to remain low in the medium term, hovering around 3-4 percent of GDP due to fiscal constraints. Private investment showed a strong correlation with economic growth in the past decade,<sup>1</sup> and it will be essential to narrow infrastructure gaps that also enhance climate resilience.

### Relationship to CPF

3. **The proposed operation supports the Country Partnership Framework (CPF) for Zambia for FY19–24 and the upcoming CPF FY25-29.** Under the former, Pillar A and Pillar B reforms contribute to achieving CPF objectives 1.2 (rural communities more resilient to climate and environmental shocks), 2.1 (access to social protection, with attention to rural girls and women), and 3.1 (fiscal and financial fitness). Pillar C contributes to objective 1.3 (access to and quality of resilient infrastructure services in rural areas and small towns). Moreover, the DPF series contributes to achieving Zambia's CPF FY25-29 objective 1 (business environment for private investment), objective 2 (connectivity and increase energy access), objective 4 (targeting and effectiveness of social protection), objective 5 (natural resources management and climate-smart agriculture), and objective 6 (climate risk management systems and financing).

## C. Proposed Development Objective(s)

4. The program development objectives are to make Zambia's economy more resilient to shocks and underpin a private-sector-led recovery in enabling sectors

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<sup>1</sup> Zambia Selected Issues Paper (IMF, 2023).



## Key Results

5. The DPF series expects to increase the number of people with enhanced resilience to climate risks through better disaster preparedness and shock-responsive social protection programs. It also expects to increase fiscal resilience to shocks, including climate, through a stabilization fund and carbon revenues. Finally, the programmatic series expects to enable and mobilize private capital through PPPs in the energy, water, and transport sectors, increasing resilient water and electricity access.

## D. Concept Description

6. Pillar A improves the coordination and effectiveness of the GRZ in managing disasters and enhances household resilience to climate shocks. Pillar B strengthens Zambia's public finances, creating buffers against natural disasters, improving the debt management framework, and making the budget more resilient to climate shocks. Pillar C bolsters private sector participation in critical enabling sectors while making them more climate-resilient, reducing the financial impacts of future natural disasters.

## E. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

### Poverty and Social Impacts

7. **This operation aims to reduce vulnerability to poverty, which is high and exacerbated by weather and health-related shocks.** Zambia's exposure to such shocks negatively impacts food security, access to services, human capital, and assets. In 2022, 25 percent of the poor and 11.4 percent of the non-poor were affected by drought, while 11 percent and 5 percent, respectively, were affected by floods. PAs #1, #2, #3, #4, and #5 aim to enhance the government's shock response capabilities, crucial for protecting the poor and marginalized. The response to the 2024 drought highlighted both the limitations and potential of the social protection system. Structural vulnerabilities are largely due to poor access to services. Improving infrastructure and access through private sector involvement (PAs #6, #7, #8) and enhanced resilience (PAs #7 and #8) will help close these gaps sustainably, though benefits will materialize in the medium term. Additional analysis would be required to assess the potential impacts of water tariff changes (PA#8).

### Environmental, Forests, and Other Natural Resource Aspects

8. **Most prior actions do not present significant environmental risks, thanks to national legislation that mandates environmental assessments for infrastructure projects.** However, PA7 may lead to increased electronic waste from small-scale renewable energy sources like solar equipment. To mitigate this, electronic waste regulations and hazardous waste regulations ensure proper management and disposal, preventing environmental pollution. An individual assessment of the environmental effects of each prior action will be provided at the ROC stage.



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## APPROVAL

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