COMBINED PROJECT INFORMATION DOCUMENTS / INTEGRATED SAFEGUARDS DATA SHEET (PID/ISDS)
APPRAISAL STAGE

Report No.: PIDISDSA19917

Date Prepared/Updated: 19-Oct-2016

I. BASIC INFORMATION

A. Basic Project Data

Country:	Zambia	**Project ID:**	P156492
		Parent Project ID (if any):	
Project Name:	Zambia Agribusiness and Trade Project (P156492)		
Region:	AFRICA		
Estimated Appraisal Date:	03-Oct-2016	**Estimated Board Date:**	16-Dec-2016
Practice Area (Lead):	Trade & Competitiveness	**Lending Instrument:**	Investment Project Financing
Borrower(s):	Ministry of Finance		
Implementing Agency:	Ministry of Commerce, Trade and Industry		

Financing (in USD Million)

Financing Source	Amount
BORROWER/RECIPIENT	0.00
International Development Association (IDA)	40.00
Total Project Cost	40.00

Environmental Category:	B - Partial Assessment
Appraisal Review Decision (from Decision Note):	The review did authorize the team to appraise and negotiate
Other Decision:	It was recommended that safeguard oversight responsibility be transfered to sectorial PM.
Is this a Repeater project?	No

B. Introduction and Context

Country Context

Zambia is a lower-middle-income country with close to 16 million inhabitants, a Gross Domestic Product (GDP) estimated at US$ 27.07 billion in 2014 and per capita income of approximately US$ 1,721. Zambia has made significant socio-economic progress over the past two decades. A relatively stable macroeconomic environment and improved macroeconomic policies since the mid-1990s were further supported by improved copper prices in the 2000s, resulting in an average annual growth of about 7.5 percent between 2007 and 2014. The government consolidated macroeconomic stability and successfully navigated the shocks connected with the 2008 global economic and financial crises. However, economic challenges have returned as copper prices have fallen 52 percent since their peak in 2011.

The Zambian economy has deteriorated considerably since August 2015 when global copper prices fell to 2009 levels. The drop in the copper price was also a key driver of the 2015 depreciation of Zambia Kwacha against the US$ and consequent inflation of above 20% (year-on-year). In addition to the global headwinds, Zambia experienced domestic pressures in the form of: (i) repeat fiscal deficits (reducing confidence in the economy); (ii) a poor 2014-15 harvest and (iii) a power crisis with outages equal to half of peak demand. Power deficits and copper price concerns will likely reduce mining production in 2016, and employment further with as firms react to tougher global conditions. Given these challenges GDP growth dropped to an estimated 3.2 percent in 2015 and is expected to remain at a similar level in 2016. Prospects for the Zambian economy will improve over the medium-term, with GDP growth returning to roughly 5-6 percent by 2018.

Economic growth has not been inclusive and poverty in Zambia is widespread, with 61.2 percent of the population estimated to be living below the national poverty line (US$ 1.9/ day PPP terms). Rural poverty at 74 percent is more than double the urban poverty of 35 percent. Sustained growth and continued political stability have produced only modest improvements in livelihoods. The effect of economic growth on overall poverty reduction has been small, as much of the benefits of growth have accrued to those already above the poverty line. Growth has been primarily driven by mining, construction, and financial services and did too little to create jobs and expand opportunities beyond the relatively small labor force already employed in these industries.

Fast growth in real GDP value added is not reducing poverty, and the income share of the bottom 40% fell from 2003-2010.

Sectoral and institutional Context

Zambia needs to diversify its sources of growth in order to sustain GDP growth, as well as to create employment for its fast growing, urban and youthful population. Zambia's performance in job creation and poverty reduction have not been commensurate with its GDP growth - employment is estimated to have grown annually by only 3.1% on average in 2004-2014, less than half of its GDP growth. Despite a recent spike in non-copper merchandise exports, its economy remains overly-dependent on copper, and concentrated in urban sectors. Although mining accounts for 77% of total exports, this industry only employs 1.7% of the total labor force (8.3% of total formal sector jobs). Overall, labor participation rates are falling whilst youth unemployment is rising.

Zambia could enjoy a demographic dividend if the economy can generate more and better jobs, and increase incomes and accelerate structural transformation. Recent Jobs analyses shows that Zambia created higher productivity -"better jobs" on average, with a significant share of the productivity gains occurring through reallocation across sectors, or "structural change" as labor moved out of low value agriculture and into services and industry (including construction) where productivity is much higher. However, these have been limited.

To be more inclusive, growth needs to raise the productivity and returns to work for the bottom 40%, most of whom are employed in the agricultural sector and MSMEs. Most Zambians, most poor Zambians and most Zambian women are still farmers, however agriculture is characterized by low levels of productivity, and high levels of informality. 57% of Zambian farmers cultivate less than 2 ha, and another 30% cultivate less than 5 ha.. Productivity is low (30-50% of global averages for most crops) due to inadequate and expensive inputs (40% higher than China for agribusiness (World Bank, 2013)), poor extension services, and overall lack of access to technology, and better farming techniques.

High cost of finance, along with policy distortions and uncertainty, further constrain productivity growth and commercial agriculture. Access to affordable long-term credit is insufficient for the majority of producers and businesses. Two-thirds of the population has no access to finance, making it a challenge across sectors. Commercial interest rates went over 35% for SMEs this year, prohibitively high, especially in comparison to the average interest rate small and medium enterprises in processing industries report paying in places like China - 5%, and Ethiopia -10% (Fafchamps and Quinn, 2011) Most rural households are largely reliant on informal providers for finance.

Logistics costs are among the highest in the region, averaging US$ 2765 per container to export, which is almost 50% higher than the Sub-Saharan African average (Doing Business, 2015). This has a disproportionately high burden on agribusiness supply chains and trade, as these businesses are characterized by cargo that is low value, bulky and perishable. At the same time, high logistics costs constrain SME participation in agribusiness supply chains, as these cannot afford to invest in own fleets and trucking operations, which is common practice among the larger agribusinesses. All these, along with policy uncertainties and distortions, further reinforce information asymmetries and coordination failures across value chains, and result in poor incentives for farmers, agribusinesses, and new investors to allocate resources and capabilities into more efficient, productive, and scalable ventures.

More effective policies, institutions, and support programs in agribusiness and trade could be instrumental in achieving both broad-based growth and economic diversification in Zambia. Recent evidence from poverty assessments (Ethiopia, Rwanda and Uganda among others) point to the key role played by increasing labor incomes among the poor in reducing poverty. These assessments show that in countries where poverty is predominantly rural, agricultural productivity growth has been the main driver of poverty reduction. Taking advantage and exploiting spillovers from agricultural growth through complementary drivers such as non-farm employment as well as transfers and other safety nets is also important. Proximity and connectivity to markets (both domestic, regional and international) can reduce costs, both for inputs and reaching customers, improving margins on each yield and further contributing to rural poverty reduction. However, just because the workers are productive and the markets are connected, does not mean that investment will come, nor jobs with it. To a certain extent, the investment climate, the sum total of rules, regulations, policies and procedures that businesses must navigate to operate legally, and the overall market transparency influenc e the decision to make a job creating investment.

In Zambia commercial farming offers productivity gains commensurate with other sectors, as do exports by foreign investors. Compared with many African countries, Zambia already has a relatively well-developed agribusiness industry with over 400,000 smallholder households linked to agribusiness firms through vertically integrated out-grower programs primarily for cotton and, to a lesser extent, sugar, tobacco, and soybeans. Entrepreneurs are also investing in agro-processing.

Moreover, regional and urban demand for food has been strong and is estimated to grow exponentially. With steady rising of incomes, food demand per capita is also expected to rise, especially in urban households. At the same time, the growing middle class in Zambia is experiencing a change in diet away from basic staples and grains toward higher value healthier foods (e.g., fruits, vegetables, meat, dairy products). This is expected to increase demand and growth in value added beef, dairy and poultry, as well as horticulture. Based on the income growth, urbanization and population growth trends, food demand in Zambia could grow more than three-fold in the next 15 years to over US$ 25 billion. Imports are now much more expensive, and retailers are eager to buy locally in a wide range of categories, as long as quality standards and quantity requirements can be reliably met by local producers, both farmers and downstream agribusinesses. While there are a few examples in Zambia of smallholders meeting those requirements for effective market linkages, many are constrained by a lack of organization and business acumen, and poor knowledge of market opportunities and requirements.

In order to take advantage of the growth in agribusiness markets, supporting agribusiness MSMEs will also be important. For developing countries overall, over 90% of firms outside the agriculture sector are MSMEs. As such they produce a major part of GDP. In Morocco, 93% of industrial firms are SMEs which account for over 30% of production, investment, employment, and exports. In Ghana, SMEs contribute over 70% of GDP and represent over 90% of Ghanaian businesses, along with a major portion of employment. (Abor and Quartey, 2010)

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Assessment of Regulatory and Institutional Framework for Agribusiness and Trade

A predictable and business-enabling regulatory and institutional framework is a necessary requirement for agribusiness and trade to succeed in Zambia. Fostering competition, transparency and efficiency in the business environment and trade facilitation is key to attracting both domestic and foreign investment in agribusiness. Recent assessments as part of the DTIS (2014) and CPS (2015) have found that policy inconsistencies, excessive and overlapping regulatory burden, policy enabled-entry barriers in input markets, and a lack of strong regulatory and institutional infrastructure for investments hurt Zambia's growth prospects and productivity growth in non-traditional markets.

Foreign Direct Investment

Zambia has recorded positive FDI inflows over the past 15 years since 2000, mostly driven by investment in new and expansionary projects in mining and mining related manufacturing sectors as a result of raising international copper prices brought by demand from China. This demand from China begun to taper off in 2011, resulting in a fall in FDI inflows.

Despite its potential, agriculture is only the fourth largest sector for FDI in Zambia and in 2014, it attracted only US$ 60.5 million. Nevertheless, thanks in part due to the large amounts of agricultural land and relative macroeconomic stability, the country was able to attract a number of large scale agribusiness investors in recent years including: (a) Amatheon Agri. A German based agribusiness and food company which has over 38,000 ha of land and an outgrower network of about 5,000 smallholder farmers that grow maize, soya, wheat and groundnuts ; (b) Agrivision Zambia. A South African company with 18,000 ha of land located in two large commercial farms in the central and Copperbelt Provinces of Zambia growing maize, soya and wheat; (c) Silverlands Ranching. An international agribusiness operating in the Southern Province of Zambia mostly in beef and dairy but also expanding into wheat, maize, soya and potatoes ; (d) Ross Breeders Zambia. A South African company that operates a large scale poultry farm as well as a new abattoir capable of processing 160,000 birds per week ; and (d) Yalelo Limited. An international fisheries company operating on Lake Kariba and is the second largest aquaculture firm in Africa .

Competition in agribusiness value chains

Various markets along agribusiness value chains in Zambia underperform due to weak competition. Research conducted for the 2014 Zambia DTIS, value chain analyses, WBGs work with the Competition and Consumer Protection Commission (CCPC) and investigations by the CCPC itself have identified various competition issues in key markets for agribusiness. Weak competition stems either from anticompetitive conduct of businesses or from policies, regulations and rules that constrain market forces. To that end, recent studies have identified policies, regulations and government decisions that inadvertently reinforce dominance in certain markets (e.g. import and export bans, non-tariff barriers), facilitate collusion or restrict ability of firms to compete on prices, quality and other product dimensions (e.g. influence on prices of certain crops, influence on the structure of fertilizer market), and allow for wide discretion on enforcement and discrimination. These show that sub-sectors across all value-chains have been affected by these (input markets (fertilizers and feed costs), industrial crops (abuse of dominance in sugar and cotton), food crops (alleged collusion among maize millers), and transport and logistics (alleged collusion between service providers.).

As various empirical studies have shown, lack of competition has negative consequences on sector performance, market outcomes and achievement of government goals. Cartels in input products raise the costs for producers and reduce their competitiveness. Based on international statistics, cartel overcharges are generally above 20 percent (Connor 2014). Moreover, industries that cartelize are less productive (Symeonidis 2008, Petit, Kemp and Van Sinderen 2015). Restrictive market regulations have negative effects on sector performance, productivity and growth and on jobs in the long-term (OECD-WBG 2016), too. Removal of regulatory restrictions in input markets and measures to reduce market power have positive effects on farmers and SMEs (Begazo and Nyman 2016).

In Zambia, an overarching strategy to tackle anticompetitive practices and improve the quality of market regulations along agribusiness value chains is necessary to provide an environment where sustainable investments can take place. Stronger institutional capacity to regulate markets properly could help eliminate or constrain government interventions that distort market signals and affect sustainable sector growth. This would include support to the competition agency (CCPC) to continue to identify and address competition issues in key markets and to the Business Regulatory Review Agency (BRRA) to integrate competition principles in the assessment of laws and regulations in relevant sectors.

Business regulation

As noted in the 2015 Performance and Learning Review of the Zambia Country Partnership Strategy (CPS), policy uncertainty and inconsistency have reduced business confidence. Further, it was noted that public private dialogue is limited. The business environment has been characterized by new policies and regulations (what are termed Statutory Instruments) being introduced with little consideration of their potential impact on the private sector and markets.

Inconsistent and excessive regulation disproportionately hurt sectors with high transaction costs, and relatively lower returns to investment. Agribusiness and new, productivity enhancing investments across MSMEs are associated with higher transaction costs and lower returns to investment. As a result an unpredictable business regulatory environment put a heavier burden on the growth and innovation in these markets.

It was against this background that Government of Zambia enacted the Business Regulatory Act No. 3 of 2014. The Act introduces a set of principles, procedures and minimum requirements for the introduction of regulatory measures. The ultimate objective of the Act is to improve the quality of regulation and lessen the regulatory burden on businesses. The Business Regulatory Review Agency (BRRA) has been established as part of Private Sector Development Reforms under the Business Regulatory Act. While the BRRA was established in 2015, its capacity is currently inadequate to fulfill its mandate, and its systems and procedures are still in the process of being established.

Trade Facilitation

As noted in the 2014 Zambia Diagnostic Trade Integration Study (DTIS), trade facilitation and logistics in Zambia is driven mainly by the needs and outputs of the mining industry, especially copper. However, non-traditional exports and well as domestic trade are also important drivers.

Trade Logistics

Logistic costs and capabilities are crucial to evaluating whether and how a particular country is competitive to source from or manufacture in against a comparator. An efficient logistics sector can support the productive sectors of an economy, reduce the cost of doing business, enable trade facilitation and reduce challenges associated with escalating shipping costs and increased supply chain risk. Given the expanding complexities of global operations that encompass new trade agreements, changing technology, increased security, and the importance of participating in global value chains, the importance of a national logistics strategy must be emphasized.

In Zambia, the high cost of trade is a key barrier to competitiveness. The cost of exporting agricultural and manufacturing products from Zambia to key markets (China, Germany, Japan, USA) are consistently higher than those for neighbors such as Malawi, Mozambique Tanzania, South Africa, Namibia, or Botswana. While some relative higher costs may be inevitable due to Zambia's landlocked nature, there is consensus among public and private stakeholders that a National Logistics Strategy can help reduce costs and maximize the impact of public investments/ regulations in infrastructure and logistics

Good trade logistics is an important determinant for exports generally, but absolutely crucial for any supply chain where costs matter ,and costs matter if economic diversification plans are to succeed. Agribusiness commodities can be particularly impacted when inefficiencies and delays lead to high costs especially for perishable and refrigerated goods. A medium scale horticulture exporter interviewed for this Project reported losing as much as 10% of its export volumes to spoilage during transport, while many food retailers claim being restricted by accessibility while sourcing locally.

National Quality Infrastructure

As Zambia is integrating into regional and global value chains, there is greater priority to ensure Zambian firms, especially in agribusiness, meet higher quality and food safety standards. With a growing middle class and expansion of mostly South African retail supermarket chains, higher standards are increasingly demanded by various segments of the domestic market. In response to these trends, and following the recommendations of recent DTISs, the Zambia National Quality Policy (NQP) and its related Implementation Plan were launched in 2011 and outlined the Government of Zambias policy direction and guidelines in supporting the three pillars of the National Quality Infrastructure (NQI), i.e., Metrology, Standards and Accreditation.

With support from UNIDO and other development partners, the Government of Zambia started the process of re-engineering Zambia's NQI and technical regulation regime, based on the NQP implementation plan, with the ultimate aim of ensuring the recognition of the national quality infrastructure entities in the local market and abroad. Towards this end, key pieces of NQI legislation have been drafted and are expected to be adopted shortly. In addition, Public-Private Partnerships between government, firms and industry association such as the Zambia Association of Manufacturers and Zambia Chamber of Commerce a re being promoted to provide quality training, consultancy, certification and testing services.

C. Proposed Development Objective(s)

Development Objective(s)

The development objective of the proposed project is to contribute to firm and income growth, and employment in agribusiness.

Key Results

The success in achieving the PDO will be monitored by the following indicators:

(i) increase in (average) sales (by value) by the beneficiaries (producer groups and MSMEs), (percentage)
(ii) private investment mobilized (amount US$)
(iii) increase in (average) earnings/income of beneficiaries (percentage)
(iv) increase in agribusiness exports as a percentage of average value of sales among beneficiaries (percentage)
(v) Net full-time equivalent (FTE) jobs created (Number)
(vi) Net full-time equivalent (FTE) jobs created ➢(female (Number)

D. Project Description

The Project will be comprised of two components; (a) Component 1:Market Linkages in

Agribusiness and (b) Component 2: Strengthening the Regulatory and Institutional Framework for Agribusiness and Trade.

Component 1:Market Linkages in Agribusiness

Sub-component 1a: Building Productive Alliances in Zambia

Through a combination of grant financing and provision of technical support, the Project will facilitate the evolution of productive partnerships between aggregated farmers and anchor enterprises. Better integration of relationships between producers and off-takers will be mutually beneficial. Producer organizations will receive technical assistance to improve production and management of their organizations, grant funding to invest in infrastructure enhancements, and support to access commercial loan finance. Off-takers will benefit from improved and consistent volumes and quality of supplies received. The productive alliances will assist in improving economic benefits derived from crop yields, rural accessibility and post-harvest gains, processing facilities, better organized value chains, and access to new markets. The Productive Alliance approach involves three core agents: (i) a group of smallholder producers, (ii) one or more buyers, and (iii) the public sector. The producers will be united in a producer organization (PO) which could be an existing cooperative or association registered under their respective legal codes, or a new producer organization that will be registered under the Societies or Cooperatives Act to be eligible to participate ; the buyer(s) can be active at different levels of a value chain in either commercial or institutional markets, and the public sector agent will be represented by the Ministry of Trade, through the Project PIU. These three agents are connected through a business proposition, or business plan, which describes the capital and services needs of the producers and proposes improvements that would allow them to upgrade their production capacities and skills to strengthen their linkage with the markets, i.e. the buyer(s). The realization of this business plan within a Productive Alliance project will be supported through three core inputs and/or activities directed towards the producer needs: (i) productive investments, (ii) technical assistance, and (iii) business development. Productive investment refers to investments in infrastructure including, but not limited to: processing plants, warehouses, fixed capital, equipment, buildings, machinery, technology, inputs, fertilizers, pesticides, fungicides, farm infrastructure, and technical assistance and training, among others. The funds received from the public sector are in the form of grants and cannot be used to purchase land or to repay existing debts i.e. they must be used to support new investments. Technical Assistance entails the delivery of extension services, technology transfers, and specialized assistance on technical matters related to production, processing, and environmental aspects, as well as market studies. Business development focuses on strengthening producers business development capacities in management, accounting, business administration, and marketing skills. Productive Alliance projects vary in the emphasis on each of these core inputs, but all use support goods and services to enhance the fulfilment of a business plan.

Sub-component 1b: MSME Supplier Development Program

The objective of this sub-component is to promote agribusiness MSMEs integrate sustainably into value chains with established end-markets and large buyers, by supporting their ability to invest in productivity enhancing know-how and meet buyer requirements. The sub-component activities will focus on helping the beneficiary MSMEs improve their commercial viability, financial position and operational efficiency, thereby increasing their productivity, and prospects for increased investments and employment generation. Similarly to the Productive Alliances, the

MSME Supplier Development Program also aims to create improved market driven business relationships between off-takers and MSME suppliers where off-takers benefit from improved and consistent volumes and quality of supply, and the MSMEs benefit from higher productivity and access to new markets. This sub-component will provide tailored technical support, as well as matching grants, in order to support agribusiness MSMEs and entrepreneurs ➢(upgrade,➢(and improve market linkages with end-buyers. MarketConnect will be responsible for technical support, as well as managing the Business-Linkage Fund. Its key value added will be a) its relationships with buyers and the know-how of their requirements, terms and conditions; b) a core staff with the ability to do a 360 diagnostic of the SMEs along with problem-solving and coaching around specific business challenges uncovered ; and c) a strong network of specialized providers that can be brought in for unique technical challenges. The service will be provided based on a royalty model, whereby the entrepreneurs pay back a percentage of their growth in sales. The Business Linkage Fund will extend matching grants in the range of $10,000 to $100,000 to agribusiness MSMEs (with 30-50% private matching investments based on firm size) for the purpose of ➢(upgrading➢(➢(and increasing the bankability of - the company as part of an expansion strategy. The grants will cover financing in three areas: 1) upgrading to meet standards requirements, 2) financing for one-time fixed investment (equipment) to improve quality and/or productivity, and 3) alternative energy solutions. The financing will be competitive, and only be made available to MSMEs that meet the eligibility criteria for MarketConnect, and that have a clear, expressed demand from an off-taker, and a clear action plan for upgrading.

Component 2: Strengthening the Regulatory and Institutional Framework for Agribusiness and Trade.

The objective of this Component is to Strengthen the Regulatory and Institutional Framework for Agribusiness and Trade to assist the Development of Market Linkages in Agribusiness. Sub-component 2a: Strengthening Capacity for Investment Promotion, Regulation, Competition and Entrepreneurship will disburse project funds against the achievement of Disbursement Linked Indicators(DLIs) while Sub-Component 2b: Promoting Trade Facilitation will be disburse using regular project financing for technical assistance and hard investments.

Sub-Component 2a: Strengthening Capacity for Investment Promotion, Regulation, Competition and Entrepreneurship.

The objective of this sub-component is to strengthen the regulatory and institutional framework for agribusiness and trade through: (i) Strengthened Investment Policy and Promotion Capacity; (ii) Improved Institutional Capacity for the Business Regulatory Review Agency; (iii) Strengthening Institutional Capacity of Competition and Consumer Protection Commission; (iv) Strengthen Institutional Coordination and Capacity for Entrepreneurship; and (v) Strengthening the Capacity of the National Quality Infrastructure System. The Project will achieve these objectives through the use of Results Based Financing that will disburse project funds to the Government of Zambia for agreed upon actions, outputs and outcomes (DLIs) that result in improvements of the four areas indicated above.

Sub-Component 2b: Promoting Trade Facilitation.

The objective of this sub-component to promote trade facilitation through: (i) Developing a National Logistics Strategy and; (ii) Supporting the implementation of the National Quality

Infrastructure (NQI).

Sub-component 2b (i) Developing a National Logistics Strategy. The objective of this sub-component is to facilitate the development of a National Logistics Strategy. This will require the setting up of an Intergovernmental Coordination mechanism through a National Logistics Committee housed in the Ministry of Transport as the mandate of such a committee cuts across mandates of numerous Ministries and agencies in the country. The High Level National Logistics Committee would act as a coordinating and oversight body and a Logistics Strategy Implementation Office would also be established. Key activities to be implemented would be (a) support to the national logistics committee and implementation office; (b) defining and setting up Key Performance Indicators (KPIs)s and (c) development of the national logistics strategy. Feasibility analysis would also be conducted of up to three potential projects identified through the strategy.

Sub-component 2b (ii) Supporting the Strengthening of the National Quality Infrastructure. The objective is this sub-component is to strengthen the National Quality Infrastructure by: (a) construction of a regional office of the Zambia Bureau of Standards and provision of laboratory equipment in order to expand its services; (b) scaling up of the Zambia Global Food Safety Initiative (GFSI) Program to provide recognized training, consulting and auditing services in food safety management systems; (c) support for annual national standards award competition for large companies and MSMEs to encourage excellence in standards.

Component Name

Component 1a: Market Linkages in Agribusiness

Comments (optional)

This component focuses on the development of market linkages in agribusiness, focusing on two sets of beneficiaries: emerging, poor farmers and growth-oriented agribusiness MSMEs. Project interventions will have a particular emphasis on improving the ability of emerging farmers and agribusiness MSMEs to sustainably and commercially link into larger markets by structuring support around offtake opportunities that the private sector themselves identify as high potential.

Sub-component 1a: Building Productive Alliances in Zambia
Sub-component 1b: MSME Supplier Development Program.

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Component Name

Component 2: Strengthening the Regulatory and Institutional Framework for Agribusiness and Trade.

Comments (optional)

The objective of this Component is to strengthen the regulatory and institutional framework for agribusiness and trade to assist the development of market linkages in agribusiness. Sub-component 2a: Strengthening Capacity for Investment Promotion, Regulation, Competition and Entrepreneurship will disburse project funds against the achievement of Disbursement Linked Indicators(DLIs) while Sub-Component 2b: Promoting Trade Facilitation will be financed using regular project financing for technical assistance and investments

E. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The Zambia Agribusiness and Trade Project is envisaged to be implemented nationwide in all the 10 provinces of Zambia. In terms of physical characteristics, the topography of Zambia has three main features consisting of mountains, a plateau and lowlands with mostareas lying on a flat plateau. The Zambezi (and its tributaries, the Kafue and Luangwa) and the Luapula are the major rivers that flow from north to south respectively. The other major water bodies are the lake Tanganyika, Mweru and Bangweulu located in the north of the country while Lake Kariba is located in the southern part of the country bordering Zimbabwe. Vegetation cover in most parts of Zambia is mainly savannah woodlands in the high rainfall regions and tropical grasslands in the low rainfall regions. Vegetation cover in most areas is the predominately savanna woodlands type in high rainfall regions and tropical grassland in low rainfall regions. The country has distinct Agro ecological zones that are divided into plateau and Kalahari sands with high and medium rainfall respectively, including valleys. The agro ecological zones help define what crops and farming adopted in the different areas.

F. Environmental and Social Safeguards Specialists

Majbritt Fiil-Flynn (GSU07)

Mwansa Lukwesa (GEN01)

Paula F. Lytle (GSU07)

II. Implementation

Institutional and Implementation Arrangements

The Project will be implemented by the Ministry of Commerce, Trade and Industry (MCTI) and a Project Implementation Unit (PIU) will be established within the Ministry, but PIU staff will be recruited competitively from the market for the purpose of this Project. The PIU will include a Project Manager, Agribusiness Specialist, Financial Management Specialist, Procurement Specialist, Monitoring and Evaluation Specialist and Communications Specialist.

A Project Steering Committee chaired by the Permanent Secretary for Commerce, Trade and Industry will be set up to; (a) oversee overall implementation of the project; (b) provide policy guidance to the project; (c) ensure inter-agency coordination of the project; and (d) review and approve annual work plans and budgets. The Project Manager shall serve as the Secretariat of the Project Steering Committee.

A Technical Working Group will be set up in order to ensure technical implementation of the project and will be chaired by the Project focal point who will be the Director of Planning and Information in the MCTI. The PIU will serve as Secretariat to the Technical Working Group.

III. Safeguard Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The safeguards policy on Environmental Assessment is triggered. The project is likely to involve some infrastructure works to build or upgrade small markets in selected agro economic areas across Zambia. The TA will focus on promoting an environment for entrepreneurship and investment

		and facilitating national and regional trade. Component 1 is likely to involve some small infrastructure works to build or upgrade markets points and associated auxiliary structures in the agri-business value chain. An ESMF has been prepared as a perquisite for appraisal and a generic ESMP has been drafted for use during implementation. The ESMP will guide on the best practices for waste management and any other safeguards concerns that will be identified.
Natural Habitats OP/BP 4.04	No	The Bank policy on Natural habitats is not triggered as the proposed market points will have a small footprint and will not have significant ecological impacts on any natural habitats.
Forests OP/BP 4.36	No	The policy on forests is not triggered as the proposed market points that are likely to be constructed will have a small footprint and the possible forest cover or vegetation losses will be negligible.
Pest Management OP 4.09	Yes	The policy on Pest Management is triggered as it is likely to involve investment activities that will require the procurement of farming inputs such as fertilizers, pesticides and fungicides to support the agro - sector. This will require that a Pest Management Plan (PMP) be developed. Since the they will not be significant pest management issues on the project, the PMP will form part of the ESMF and the ESMP.
Physical Cultural Resources OP/BP 4.11	No	The policy on Physical Culture Resources (PCR) is not triggered as the construction of market points will cover a small footprints and the unearthing of PCR is highly unlikely. Precautionary, the ESMP will address how to manage chance finds.
Indigenous Peoples OP/BP 4.10	No	The policy is not triggered as the geographical areas in consideration are not likely to have indigenous people as defined by the Bank policy.
Involuntary Resettlement OP/BP 4.12	Yes	Component 1 of the project includes investments in critical market and common use infrastructure. While the exact sites are not known at this time, such construction activities may require land acquisition or require temporary relocation of traders currently occupying the sites while market points are built. An RPF has been prepared to address any involuntary resettlement on the project. Site-specific abbreviated RAPs will be prepared during implementation for applicable beneficially areas. The project also proposes to address agribusiness on a policy level

		(under component 2), and such policies , although highly unlikely, may have implications for land tenure.
Safety of Dams OP/BP 4.37	No	The policy is not triggered as it will not involve the construction or maintenance of dams as defined by the Bank policy.
Projects on International Waterways OP/BP 7.50	No	The policy is not triggered as it will not involve financing activates or subprojects lying within riparian areas of international waterways.
Projects in Disputed Areas OP/ BP 7.60	No	The policy is not triggered as it will not finance any activities in disputed areas or territories.

IV. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:
There will be no potential large scale, significant and/or irreversible impacts under the proposed project. Potential environmental impacts are related to improvement of existing facilities such as small markets. And associated structures in the agribusiness value chain. An assessment and mitigation of potential impacts have been addressed through the screening and safety procedures detailed in the ESMF.
2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:
While the specific project sites are unknown, no indirect and/or long-term impacts due to anticipated future activities are foreseen.
3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
The design of proposed approaches in sub-projects the project should avoid or minimize adverse impacts. Sub-projects with identified adverse impacts will either have to identify an alternative approach or not be considered for sub-project funding.
4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.
The borrower plans to hire a safeguard consultant under the project implementation unit (PIU) who will provide expert advice on proposed sub-projects to oversee the implementation of the ESMF and RPF. It is expected, that should ESMPs or RAPs be required, that the PIU will hire additional consultants to undertake the work, while the safeguards consultant will monitor implementation of such Plans. Where works contracts are involved, the Contractor will have contractual responsibilities in regards to any related safeguards.
5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.
Given the small size of the sub-project grants there is no over all stakeholder engagement plan. Stakeholder engagement will take place in regards to announcement of grant application processes, and at the subproject locations which will be supported. The site-specific stakeholder engagement will ensure that there are no unforeseen adverse impacts and ensure that communities are fully appraised of project conditions.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other	
Date of receipt by the Bank	30-Sep-2016
Date of submission to InfoShop	18-Oct-2016
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	
"In country" Disclosure	
Zambia	18-Oct-2016
Comments:	
Resettlement Action Plan/Framework/Policy Process	
Date of receipt by the Bank	16-Sep-2016
Date of submission to InfoShop	06-Oct-2016
"In country" Disclosure	
Zambia	12-Oct-2016
Comments:	
Pest Management Plan	
Was the document disclosed prior to appraisal?	Yes
Date of receipt by the Bank	30-Sep-2016
Date of submission to InfoShop	18-Oct-2016
"In country" Disclosure	
Zambia	18-Oct-2016
Comments:	
If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/ Audit/or EMP.	
If in-country disclosure of any of the above documents is not expected, please explain why:	

Public Disclosure Copy

C. Compliance Monitoring Indicators at the Corporate Level

OP/BP/GP 4.01 - Environment Assessment	
Does the project require a stand-alone EA (including EMP) report?	Yes [×] No [ ] NA [ ]
If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?	Yes [×] No [ ] NA [ ]
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?	Yes [ ] No [ ] NA [×]
OP 4.09 - Pest Management	

Does the EA adequately address the pest management issues?	Yes [×] No [ ] NA [ ]
Is a separate PMP required?	Yes [ ] No [×] NA [ ]
If yes, has the PMP been reviewed and approved by a safeguards specialist or PM? Are PMP requirements included in project design?If yes, does the project team include a Pest Management Specialist?	Yes [ ] No [ ] NA [×]
OP/BP 4.12 - Involuntary Resettlement	
Has a resettlement plan/abbreviated plan/policy framework/ process framework (as appropriate) been prepared?	Yes [×] No [ ] NA [ ]
If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?	Yes [×] No [ ] NA [ ]
Is physical displacement/relocation expected? Provided estimated number of people to be affected	Yes [ ] No [ ] TBD [×]
Is economic displacement expected? (loss of assets or access to assets that leads to loss of income sources or other means of livelihoods) Provided estimated number of people to be affected	Yes [ ] No [ ] TBD [×]
The World Bank Policy on Disclosure of Information	
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [×] No [ ] NA [ ]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [×] No [ ] NA [ ]
All Safeguard Policies	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [×] No [ ] NA [ ]
Have costs related to safeguard policy measures been included in the project cost?	Yes [×] No [ ] NA [ ]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [×] No [ ] NA [ ]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [×] No [ ] NA [ ]

V. Contact point

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Contact: Tugba Gurcanlar

Title: Private Sector Specialist

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VI. For more information contact:

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VII. Approval

Task Team Leader(s):	Name: Brian G. Mtonya,Tugba Gurcanlar	
Approved By		
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Practice Manager/ Manager:	Name: David Bridgman (PMGR)	Date: 19-Oct-2016
Country Director:	Name: Ina-Marlene E. Ruthenberg (CD)	Date: 20-Oct-2016