1. Country and Sector Background
Zambia is a predominantly rural economy and almost two thirds of the country’s population, namely 7 million of about 10.5 million, lives in rural areas, and depends on agriculture. Of the rural population participating in the labor force 75% have their primary occupation in agriculture, 8% are wage earners, 7% are self-employed in other occupations and about 10% are underemployed/unemployed. Moreover, poverty is endemic in Zambia and a majority of the poor live in rural areas. Despite these demographic features, Zambia since its independence has invested overwhelmingly in urban areas and mining, and the rural and agricultural sector has received relatively far less development resources. The resulting lop-sided development has hurt a well-rounded growth and development of the country’s economy.

Zambian agriculture has faced in the past, and continues to face several impediments for harnessing its considerable potential for increasing production for domestic consumption and export, contributing to national GDP, and addressing food security and rural poverty. These include poor
rural infrastructure; thin or nonexistent markets for key inputs and services notably fertilizer, credit and transport; limited financial markets and markets for farmer outputs; inadequate and often supply-driven extension services; poor agricultural research infrastructure; decay of rural social services and amenities and degradation of biodiversity and environment. Low education levels among rural families limit their capacity to adapt to technological changes and restrict their range of opportunities. Due to limited availability of social services, the health profile of rural people is poor. The HIV/AIDS pandemic is one of the worst in the region. Depletion of livestock resources- the main source of nutrition for rural families, and under-utilization of country’s water resources in aid of agriculture are other major shortcomings.

The preponderance of rain-fed agriculture and very low use of its water resources make Zambian agriculture highly prone to the vagaries of nature, and this has resulted in frequent crop failures in the past. In the last decade alone Zambia has faced recurring droughts, including the 1991/92 severe drought, which affected the Southern Africa region as a whole. Subsequent to the 1991/92 country-wide drought, there was a partial drought in 1995, and an El Nino phenomenon in 1998, both of which resulted in significant production shortfalls. The 1991/92 phenomenon has repeated itself in 2001/2002, and the impact of the drought has been exacerbated on the one hand by the second consecutive year of poor and failed harvest and on the other by the inability of neighboring countries to export food, as these themselves are experiencing food scarcity conditions.

Size of the problem: Of the 74 districts in the country 38 are severely affected by drought, and some 2.9 million people are in need of food relief. A joint assessment team of the Government, UN system and NGOs has estimated the maize deficit at 635,000 metric tones, against which donor pledges as of September 2002 was about 75,000 metric tones. However, this may not been realized due the government policy on genetically modified maize and government has to buy most of the food on its own account. Besides food, water scarcity for humans and livestock has also emerged as a serious issue. With water sources drying up in some areas and people forced to use non-potable water for drinking the threat of disease epidemics breaking out is real. As most farmers lost their investments in the failed crops, they are not left with means to buy food for their families in this season, and to cultivate their lands in the next cropping season, assuming that it would be a normal rain year. In other words ensuring availability of food in the markets of the drought affected areas alone would not be enough, the affected populations would need to be provided with means to buy food or receive relief food.

Government Response: The Government of Zambia has declared Southern Province a disaster area, and has issued an appeal for humanitarian aid. At the same time, a number of other initiatives have also been taken to deal with the crisis. These include, (i) provision of food relief to severely affected households - this strategy is being championed by the United Nations World Food Program (WFP) and NGOs experienced in relief work; (ii) facilitation of private sector maize import - Government has signed a Memorandum of Understanding (MoU) with the millers for the importation of maize; (iii) financing of the purchase of strategic food reserves; (iv) decision to support farmers to grow next season crops, and to organize demonstration and dissemination of conservation farming
technologies, and (v) provision of extension support to affected communities, particularly, to mitigate the effects of drought on livestock.

International Community Response: The UN system in Zambia launched its Consolidated Appeal (CAP) on July 17, 2002. Emergency relief operations would be handled by FAO, UNDP, UNICEF, UNFPA, and WFP. Besides, a number of national and international NGOs would also be key partners in this effort. Priority actions planned as emergency response include provision of adequate food relief, access to water, health and nutrition, agriculture, education and support for special protection of children. There is also a plan to link relief to programs being implemented by the Government with support from multi-lateral and bilateral agencies, civil society and private sector. The countries that have pledged their support include USA, Netherlands, UK, Japan, and the European Union.

2. Objectives
The overall objectives of the project are to assist the government in maintaining key commitments to its economic and investment priorities laid out in the PRSP while meeting the exigencies of the food crisis, and to help restore productive capability of the affected population. It is aimed at helping the government to respond effectively to the current drought, and to supplement government’s effort and resources: (a) to prevent starvation and malnutrition in the affected human population; (b) to support other identified drought mitigation measures such as providing drinking water, improving critical transport and logistics links, supporting health and sanitation services, providing support to keep children in school and protecting the threatened livestock population; (c) to support farmers to raise crops in the next agricultural season; and (d) to enhance government capacity for longer-term disaster management, including through support for developing an effective early warning system.

3. Rationale for Bank’s Involvement
The proposed emergency support is fully consistent with the Bank Group’s overall assistance strategy for Zambia. It also supports the government’s own Drought Recovery and Mitigation Plan, October 2002, which focuses primarily on immediately providing food and other essential goods and services to the affected population, as well as helping farmers restore agricultural output in the next season.

For the Bank and the government, ensuring a stable macroeconomic framework has been a priority before the emergency and will continue to be so while the government deals with the economic and social shocks of the drought. Bank’s involvement at a time when the country is experiencing a major drought shock will help the government maintain its key commitments to social and economic reforms and to the investment priorities that are contained in its PRSP. It will also help restore the productive capacity of the affected population. The poor will suffer most if the government is not able to mobilize additional resources to finance essential imports and maintain its expenditures on social services and infrastructure, which is crucial to reduce poverty over the longer term. Thus, the Bank’s emergency assistance would ensure that essential long-term expenditures are not compromised while the government makes available food supplies in drought-affected areas and to the poor. In addition, the Bank’s
assistance will enable the government to partially mitigate the income shocks on the vulnerable, to allow them to access food and other essential goods and services through targeted safety net interventions (such as employment through public works and distribution of agricultural inputs entailing cash or in-kind income supplements). As part of the discussions on Bank assistance for drought recovery, the government and the Bank have agreed to complement the emergency credit with resources from the existing portfolio, to be realigned towards targeted safety net interventions. The resources from the existing portfolio complement and do not substitute for the emergency operation because the focus of support and timing of disbursements differ from those of the emergency credit.

The proposed emergency assistance also responds to the consolidated appeal issued by the United Nations on behalf of Zambia and supported by bilateral donors and multilateral agencies. In addition, the Bank has considerable experience in emergency operations, including response to drought, and will be able to respond quickly under its quick disbursing assistance. Moreover, 40 percent of the assistance will be through an IDA grant. This response would be part of the overall Bank effort to provide drought relief in the most affected countries of the southern Africa region.

4. Description
The proposed operation comprises four components:

(a) Quick-disbursing assistance to finance a positive list of imports. The positive list of imports will include (i) machinery and equipment; (ii) agricultural inputs; (iii) petroleum products; (iv) construction materials; (v) transport vehicles, motor bicycles, bicycles; (vi) livestock and animal health products and veterinary supplies and equipment; (vii) school supplies and equipment; (viii) medical supplies and equipment. In aggregate, the imports financed under the fast-disbursing component would be used to help restore agricultural production, improve access of rural people to markets and services through repair and improvement of rural roads and bridges, and help maintain education and health services.

(b) Safety net interventions aimed at improving access to markets for essential commodities and services by vulnerable groups. The government intends to provide employment and improve access to markets by expanding its public works programs under ongoing projects such as the Road Sector Investment Program, and to invest in removing critical transport bottlenecks. The project will support some of these efforts.

(c) Distribution of a package of agricultural inputs and technologies for the next cropping season to households severely affected by drought. Farmers who cultivate less than a hectare of land, lost their crop to drought, lost their cattle and draft animals, households with HIV/AIDS patients and who support orphans and the handicapped, child-headed households, and women-headed households will benefit from this intervention.

(d) Improving early warning system and disaster management and mitigation capacity of the government through technical assistance, training, and studies.
5. Financing

Total (US$m)
BORROWER $0.00
IBRD
IDA $30.00
IDA GRANT FOR NATURAL DISASTERS $20.00
Total Project Cost $50.00

6. Implementation

The Government has a Disaster Management and Mitigation Unit (DMMU) in the office of the Vice President of Zambia. This Unit is entrusted the responsibility of overall management and coordination of the emergency response. Sector ministries are not much involved in direct relief work, and are generally engaged in coordinating non-relief activities aimed at mitigating the effects of the crisis. The Unit, however, is relying heavily on relief organizations such as the WFP, and the NGOs engaged in relief work. The Bank mission would assess the capacity of the Unit and the effectiveness of its operations to deliver on the onerous and time-bound outputs for the proposed emergency operations, and would include provisions for its appropriate strengthening, and establishment of necessary procedures. These measures should give it capacity to effectively coordinate implementation of the emergency recovery measures by diverse Government agencies, districts, NGOs, public and private institutions, and community-based organizations.

7. Sustainability

The proposed project is an emergency operation but it also contains measures to strengthen the capacity of the country to cope with natural events over the medium and long terms. It will assist the government to strengthen its early warning system, to establish effective drought management arrangements, and to develop a cohesive and responsive longer-term safety net framework (at the central and the district government levels). Appropriate plans will be drawn up for capacity building in the government and other cooperating institutions. This will create in the long term appropriate capacity in the government to address natural events such as periodic droughts and floods, as well as other economic shocks.

Currently under preparation is a Bank-supported agricultural sector development program for Zambia, which is being framed within the context of the PRSP, and which focuses on the critical role that agriculture must play in pro-poor sustainable development and growth. This project will assist the government in implementing medium and long-term measures to diversify agriculture, increase access to inputs, improve market infrastructure and information, encourage more reliable and ecologically sustainable agricultural practices, encourage more sustainable alternative land uses, and reduce dependence on livelihoods vulnerable to drought, such as farming with traditional crops. It will promote demand-based technology generation, and build capacity of the private sector and of NGOs to effectively deliver key services in rural areas. These measures are expected to enhance food security, increase incomes and reduce poverty, and thereby increase the number of rural households that can cope with stressful natural events. The proposed emergency project fits well within a series of initiatives planned or under implementation that are designed to promote household food security, enhance welfare, and
strengthen household capacity to face droughts. In addition, the emergency operation will support social safety net operations through either existing or enhanced mechanisms. These interventions are expected to be scaled down at the end of their implementation period once food production returns to normal. The longer-term objective is to strengthen the nation’s social safety net system, to enable the government to respond rapidly to people’s needs during emergencies, while continuing to assist the most vulnerable during normal times.

8. Lessons learned from past operations in the country/sector
Lessons learned from previous emergency operations have been taken into account in the design of the project, and the project preparation/appraisal has benefited from the advice of teams involved in responding to similar emergencies in other countries. Key lessons reflected in the project design are:

- Including measures to enhance government’s capacity to monitor food security and detect impending harvest shortfalls, plan effectively to mitigate their impact, and efficiently manage actions for recovery is very important. Had this been pursued following the last severe drought of 1991/92 the country may have been better able to cope with the current drought. The project includes measures to strengthen the government’s early warning system and to improve its capacity to mitigate and respond to emergencies.

- Emergency operations must be simple, rapidly executable, and not burdened with conditionality. This project is simple, focuses on supporting activities that are already underway and on importing key commodities, and includes no policy-oriented conditionalities.

- Interventions should focus on meeting the needs of the most vulnerable groups in society. This project supports the government’s safety net programs.

- The operation should focus on sectors immediately affected, and not undertake too broad an agenda of cross-cutting issues. This project is narrow in scope, supporting just critical imports and government initiatives that are already underway.

- Commitment and ownership of the borrower are critical for successful implementation. This project responds to the government’s direct appeal to the Bank for aid.

- Speed in preparation, appraisal, and implementation are critical elements of success. Preparation of this project started on Sept 9, 2002. Preparation was completed in two weeks, and the project was negotiated on October 10, 2002. This compares with the average project preparation time for Zambia of 18 months. The project’s simple, focused design, and its reliance on existing institutional structures and arrangements for implementation will almost certainly guarantee that the project is completed within the two years envisaged.

Benefits and Risks

Benefits: Major benefits expected to accrue from the project are: (a)
increased likelihood that the government will be able to prevent deaths and illness from the present food shortages; (b) ability to maintain investments in health and education which are critical to longer-term poverty reduction; (c) enhanced capacity for the most vulnerable groups to access goods and services by providing temporary employment and income supplements through public works and other targeted interventions; and (d) improved access to services, inputs, and markets in rural areas; and (e) strengthened early warning system and enhanced capacity for disaster management in the future. The project will complement the assistance provided by other donors and agencies and act as a catalyst for additional assistance.

Risks: The operation faces several risks. Delays may occur in delivery of the humanitarian assistance pledged by donors. The current debate on genetically-modified food may reduce the amount of food aid that can be delivered and made available in the country. Transporting and distributing food to remote areas of the country may prove difficult. So far, the amount of food aid and commercial imports has been very limited and the additional food requirement has to be imported in a period of three to four months. In the event of late orders or logistical bottlenecks, a large number of Zambians may be severely impacted by the effect of drought despite the best efforts of all parties concerned. To mitigate this risk, the Bank will provide support to the government to facilitate delivery of essential commodities to the affected population and to strengthen the DMMU with a qualified and experienced logistics manager. Moreover, a condition of effectiveness is that the government establishes a committee consisting of all the key donors to coordinate, monitor, and report on pledges, shipments, movement of food and supplies, and distribution to beneficiaries.

Lack of transparency and mismanagement of relief food is also a risk. This risk will be minimized by establishing effective mechanisms for reporting, monitoring, and auditing; consulting with and involving communities in the operation; and providing regular public information. The effective operation of the joint steering committee and the strengthened the DMMU will minimize a further risk of fragmentation and insufficient coordination by the various actors.

Low local capacity for management may also hinder operations. Involving NGOs and communities in implementing the project will minimize this risk.

A final risk relates to the danger of reverting to "business as usual" once the crisis abates, without putting into place strengthened capacity to forecast and to manage future crises. This risk is being addressed by strengthening the government’s early warning system and capacity for disaster management. Weather patterns are unpredictable, and there is no guarantee that adverse condition will not persist next year. Thus, the present operation will enhance government’s capacity to recognize problems as they develop and to respond appropriately.

9. Environment Aspects (including any public consultation)

Issues: There are no significant environmental issues arising from this project. The rural roads interventions, which are mainly spot improvements within existing rights of way, have triggered safeguard policies and the operation is classified as Category B.
Therefore, the operation will have its own environmental and social assessment framework, and a resettlement policy framework. These will provide the basis, mechanisms, and guidelines for screening, assessment, and mitigation measures to be applied during implementation.

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Note: This is information on an evolving project. Certain components may not be necessarily included in the final project.

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