



# Appraisal Environmental and Social Review Summary

## Appraisal Stage

### **(ESRS Appraisal Stage)**

Date Prepared/Updated: 04/07/2023 | Report No: ESRSA02730



**BASIC INFORMATION**

**A. Basic Project Data**

Country	Region	Project ID	Parent Project ID (if any)
Zambia	EASTERN AND SOUTHERN AFRICA	P179507	
Project Name	Zambia Agribusiness and Trade Project-II (ZATP-II)		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Finance, Competitiveness and Innovation	Investment Project Financing	4/3/2023	6/23/2023
Borrower(s)	Implementing Agency(ies)		
Ministry of Finance and National Planning	Ministry of Commerce Trade and Industry		

Proposed Development Objective

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

Financing (in USD Million)	Amount
<b>Total Project Cost</b>	<b>70.00</b>

**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]**

The project aims to support Zambia’s aspirations on diversification and regional integration as well as private sector-led growth. The project centers on inclusion and impact at scale by targeting 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 improve resiliency of Zambia’s agribusiness sector and render it more competitive, with an impetus on i) capitalizing on opportunities presented by the AfCFTA; ii) improving access to credit, thus amplifying the impact of public funding; iii) strengthening the business environment to ensure sustainability of project interventions; and iv) mainstreaming the role of the private sector especially women and rural youth as Zambia transitions to an inclusive and greener economy.



The project is proposed to be an Investment Project Financing under the SUW/SML 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.

**Component 1: Support access to markets and finance (USD 43.00 million)**

This component addresses key constraints related to limited access to finance, inadequate integration along value chains, lack of market linkages and weak business capabilities. This will be achieved through an integrated approach, including technical assistance or business development services and structured financing through a Line of Credit and Matching Grant facility. This component has the following three subcomponents.

**Subcomponent 1.a. MarketConnect (USD 16.00 million)** : The objective of this subcomponent is to provide tailored technical assistance to Producer Organizations (POs) and agribusiness firms to ‘upgrade’ and improve market linkages as well as foster partnerships with off takers and buyers.

**Subcomponent 1.b. Productive Alliances (USD 12.00 million):** The objective of this subcomponent is to support transition of small and marginal farmers to market-centric approaches by improving their capacity to finance and execute productivity enhancing investments.

**Subcomponent 1.c. Line of Credit (LoC) to support Agribusinesses (USD 15.00 million):** This subcomponent will enhance access to finance by galvanizing financial intermediaries to work with growth-oriented agribusiness firms and enterprises.

Overall—through a combination of business development services, matching grants to jumpstart productive alliances, and provision of a credit facility—Component 1 will address demand-side constraints of farmers and high-growth agribusinesses in Zambia. This component is aligned with Pillar 1 and Pillar 2 of GCRF.

**Component 2: Promote Trade and Agribusiness Competitiveness (USD 20.00 million)**

The objective of this component is to enable the key stakeholders in Zambia’s agribusiness sector and those benefitting from component 1 to take advantage of improved business environment and opportunities emerging from AfCFTA. This component will seek to improve trade pathways, quality infrastructure, and business enabling environment i.e., meso-level sectoral activities that are critical for firms and farmers and in line with the AfCFTA. Special focus would be placed on SMEs and women traders to ensure that the project addresses the key constraints faced by them. Component 2 is aligned to Pillars 1 (Responding to Food Insecurity) and Pillar 2 (Protecting People and preserving Jobs) of GCRF and will comprise of the following activities:

- Implementing trade commitments.
- Improving trade efficiency
- Strengthen Business regulatory, NQI and SPS capacities and facilities

**Component 3: Project Management (USD 7.00 million)**



This component will ensure effective implementation of project activities, including monitoring and evaluation of project implementation progress. It will primarily build on the implementation experience of Zambia Agribusiness and Trade Project (ZATP), that was started in 2017 and slated to run through 2024. This Component will support i) project operations; (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) an M&E system to account for the national project scale-up 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 provincial level, 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

#### 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 Agribusiness And Trade Project-II (ZATP-II) is a follow-up project to the Zambia Agribusiness and Trade Project (ZATP) currently being implemented in twenty districts and five provinces of Zambia. ZATP-II 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 km<sup>2</sup>; 20 National Parks (NPs) covering 63,630 km<sup>2</sup> and 36 Game Management Areas (GMAs) covering about 167,557 km<sup>2</sup>. Zambia has eight (8) Ramsar sites with a combined total area of 40,305 km<sup>2</sup>. 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 group 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 ZATP-II 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, ESAs, 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, SEA/SH 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.

Public Disclosure

**II. SUMMARY OF 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 ZATP-II) 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 or solar panels, equipment and batteries used in project 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, TORs for a Biodiversity Management Plan (BMP), a road safety policy, activity exclusion list etc.

**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) . The ESMS will be established, cleared by the Bank, and operationalized before screening any proposed FI subprojects.

## 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 and the requirement of ESS2 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) potential land conversion (iv) the uncontrolled use and application of pesticides (v) the use of fossil fuels for energy generation leading to the emission of GHGs (vi) inadequate implementation, supervision and management of OHS on all sites



leading to incidents and accidents to workers and the community (vii) inadequate standard of infrastructure design and construction and (viii) 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. According to the definitions of the OESRC Advisory Note Technical Assistance and the Environmental and Social Framework (2019), TA activities will include Type 3 Strengthening borrower capacity. 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 including potential adverse transboundary, cumulative and indirect impacts. 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), SEA/SH 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 and approved before Board approval 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, Biodiversity Management Plan TORs, a road safety policy, guidelines on the management of OHS on project sites, 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.

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.





### **ESS10 Stakeholder Engagement and Information Disclosure**

This standard is relevant. A draft Stakeholder Engagement Plan (SEP) has been prepared that, (i) describes the project stakeholders, making a distinction between those directly affected by the project and other interested parties; (ii) describes 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) describes the type of information that will be provided to stakeholders and how feedback from stakeholders will be solicited and recorded, (iv) where necessary, includes differentiated measures to remove obstacles to participation as well as allow the effective participation of those identified as disadvantaged or vulnerable; and (v) describes the project-level Grievance Mechanism to be developed by the borrower per the requirements of ESS10.

The GRM builds 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 SEP shall be disclosed prior to Appraisal, and finalized at the latest by project Negotiations.

### **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 and the requirements of ESS2 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) by Board approval. The LMP will outline requirements related to working conditions, management of worker's relationships, occupational health and safety (including an assessment of likely subproject OHS risks such as road safety, construction, use and storage of hazardous materials etc.), 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 redress 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 and in other renewable applications using solar equipment (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. GHG emissions are assessed not to be significant. 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 as guided by ESHGs and GIIP. 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 include (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 specific security measures included in the site specific ESMPs 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, and (vi) appropriate SEA/SH Action Plan and mitigation measures detailed in the ESMF and ESMPs and (vii) appropriate emergency preparedness and response measures.

#### **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, although these risks are minor. 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 of critical and natural habitats 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 that will prevent the conversion of natural and critical habitats to agriculture plots, 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 conducting similar activities or common use of fossil fuels, pesticides and other polluting sources (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 (viii) the ESMF screening process will require an evaluation and verification of primary suppliers' systems and practices to ensure the sustainable and legal extraction of raw materials, natural resources and other aspects.

### **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), (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.

**C. Legal Operational Policies that Apply**

<b>OP 7.50 Projects on International Waterways</b>	No
<b>OP 7.60 Projects in Disputed Areas</b>	No

**B.3. Reliance on Borrower’s policy, legal and institutional framework, relevant to the Project risks and impacts**

<b>Is this project being prepared for use of Borrower Framework?</b>	No
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Public Disclosure



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

N/A

**IV. CONTACT POINTS**

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**Borrower/Client/Recipient**

Borrower: Ministry of Finance and National Planning

**Implementing Agency(ies)**

Implementing Agency: Ministry of Commerce Trade and Industry

**V. FOR MORE INFORMATION CONTACT**

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**VI. APPROVAL**

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Practice Manager (ENR/Social) Helene Monika Carlsson Rex Cleared on 06-Apr-2023 at 17:43:55 EDT