



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 20-Feb-2023 | Report No: PIDC34637

**BASIC INFORMATION****A. Basic Project Data**

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

Proposed Development Objective(s)

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

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	70.00
Total Financing	70.00
of which IBRD/IDA	70.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Development Association (IDA)	70.00
IDA Shorter Maturity Loan (SML)	70.00

Environmental and Social Risk Classification

Concept Review Decision



Moderate

Track I-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **A decade of unsustainable debt accumulation and fiscal deficits in Zambia has driven declining trends on several development indicators and re-classification as low-income country.** After tremendous growth in the 2000s, Zambia was reclassified as a lower-middle-income country in 2011. Lower demand, COVID-19 related restrictions and measures, and supply chain disruptions decreased economic activity, especially in mining and services, Zambia’s main export generator.
2. **Zambia is one of the most unequal countries globally.** Its Gini Index is estimated at 57.1, and nearly 54.4 percent population lives below US\$1.90 per day (measured in purchasing power parity) as of 2015. Productivity and job outcomes, especially those driven by the private sector, have been relatively less impressive in Zambia. The unemployment rate has increased steadily from 8 percent in 2012 to 13 percent in 2021. With agriculture accounting for half of the jobs and nearly 50 percent of non-copper exports there are significant opportunities for food processing, agribusinesses and commercial farming that can boost jobs, incomes, economic diversification, and inclusion.
3. **Zambia has been experiencing adverse impacts of climate change** with increased frequency and severity of seasonal droughts, increased temperatures, flash floods, dry spells (occasionally) and changes in the growing season. Zambia is also developing anticipatory scenarios for low-carbon Climate Resilient Development (CRD) pathways for the agricultural sector, aimed at informing input into national climate policy.

Sectoral and Institutional Context

4. **The private sector’s role in agribusiness growth is critical to drive productivity, employment, and structural transformation in Zambia.** Agriculture accounts for half of all jobs in Zambia, but labor productivity—and worker incomes remain low, and hence the value added in agriculture accounts for less than 5 percent of GDP. To harness the private sector’s potential in agribusiness, Zambia needs to address challenges around market access, firm-level capabilities, access to finance, trade, and the business enabling environment.
5. **Many Zambian producer organizations and agribusinesses lack sufficient capabilities to scale up and improve productivity.** Zambian firms (especially Micro, Small and Medium Enterprises) often lack awareness in terms of available financing options, their own financing needs, and requirements to apply for and successfully access finance. Finally, most agricultural producers in Zambia continue to operate at a subsistence level, with limited knowledge of Good Agricultural Practices (GAP), standards, and market requirements which could improve yields and commercial market access.
6. **Relatedly, Zambian farmers and agribusinesses also require assistance to adopt climate-smart agricultural practices to improve their resilience.** Zambia is situated in the climate change “hotspot” of Southern and Eastern Africa, indicating that urgent action is required at both the national and regional levels for adaptation and mitigation



7. **Constraints related to the supply of financing prevents even viable and creditworthy agribusinesses from accessing funding to expand and improve productivity.** As per the 2019 Economic Survey, over 30 percent of Zambian firms reported access to finance as their top business environment constraint, more than for any other potential constraint. This obstacle is attributable to the lack of formal financing instruments, insufficient sector-specific financial products, the high cost of borrowing, excessive collateral requirements by banks, and challenging assessment frameworks by banks.
8. **Zambia's business enabling environment needs to be improved to allow private producers and agribusinesses to enter, operate, scale up, diversify and thrive.** For example, starting a business in Zambia remains expensive and burdensome, costing 34 percent of per capita income on average, versus 22 percent and 0 percent in Kenya and Rwanda, respectively.
9. **The African Continental Free Trade Agreement (AfCFTA) will create significant opportunities for exports of Zambian agricultural goods.** The AfCFTA will link 54 countries with 1.3 billion people and a combined potential GDP of USD 3.4 trillion into one market. Zambia can leverage the AfCFTA to grow industry, bring higher-paid, and better-quality jobs by implementing its commitments and taking advantage of the opportunities offered by the continental agreement. However, realizing Zambia's full potential for agricultural exports and benefitting from AfCFTA integration will require investments in trade facilitation to improve access to markets.

Relationship to CPF

10. **Zambia Jobs and Economic Transformation (Z-JET) Project is aligned with the Zambia Country Partnership Framework (CPF) for FY19-23**, which aims "to expand employment opportunities and develop alternative sources of growth that contribute to economic diversification". The project supports even territorial development with jobs for rural poor; women's access to economic opportunities and Trade and Infrastructure for economic integration. Z-JET fits well with the World Bank's Africa Strategy (2019-2023), especially on the goal of "Creating Jobs and Transforming Economies". The project is also aligned to GRZ's 8th National development Plan

C. Proposed Development Objective(s)

The proposed development objective is to contribute to increased access to markets, finance and firm growth in Zambia's Agribusiness sector.

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

- a) Number of beneficiaries who report increased average sales (Number, relative to baseline) of which female-owned or led (%)
- b) Percentage of beneficiaries who meet buyer's requirements through commercialization agreements (Percentage)
- c) Number of beneficiaries accessing external finance (Number) of which female-owned or -led (%); of which in rural Zambia (%)
- d) Percentage beneficiaries with increased sales via exports (Percentage, relative to baseline) of which female-owned or -led

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

D. Concept Description



12. **The project is proposed to be an Investment Project Financing 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.

13. **Building on Zambia Agribusiness and Trade Project’s (ZATP; P156492) success, Z-JET will continue supporting the private sector in Zambia’s agribusiness sector through direct investments and business development service provision to farmers and growth-oriented businesses as well as promote upstream enablers related to trade, quality infrastructure, and regulatory and institutional strengthening.** To maximize the leverage from public funding and increase sustainability, the project will introduce the dimension of a credit facility for high growth agribusinesses—a deviation from the ZATP model, which was fully reliant on financing through matching grants. A portion of funding is proposed to be channeled through a line of credit to enable better leverage and impact at scale for this segment of beneficiaries. The project centers on inclusion and impact at scale as it targets growth for the bottom 40 percent of earners, most of whom are employed in Zambia’s agricultural sector in micro and small businesses.

14. **Component 1: Support access to markets and finance (USD 43.00 million):** This component aims to improve market linkages, profitability, growth, and eventually resilience for farmers and businesses in all ten provinces of Zambia. Accordingly, this component has the following subcomponents:

- Subcomponent 1.a. MarketConnect (USD 16.00 million)
- Subcomponent 1.b. Productive Alliances (USD 12.00 million)
- Subcomponent 1.c. Line of Credit(LoC) to support Agribusinesses (USD 15.00 million)

15. **Component 2: Promote Trade and Agribusiness Competitiveness (USD 20.00 million):** This component will seek to improve the trade, quality infrastructure, and business enabling environment i.e. meso-level sectoral activities that are critical for firms and farmers Component 2 will comprise of the following subcomponents:

- Subcomponent 2.a. Trade Facilitation and Trade in Goods (USD 15.00 million)
- Subcomponent 2.b: Strengthening Regulatory and Institutional frameworks for Agribusiness Competitiveness (USD 5.00 million)

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.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts



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APPROVAL

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