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IMPLEMENTATION COMPLETION AND RESULTS REPORT
(Credit Number 5933-ZM)
ON A CREDIT

IN THE AMOUNT OF SDR 29.2 MILLION
(US\$ 40 MILLION EQUIVALENT)

TO THE

REPUBLIC OF ZAMBIA

Ministry of Finance and National Planning

FOR

Zambia Agribusiness and Trade Project
November 30, 2024

Finance, Competitiveness and Investment
Eastern and Southern Africa



CURRENCY EQUIVALENTS

(Exchange Rate Effective Nov 26, 2024)

Currency Unit =	26.53 Zambian Kwacha (k)
26.3=	US\$1
US\$ =	SDR 1

FISCAL YEAR

January 1 - December 31

Regional Vice President : Victoria Kwakwa
Country Director : Nathan M. Belete
Regional Director : Hassan Zaman
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Task Team Leader (s) : Soujanya Krishna Chodavarapu, Silvia Mauri, Hazem Ibrahim Hanbal
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ABBREVIATIONS AND ACRONYMS

BRR	Business Regulatory Review Agency
CCPC	Competition and Consumer Protection Commission
COVID-19	Corona Virus Disease 2019
CPF	Country Partnership Framework
DLI	Disbursement Linked Indicator
DPO	Development Policy Operation
ESIA	Environmental and Social Impact Assessments
ESMP	Environmental and Social Management Plan
FM	Financial Management
GBV	Gender Based Violence
GRZ	Government of Republic of Zambia
ICRR	Implementation Completion and Results Report
IDA	International Development Association
IPF	Investment Project Financing
ISR	Implementation Status and Results
LMI	Last Mile Infrastructure
M&E	Monitoring and Evaluation
MC	MarketConnect
MCTI	Ministry of Commerce, Trade and Industry
MG	Matching Grant
MSME	Micro, Small and Medium Enterprise
NQI	National Quality Infrastructure
PA(Z)	Productive Alliance (for Zambia)
PAD	Project Appraisal Document
PDO	Project Development Objective
PIU	Project Implementation Unit
PO	Productive Organization
RIA	Regulatory Impact Assessment
SME	Small and Medium Enterprise
TTL	Task Team Leader
ZABS	Zambia Bureau of Standards
ZATP	Zambia Agribusiness and Trade Project
SEA	Sexual Exploitation and Abuse
TA	Technical Assistance
TSP	Technical Service Provider

TABLE OF CONTENTS

DATA SHEET	iv
I. PROJECT CONTEXT AND DEVELOPMENT OBJECTIVES	2
II. OUTCOME	8
III. KEY FACTORS AFFECTED IMPLEMENTATION AND OUTCOME	16
IV. BANK PERFORMANCE, COMPLIANCE ISSUES, AND RISK TO DEVELOPMENT OUTCOME.....	18
V. LESSONS AND RECOMMENDATIONS.....	25
ANNEX 1. RESULTS FRAMEWORK AND KEY OUTPUTS	30
ANNEX 2. BANK LENDING AND IMPLEMENTATION SUPPORT/SUPERVISION	34
ANNEX 3. PROJECT COST BY COMPONENT.....	36
ANNEX 4. EFFICIENCY ANALYSIS	37
SUMMARY OF DATA AND ASSUMPTIONS.....	38
ANNEX 5. BORROWER, CO-FINANCIER AND OTHER PARTNER/STAKEHOLDER COMMENTS	40
ANNEX 6. SUPPORTING DOCUMENTS (IF ANY)	41

DATA SHEET
BASIC DATA
Product Information

Operation ID P156492	Operation Name Zambia Agribusiness and Trade Project
Product Investment Project Financing (IPF)	Operation Short Name Zambia Agribusiness and Trade Project
Operation Status Closed	Approval Fiscal Year 2017
Original EA Category Partial Assessment (B) (Approval package - 16 Dec 2016)	Current EA Category Partial Assessment (B) (Restructuring Data Sheet - 23 Feb 2022)

CLIENTS

Borrower/Recipient Ministry of Finance and National Planning	Implementing Agency Ministry of Commerce, Trade and Industry
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DEVELOPMENT OBJECTIVE

Original Development Objective (Approved as part of Approval Package on 15-Dec-2016)
 The development objective of the proposed project is to contribute to increased market linkages and firm growth in agribusiness.

OPS~Doctype~OPS^dynamics@icrfinancing#doctemplate&#@

FINANCING

Financing Source	Original Amount (US\$)	Revised Amount (US\$)	Actual Disbursed (US\$)
World Bank Financing	40,000,000.00	40,000,000.00	40,119,622.42
IDA-59330	40,000,000.00	40,000,000.00	40,119,622.42
Total	40,000,000.00	40,000,000.00	40,119,622.42

RESTRUCTURING AND/OR ADDITIONAL FINANCING

Date(s)	Type	Amount Disbursed (US\$M)	Key Revisions
11-Oct-2019	Portal	9.04	
23-Feb-2022	Portal	25.48	<ul style="list-style-type: none"> • Components • Results • Disbursement Estimates • Loan Closing Date Extension • Reallocations

KEY DATES

Key Events	Planned Date	Actual Date
Concept Review	Feb-2016-25	Mar-2016-07
Decision Review	Sep-2016-21	Sep-2016-27
Authorize Negotiations	Nov-2016-03	Oct-2016-29
Approval	Dec-2016-16	Dec-2016-16
Signing	Oct-2016-25	May-2017-29
Effectiveness	Oct-2016-25	Jul-2017-19
ICR/NCO	Nov-2024-29	--
Restructuring Sequence.01	Not Applicable	Oct-2019-11
Restructuring Sequence.02	Not Applicable	Feb-2022-23
Mid-Term Review No. 01	Aug-2020-31	Oct-2020-05
Operation Closing/Cancellation	May-2024-30	May-2024-30

RATINGS SUMMARY

Outcome	Bank Performance	M&E Quality
Satisfactory	Satisfactory	Modest

ISR RATINGS

No.	Date ISR Archived	DO Rating	IP Rating	Actual Disbursements (US\$M)
01	31-Mar-2017	Satisfactory	Satisfactory	0.00
02	24-Oct-2017	Satisfactory	Satisfactory	1.80
03	06-Jul-2018	Moderately Satisfactory	Moderately Satisfactory	4.93
04	14-Jan-2019	Moderately Satisfactory	Moderately Satisfactory	6.18
05	28-Jun-2019	Satisfactory	Moderately Satisfactory	7.84
06	31-Dec-2019	Satisfactory	Moderately Satisfactory	11.07
07	17-Jun-2020	Satisfactory	Satisfactory	13.66
08	25-Nov-2020	Satisfactory	Satisfactory	15.79
09	26-May-2021	Satisfactory	Satisfactory	18.58
10	30-Nov-2021	Satisfactory	Satisfactory	22.46
11	30-Jun-2022	Satisfactory	Satisfactory	28.02
12	16-Dec-2022	Satisfactory	Satisfactory	32.07
13	21-Jun-2023	Satisfactory	Satisfactory	36.91
14	12-Dec-2023	Satisfactory	Satisfactory	39.64

SECTORS AND THEMES

Sectors

Major Sector	Sector	%	Adaptation Co- benefits (%)	Mitigation Co-benefits (%)
FY17 - Industry, Trade and Services	FY17 - Agricultural markets, commercialization and agri-business	71	0	0
	FY17 - Public Administration - Industry, Trade and Services	18	0	0
	FY17 - Trade	11	0	0

Themes

Major Theme	Theme (Level 2)	Theme (Level 3)	%
FY17 - Economic Policy	FY17 - Trade	FY17 - Trade Facilitation	20
FY17 - Human Development and Gender	FY17 - Gender		38
FY17 - Private Sector Development	FY17 - Business Enabling Environment	FY17 - Investment and Business Climate	18
	FY17 - Enterprise Development	FY17 - MSME Development	38
	FY17 - Jobs	FY17 - Job Creation	100
FY17 - Urban and Rural Development	FY17 - Rural Development	FY17 - Rural Markets	100

ADM STAFF

Role	At Approval	At ICR
Practice Manager		Alwaleed Fareed Alatabani
Regional Director		Hassan Zaman
Global Director		Mona E. Haddad
Practice Group Vice President		Pablo Alfonso Saavedra Costas
Country Director		Nathan M. Belete
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ADM Responsible Team Leader		Soujanya Krishna Chodavarapu
Co-Team Leader(s)		Hazem Ibrahim Hanbal, Silvia Mauri
ICR Main Contributor	Philip English	

I. PROJECT CONTEXT AND DEVELOPMENT OBJECTIVES

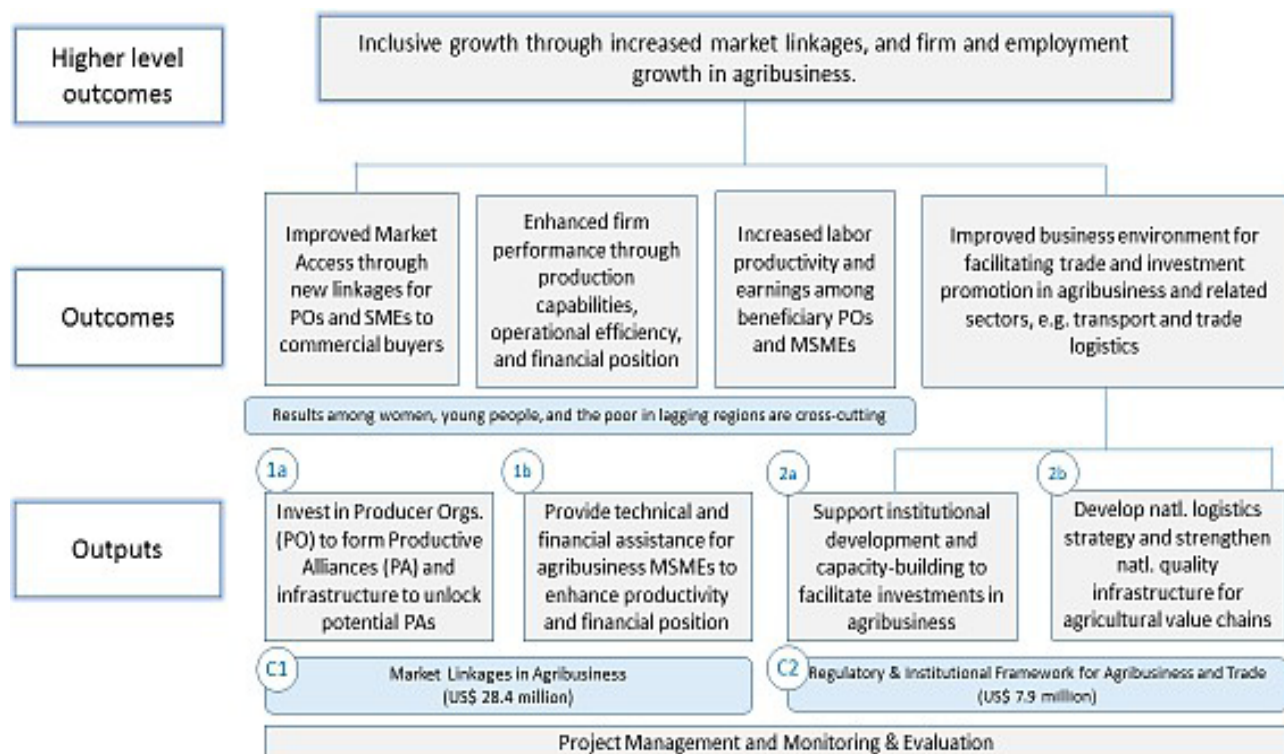
A. CONTEXT AT APPRAISAL

1. **Zambia was a lower-middle-income country with close to 16 million inhabitants at the time of appraisal in 2016 and per capita income of approximately US\$1,721.** Over the past two decades, Zambia had made significant socioeconomic progress. A relatively stable macroeconomic environment and improved policies since the mid-1990s, supported by improved copper prices, resulted in an average annual growth in GDP of about 7.5 percent between 2007 and 2014. However, economic challenges returned as copper prices fell 52 percent from their peak in 2011.
2. **Economic growth was not inclusive and poverty in Zambia was widespread.** Growth had 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. Mining accounted for 77 percent of total exports, but only employed 1.7 percent of the total labor force. As a result, 61 percent of the population was estimated to be living below the national poverty line. Rural poverty, at 74 percent, was more than double the urban poverty rate of 35 percent. Labor participation rates were falling while youth unemployment was rising. There was an urgent need to diversify the economy in a way which included small-scale farmers and enterprises.
3. **Several market and government failures impacted agribusinesses, small and medium enterprises (SMEs), and farmers in Zambia.** These included coordination failures, information asymmetries, capital market inefficiencies, policy distortions, and deficiencies in infrastructure. Farmers and SMEs generally did not have a confirmed market for their produce at the time of production, unlike their large-scale counterparts. Large-scale buyers found it difficult to source from smallholders because of a lack of coordination among these groups. Limited access and availability of credit also placed a severe constraint on farmers and agribusinesses. During the agricultural season 2010–2011, only 13 percent of Zambian farmers obtained credit for agricultural purposes. The high cost of finance, along with policy distortions and uncertainty, further constrained agriculture and SMEs, with interest rates exceeding 35 percent. But with strong national and regional demand for food and growing urban population and ample land, there was significant potential for growth in food processing and value addition.
4. **A predictable and business-enabling regulatory and institutional framework was a necessary requirement for agribusiness and trade to succeed in Zambia.** Various markets along agribusiness value chains under-performed because of inadequate competition. Assessments had found that policy inconsistencies, excessive and overlapping regulatory burdens, barriers to entry in input markets, and lack of a strong regulatory and institutional framework were hurting growth. New policies and regulations (Statutory Instruments) were being introduced with little consideration of their potential impact on the private sector and markets. Improved logistics were needed to reduce the high cost of international trade. Large retail chains and export markets had quality standards which required the certification of small producers.

5. **To be more inclusive, growth needed to raise the productivity and returns to work for the bottom 40 percent, most of whom were employed in the agricultural sector and SMEs.** Most poor Zambians, and most Zambian women, are still farmers, but agriculture is characterized by low levels of productivity and high levels of informality. Some farmers and SMEs had the potential to meet market demands and grow. But they needed technical assistance and/or investments to increase productivity, and links to markets. They also required regulations and institutions that provide the necessary quality infrastructure and create a conducive investment climate.

Theory of Change (Results Chain)

6. **The project was designed to achieve (a) Improved market access through new linkages for producer organizations (POs) and SMEs to commercial buyers; (b) Enhanced firm performance; (c) Increased labor productivity and earnings among POs and MSMEs and (c) Improved business environment for facilitating trade and investment promotion in agribusiness.** This was envisaged to be accomplished through (i) Investments in POs to form Productive Alliances and infrastructure and provision of technical & financial assistance for agribusiness MSMEs to enhance productivity under component 1; (ii) Support to institutional development and capacity building to facilitate investments in agribusiness sector and development of a national logistics strategy and by strengthening infrastructure for agriculture value chains under component 2.



* Employment refers to jobs through a more, better, and inclusive perspective – meaning job creation through wage work and self-employment/entrepreneurship, worker productivity increases towards greater earnings/ livelihoods, and job access for women, young people, and the bottom 40% of the population.

Project Development Objectives (PDOs)

7. The development objective of the project as stated in the financing agreement (IDA Credit No. 5933 ZM) was “to contribute to increased market linkages and firm growth in agribusiness”.

Key Expected Outcomes and Outcome Indicators

8. The two main outcomes that the project had set out to achieve were to a) increase market linkages and b) enable growth in agribusiness for both the Producer Organizations (POs) and Small & Medium Enterprises (SMEs). The success in achieving the above two outcomes were to be monitored by the following four main indicators –
 - Producer Organizations that meet commercialization agreement or business plan specifications (among beneficiaries as a percentage)
 - SMEs that meet buyer specifications (among beneficiaries as a percentage)
 - Increase (additional) in average value (expressed in percentage terms) of Beneficiary SMEs
 - Increase (additional) in average value (expressed in percentage terms) of Beneficiary Pos

Components

9. **Component 1. Market Linkages in Agribusiness** (original - US\$28.4 million, revised - US\$ 26.7 million): This component was aimed at developing market linkages in agribusiness, focusing on two sets of beneficiaries: farmers that were part of POs and growth-oriented agribusiness SMEs. Project interventions had particular emphasis on improving the ability of the POs and agribusiness SMEs to sustainably and commercially link into larger markets. It was planned to be achieved through two main subcomponents as described below.
10. **Subcomponent 1a. Building Productive Alliances in Zambia (PAZ)**: The objective of this subcomponent was to support small-scale, emerging farmers to integrate into value chains by improving their capacity to finance and execute productivity-enhancing investments and respond to the requirements of the main end-markets and major buyers. It was to be done by implementing the high impact ‘Productive Alliances’ (PAs) model which had successfully established sustainable commercial linkages for smallholders in Latin America in World Bank Group projects. Project support to PAs was to be complemented by ‘last mile’ infrastructure investments in targeted areas. The key investments to be made were (a) matching grant investments in POs; (b) capacity building in POs and PAs and (c) last mile public good infrastructure.

11. **Subcomponent 1b. SME Supplier Development Program:** The objective of this subcomponent was to promote agribusiness SMEs' sustainable integration 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. As was the case with PAs, the SME Supplier Development Program aimed to create improved market-driven business relationships between off-takers and SMEs, where off-takers benefit from improved and consistent volumes and quality of supply, and the SMEs benefit from higher productivity and access to assured markets. The key investments to be made were: (a) Establishing MarketConnect (TA services to growth-oriented SMEs) and (b) Provision of the Business Linkage Fund with royalty-bearing matching grants to SMEs.
12. **Component 2. Strengthening the Regulatory and Institutional Framework for Agribusiness and Trade** (Original - US\$7.9 million, Revised - US\$8.4 million): The objective of this component was to strengthen the regulatory and institutional framework for agribusiness and trade to assist the development of market linkages in agribusiness. It was organized around two subcomponents as described below.
13. **Subcomponent 2a: Strengthen capacity for Business Regulation, Competition, and National Quality Infrastructure.** The objective of this subcomponent was to strengthen the regulatory and institutional framework for agribusiness and trade through Disbursement Linked Indicators (DLIs) to underpin ongoing reforms: (a) improving institutional capacity for the Business Regulatory Review Agency (BRRRA) and ensuring the implementation of the Business Regulatory Review Act; (b) strengthening the institutional capacity of Competition and Consumer Protection Commission (CCPC) to focus on specific agribusiness and trade issues; and (c) strengthening the capacity of the National Quality Infrastructure (NQI) System, and especially the implementation of the related Statutory Instrument that streamlines the roles and responsibilities of the line agencies.
14. **Subcomponent 2b: Promoting Trade Facilitation.** The objective of this subcomponent was to promote trade facilitation through: (i) developing a National Logistics Strategy that required the setting up of an intergovernmental coordination mechanism through a National Logistics Committee housed in the Ministry of Transport that cut across mandates of numerous ministries and agencies in the country; and (ii) supporting the implementation of the National Quality Infrastructure (NQI) by (a) constructing a regional laboratory of the Zambia Bureau of Standards (ZABS) and provision of laboratory equipment 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; and (c) supporting the annual national standards award competition for large companies and SMEs to encourage excellence in standards.
15. **Component 3: Project Management and Monitoring and Evaluation** (Original - US\$3.7 million, revised - US\$4.9 million). This was to finance the activities of the Project Implementation Unit (PIU). The PIU was to oversee the implementation of project activities, fiduciary management, monitoring and evaluation (M&E), and reporting. The continuous M&E of the implementation of policies and key programs was to be a critical role of the PIU.

B. SIGNIFICANT CHANGES DURING IMPLEMENTATION (IF APPLICABLE)

Revised PDOs and Outcome Targets

16. The PDO and PDO targets remained unchanged throughout the project's implementation period.

Revised PDO Indicators

17. PDO indicators remained unchanged

Revised Components

18. **The project underwent two restructurings.** The first restructuring was undertaken in October 2019 and was necessitated to ensure that the project is aligned to the new Bank procurement guidelines¹ that had come into effect. This restructuring did not involve any other changes.
19. **The second restructuring was undertaken in February 2022** in response to a proposal received from the Government of the Republic of Zambia in July 2021. The Level 2 restructuring involved (i) revisions in the total costs of project components by reallocation of funds within and between components, and elimination of a sub-component, (ii) reallocation between disbursement categories, (iii) credit closing date extension, and (iv) revisions in the Results framework. The details are given below.
20. **Revision in components and costs and dropping last mile infrastructure investments:** The investments around Last Mile Infrastructure to be undertaken under sub component 1a were dropped and the US\$4 million that were saved as a result were reallocated to other sub-components, including the provision of matching grant investments to POs and capacity building of POs, PAs and SMEs under sub component 1a, business linkage funds under sub-component 1b, the construction of the ZABS Laboratory and Global Food Safety Initiative activities under component 2b. In addition, some of the savings were reallocated to component 3. Table 1 below summarizes the changes affecting the components and costs.

Component	Cost at appraisal US	Reallocation \$US	New Proposed \$Cost US
Component 1. Market Linkages in Agribusiness	28,400,000		26,700,000
Matching grant investments in POs (i)(a)1	9,700,000	900,000	10,600,000
Facilitation of and capacity building in POs (ii)(a)1 and PAs	3,000,000	250,000	3,250,000
Last mile infrastructure (iii)(a)1	4,000,000	(4,000,000)	0
MarketConnect (i)(b)1	6,000,000	250,000	6,250,000

21. **Reallocation between Disbursement Categories:** At the time of restructuring there were six disbursement categories including two each under components 1 and 2. Three categories supporting activities other than matching grants in sub-components 1(a) (ii), 1 (a) (iii) and 2 (b) were combined into a new category for "Goods, Works, Training, Operating Costs, non-consulting services and consultants' services".

22. **Credit Closing Date Extension:** A 23-month extension of the closing date (to May 30, 2024, from June 30, 2022) was done to make up for lost time during COVID-19 shutdowns and initial implementation delays and enable the project to successfully complete implementation and achieve the project outcomes.
23. **Changes in Results Framework:** The intermediate indicator “Number of public good infrastructure sub-projects implemented” was dropped due to the cancellation of the sub-component for Last Mile Infrastructure.

Rationale for Changes and Their Implication on the Original Theory of Change

24. **Alignment with the Bank’s new procurement guidelines.**² The first restructuring was undertaken in October 2019 to align with the Bank’s procurement. The second project restructuring was necessitated due to the following reasons, but with no impact on the theory of change.
25. **Delay in procurement of key consultants:** While the project was approved by the World Bank in December 2016, it took nearly two years for the project to complete the procurement of key consultants who were critical for project initiation and roll out of Market Connect and PAZ. As a result, the project effectively took off only in early to mid-2018. Thus, more than 18 months were lost in initiating the project.
26. **Lack of flexibility in disbursement:** The previous disbursement categories had tied up amounts and hindered project flexibility. The new approach offered greater opportunity to learn from implementation experience; for example, to allow for readjustment of Technical Assistance allocations for firm recovery and growth in response to the COVID-19 crisis.
27. **Response to COVID-19 crisis:** The COVID-19 crisis severely impacted the pace of project implementation especially in aspects related to supporting Producer Organizations and SMEs in the development of business and investment plans. Zambia also experienced a severe third wave of the COVID-19 pandemic until August 2021 and project activities continued to be deeply impacted due to pandemic-related mobility restrictions. Both farmers and firms in Zambia were affected by the impact of COVID-19 and needed additional time to complete ongoing activities. In this way, the extension contributed to the World Bank’s overall support to Zambia for the post COVID-19 recovery phase.
28. **Need to replenish funds for Component 3.** Project management expenses had been fully utilized and were overdrawn as an interim measure. This was owing to gaps in initial estimates for project supervision, coordination, and oversight across all five provinces. While shifting to a localized Technical Service Provider (TSP) model was cost effective, it entailed significantly scaled up supervision by the PIU. Also, several initiatives under Environmental and Social safeguards such as Gender Based Violence outreach, Sexual Exploitation and Abuse, and Environmental and Social Management Plans required intensive supervision. Although the overall project budget was only US\$40 million, it needed more funding than the standard 10 percent for project management.
29. **Reallocating resources from slow moving categories to high impact solutions.** Given the lack of demand for Last Mile Infrastructure activities and high demand for other components, there was merit in reallocating funds in the LMI sub-component to matching grants and capacity-building of POs, PAs and SMEs. Project management as well as the ZABS Laboratory and Global Food Safety Initiative activities under sub-component 2b also needed replenishment to achieve the intended project outcomes.

II. OUTCOME

A. RELEVANCE OF PDO

Assessment of Relevance of PDOs and Rating : High

30. **The overall objective of the project remained highly relevant at the time of closure.** The project's objectives are explicitly highlighted in the Country Partnership Framework for FY19-FY23 which remained in effect at the time of project closure in 2024.³ The first focus area of this CPF was "more even territorial development: opportunities and jobs for the rural poor". The first objective under this focus area was "agri-food sector becomes less maize-centric, more productive and better connected to domestic and external markets". The project also contributed to the second objective of the third focus area: "trade and infrastructure for economic integration and shared natural resources management with the broader region increases". A clear proof of the relevance of PDO at the time of closure was a request from the government for a follow-on project which resulted in delivery of ZATP-II with US\$170 million funding in FY23 with a similar PDO and scope for nationwide scale up. This remains relevant to the new CPF FY 25-29 under Higher Level Objective 1 (HLO) focusing on more and better jobs.

B. ACHIEVEMENT OF PDOs (EFFICACY)

Assessment of Achievement of Each Objective/Outcome

31. **Project performance was evaluated using the four principal PDO indicators (see Table 3).** This section utilizes data from the Results Framework, monitoring reports and beneficiary surveys provided by the Project Implementation Unit (PIU). Data reported in ISRs and Annex A was based on real time information from a subset of sub-projects using quarterly information data sheets in *nominal terms*. For the purposes of this ICRR, extensive work was conducted by the PIU to determine annual data for almost all the matching grant recipients. This was then *adjusted for inflation* and revised growth rates were calculated.

Actual Achievements Relative to Appraisal Targets

PDO Indicators by Objectives	Target at Approval	Actual Achievement
Increased market linkages		
Producer organizations that meet commercialization agreement or business plan specifications (among beneficiaries as a percentage)	65%	68%
SMEs that meet buyer specifications (among beneficiaries as a percentage)	70%	71.4%
Firm growth in agribusiness		
Increase (additional) in average value (expressed in percentage terms) of gross sales of Beneficiary POs	12%	78%
Increase (additional) in average value (expressed in percentage terms) of gross sales of Beneficiary SMEs	14%	36%

- 32. The target for indicators that measured increased market linkages by both producer groups and SMEs was exceeded.** The project measured the increase in market by assessing the extent to which the POs and SMEs supported under the project were able to meet commercialization agreements and buyer specifications respectively. Sixty-eight (68) percent of the producer organizations supported by the project were able to meet commercialization agreements or business plan specifications by the end of the project period. Thus, it exceeds the target of 65 percent set at project approval. Similarly, 71.4 percent of the SMEs supported by the project successfully met buyer specifications by the end of the project period. It also exceeds the target of 70 percent set at project approval. The enhanced market linkages for both POs and SMEs were a result of two main strategies. Firstly, the Technical Service Providers were able to provide intensive real-time support to the POs on market linkages through a combination of trainings, mentoring and coaching on key aspects like business planning and growth strategies, financial literacy, cooperative governance, export readiness and financial management, good agricultural practices and procurement processes. Secondly, the project brought in aggregators which had existing capacity and networks to regional input and output markets to partner with the producer organization which provided more opportunities for POs to access market.
- 33. The targets for indicators that measured firm growth in agribusiness were greatly exceeded.** The project measured firm growth by assessing the growth in revenues by both producer groups and SMEs. The increase in average value of gross sales of beneficiary POs was 78 percent which was six times the target value of 12 percent. Aggregators recorded particularly strong growth in real revenues (86 percent), but producer organizations also experienced very respectable growth (59 percent). The increase in the overall revenues of beneficiary SMEs by the end of the project period was 36 percent which was nearly 2.5 times the target value of 14 percent. Given this impressive growth despite COVID, perhaps the targets should have been more ambitious. This growth can be attributed to a careful screening process to confirm the potential of firms and POs, efforts to ensure that a buyer was available, low-cost funding, and customized coaching. The project enhanced business practices facilitated access to modern machinery and equipment and promoted the adoption of new technologies and management strategies. This investment in infrastructure and technology led to enhanced efficiency, higher output, and better-quality control. Furthermore, the project promoted good governance practices and financial management, which are crucial for sustainable business growth.
- 34. Though not a PDO indicator, significant results were achieved in job creation.** Total job creation stood at 3,919 and exceeded the target of 3,500. Out of these 1,340 full-time jobs were created among the SMEs, and another 1,173 among aggregators. Interestingly, an additional 1,406 were created in farmer organizations, bringing the total to 3,919. However, data on changes in part-time jobs was not available so it is not clear to what extent new full-time employment may have been partially offset by a decline in part-time jobs. It would also be important to measure the improved earnings for the members of farmer organizations as well as contract farmers supplying aggregators, but this is not known. The data on job creation is not entirely consistent with the growth in revenues. Of the 29 SMEs who experienced a decline in real revenues, 27 reported increased employment. One SME reported a decline in *real revenues* by 21 percent, but jobs grew by a factor of 5. The aggregator with the most impressive increase in jobs (from 6 to 270) suffered a decline in real revenues. No farmers organization reported a decline in employment and all but five reported an increase, even though 16 had negative revenue growth even in nominal terms.

The increase in employment by farmer organizations appears to have consumed most of the growth in revenues. Firms may exaggerate the impact on job creation if they think this is what the funding source wants to hear, but it seems more likely that revenues have been under-reported, in part to mitigate the attention of tax authorities. Ultimately, job creation would seem to be a more appropriate development outcome indicator, and one that is easier to measure reliably. It is adopted here as a key measure of the development outcome and is a critical component of the economic analysis.

- 35. The overall survival rate of supported firms provides further evidence of success.** SMEs are notoriously short-lived, especially when the business environment is as challenging as in Zambia. The advent of COVID-19 provided further reason to believe that some of the firms supported by the project would nonetheless be forced to shut down. In fact, they all survived, apparently maintained their employment, and in most cases increased it. This is especially impressive given that most of the supported firms were indeed small. The average baseline number of employees was 8.4 and only four had more than 15 employees. The same resilience is true of the aggregators and farmer organizations. There were no cases of closure.
- 36. All intermediate indicators barring three give a positive picture.** The total number of beneficiaries (240,735) greatly exceeded the target (30,000), thanks to the project's agile model to leverage aggregators beyond POs. However, the extent of benefits enjoyed at household level are not envisaged by the PAD results framework and hence not captured. The number of producer groups supported (202) surpassed the target (180), as did the number of SMEs (259 versus 250). However, 171 of these SMEs only received technical assistance, for whom there is no indicator in the results framework to quantify success. This is unfortunate as they generally reported satisfaction with the quality of this TA. It would be useful to assess the effectiveness of such assistance without parallel financing.⁴ The number of SMEs receiving matching grants (88) fell well short of expectations (140), mainly owing to a shortfall in project financing as many more (64) were on-boarded, with due diligence conducted, and qualified for matching grants. They are likely to get funding in the second phase. The project was successful in mobilizing private sector finance through both matching funds provided by beneficiaries and commercial loans (US\$7.8 million compared to a target of US\$5 million). The share of SMEs obtaining commercial loans (39 percent) is well above the target (30 percent). Growth in exports was modest. The increase in exports represented only 3.25 percent of average sales, whereas the target was 4 percent.⁵ A few SMEs accounted for most exports. However, there were also some sales to Congolese buyers who came to Zambia. There was probably a more significant amount of import substitution, especially during COVID-19 when supply lines were disrupted, and local grocery chains made a concerted effort to find local substitutes.

- 37. The project strengthened capacity for business regulations, competition policy and national quality infrastructure.** All DLIs were achieved in the first two years of the project. BRRRA and CCPC were strengthened, a National Logistics strategy was prepared, and Zambia Metrology Agency was established. The project targeted the approval of four NQI laws by parliament; finally, nine were approved. It aimed to train 40 staff in regulatory agencies; the final number was 77. Almost all SMEs were trained on HACCP, ISO 22000 and other good manufacturing processes, and government staff from relevant ministries were also trained. It also envisaged a major push to help SMEs and producer organizations attain food safety standards, arguing that access to domestic and foreign markets would depend on this. The target was 50 percent of all such project beneficiaries, but in the end, none were fully certified owing to factors beyond the control of the project. On the other hand, 12 were certified under a new Certified Local Supplier Scheme by ZABS. The project did support the coaching and mentoring of 42 SMEs and 20 producer organizations on food safety, the re-engineering of the NQI and technical regulation regime by reorganizing ZABS, separating voluntary and compulsory standards, implementing an integrated national metrology system, and operationalizing the Department of Technical Regulations in the Ministry of Commerce, Trade and Industry (MCTI). Some laboratories were certified by the ZABS enabling local producers to avoid the cost of sending the product abroad for testing. However, it is not clear how many firms took advantage of the facility as this was not tracked by the Project.
- 38. There were efforts to improve the business environment.** The project contributed to streamlining regulations by supporting the process of Regulatory Impact Assessments (RIAs) and improve competition in agri-business by strengthening the Competition and Consumer Protection Commission. Six RIAs were completed. The CCPC conducted five studies on cotton, animal feed, textiles, agricultural inputs and the regulatory framework for key sectors such as maize and sugar. Useful recommendations were made but implementation has been difficult. The CCPC acknowledge the need for continued advocacy.
- 39. The construction of a new facility for ZABS was the most problematic part of the project.** This was the largest sub-project within Component 2, accounting for 46 percent of the revised budget of US\$8.4 million. It was delayed for several years as the authorities tried to decide on an appropriate location, while also hampered by the COVID pandemic. Construction was finally started, only to stop when the contractor pulled out, citing failure of the government to honor its commitments. A new contractor was hired but construction will be completed under phase two.

Justification of Overall Efficacy Rating

Rating: High

- 40. The overall efficacy is rated high.** The operation fully achieved its objectives as measured by the four PDO indicators, which were not only achieved but exceeded. In addition, it achieved its job creation target, arguably the most important objective. The survival of all firms and POs supported by the project, despite the COVID-19 pandemic, is impressive. The total number of beneficiaries greatly exceeded expectations.

C. EFFICIENCY

Assessment of Efficiency and Rating

- 41. In terms of the Design and Implementation, the project was implemented efficiently.** The project disbursed fully, no additional financing was needed to augment or support additional activities; and, at project closure, all planned and approved activities were completed, except for the ZABS lab. The ZATP implementation structures were largely effective in carrying out their intended functions. Despite the COVID-19 disruptions and the unfavorable macro environment that the country experienced during the project period⁷, the project was able to innovate and achieve the intended outcomes and reach a much larger number of farming households with the same resources. The borrower also took measures to improve the cost-effectiveness of technical assistance. The contracts with foreign consulting firms proved very costly when compared with the number of firms and producer groups being supported. Furthermore, it was noted that most of their staff were local experts. Consequently, the initial contracts were not renewed, and the project retained the same Zambian consultants on local contracts. In this way, the project benefited from international expertise to get started, transitioning to a less expensive model during implementation.
- 42. An economic rate of return was calculated for the matching grant schemes.** The main benefit included was the wages paid to new employees, where it was assumed that one-quarter of their earnings represented a net gain over and above what they would have received in other employment. This reflects the fact that most of these employees would have been low-skill and there is significant excess supply of such labor. It was more difficult to estimate the benefits accruing to farmers. It was assumed that 25 percent of the increased revenues reported by aggregators went to farmers, and that 15 percent was a net gain after costs. A very small benefit is estimated for the members of farmer organizations because most of the increase in revenues appears to have been absorbed by the creation of new jobs in the management of these groups. The other main benefit is the higher profits earned by owners of SMEs and aggregators, assumed to be 10 percent of the increase in their revenues. In general, an effort was made to reconcile the estimated additional wage costs with revenue gains. However, the strong growth in jobs suggests that revenues may have been underreported.⁸ If revenue gains were in fact larger, greater benefits may have accrued to farmers and/or business owners. The impact of the investments financed by the matching grants was projected to last roughly twenty years, until 2040. (See Annex 4 for more details.)
- 43. The resulting rate of return for the matching grants is 12.1 percent.** This relates to 69 percent of the project budget. It excludes US\$3 million attributed to technical assistance for the many SMEs who did not receive matching grants, US\$8.4 million allocated to regulatory and institutional reform, and 20 percent of the project management costs (US\$1 million). The TA will have generated some benefits but no data is available to hazard a guess.⁹

- 44. Another way to assess efficiency is with the cost per job created.** The cost of each job created by the matching grant scheme for SMEs was approximately US\$8,600. This is very similar to the cost estimated for the Nigerian Business Plan Competition (US\$8,500-9,600).¹⁰ However, this was a more rigorous analysis using a randomized control trial to determine the additional employment created. The cost of vocational training per job has been estimated as US\$10,000- 80,000, and \$38,000 per job for one wage subsidy program. Most studies of finance and training programs for microenterprise have little impact beyond the self-employment of the entrepreneur. The ICRR for the Senegal Tourism and Enterprise Development project found the cost per job for a business plan competition was US\$19,200.

Justification of Overall Efficiency Rating

Rating: Substantial

- 45. The overall efficiency of the project is rated as Substantial.** The cost per job created is competitive compared to available experience in other developing countries. The screening and technical assistance for SMEs has prepared a large group of SMEs for financial support in phase two, eventually generating additional jobs. The number of farmers benefiting from the project far exceeded targets. The rate of return exceeds the usual benchmark of 10 percent. There is reason to believe that the gain in revenues was higher than reported, which would imply more income for farmers, larger profit margins, and hence a higher rate of return.

D. JUSTIFICATION OF OVERALL OUTCOME RATING

Rating: Satisfactory

- 46. The overall outcome rating is “Satisfactory”.** The assessment of the relevance and efficacy of the project were rated as “High” and the efficiency was rated as “Substantial”. The project’s objectives were highly relevant. SME development and job creation remain high priorities for both the Government and the World Bank in Zambia. Project effectiveness was high as it exceeded the targets for its most important PDO indicators (revenue growth), and performed well on the most relevant outcome, job creation. Efficiency was substantial for the matching grant schemes, which were the focus of the project, and the economic rate of return was acceptable. The component supporting regulatory and institutional reforms built significant capacity and ensured strong reform momentum in the areas of business enabling environment including competition and standards.

E. OTHER OUTCOMES AND IMPACTS (IF ANY)

Gender

- 47. The approach adopted by ZATP with POs ensured that gender was mainstreamed in the project.** Project M&E reports captured data disaggregated by gender and there was tremendous emphasis on ensuring the inclusion of women into producer organizations. Data shows that 48 percent of the 240,734 beneficiaries covered through the productive alliances were women. Field visits during implementation support missions showcased how women were actively involved in the management of the Producer Organizations and SMEs. Females were estimated to represent 42 percent of all beneficiaries, above the target of 39 percent. Women accounted for 42 percent of all SME employees, and 62 percent of the new jobs created. They accounted for 55 percent of the jobs in aggregators and 36 percent in the case of farmer organizations. More significantly, 87 percent of the households supported through farmers organizations were female-headed. The corresponding figure was lower for aggregators (28 percent).

Institutional Strengthening

- 48. The Ministry of Commerce, Trade and Industry and its agencies were considerably strengthened.** This was the first World Bank project led by this ministry, so its staff learned a lot about project management and procurement. The project also provided considerable financial support and technical assistance to its technical department and several of its agencies: Business Regulatory Review Agency (BRRRA), Competition and Consumer Protection Commission (CCPC), and the Zambia Bureau of Standards (ZBS). The BRRRA began conducting Regulatory Impact Assessments, the CCPC began doing competition reviews of agricultural value chains, and the Zambia Metrology Agency was established.
- 49. The project also focused on institutional strengthening at the agency and community level by laying strong emphasis on training and capacity building of the regulatory agencies, producer organizations and small businesses.** The regulatory and institutional framework for agribusiness and trade was strengthened using disbursement-linked indicators to underpin, reinforce, and support ongoing reforms in improving institutional capacity for the BRRRA, CCPC and strengthening the capacity of the NQI System. The first component built social capital that spills over into other forms of self-help initiatives and facilitates linkages with commercial banks/financial Institutions, other donor programs, government programs. Importantly, the capacity building undertaken during project implementation and the emphasis on linking beneficiaries to off-takers and thereby integrating them into the markets ensured that these community-level institutions are sustainable.

Mobilizing Private Sector Financing

- 50. The project was able to mobilize US\$7.8 million in private sector capital.** This is 156 percent of the original target (US\$5 million) that the project had aimed to mobilize. This was possible due to intensive efforts by the project to build partnerships with leading financial institutions/commercial banks in Zambia. For example, the project was able to facilitate partnerships with banks like Zambia Industrial Commercial Bank (ZICB), ABSA Bank and Lupiya Micro Finance that enabled SMEs to access financing, including critical working capital, to bolster their growth.

Poverty Reduction and Shared Prosperity

- 51. The project addressed both poverty reduction and shared prosperity agenda.** It focused on improved productivity and institution building while reaching out to small scale, poor and emerging farmers defined as those who cultivate less than 5 ha of land and/or own less than US\$50,000 worth of total assets. Such farmers had to account for 90 percent of the membership in producer organizations supported by the project. The main objective of building productive alliances was to integrate these poor and emerging farmers into value chains by improving their capacity to finance and execute productivity enhancing investments and respond to the requirements of the main end-markets and major buyers.

Other Unintended Outcomes and Impacts

- 52. The project helped the private sector cope with the COVID-19 pandemic.** Entrepreneurs and farmer organizations benefited from financing during this difficult time. Training in business resilience helped them pivot their operations and remain competitive. In some cases, investments under the project enabled beneficiaries to respond to opportunities which arose due to disruptions in the import supply chains of local retailers.
- 53. One WBG offering was at the forefront.** The project brought in synergies with the IFC advisory program on Trade and Investment climate thereby demonstrating the strength of one WBG offering. The Zambia DPF series (P174911 & P181011), Zambia Green, Resilient and Transformational Tourism Development Project (GREAT- TDP) (P180337), Transport Corridors for Economic Resilience (TRACER) (P180801) and Zambia Refugee and Host Communities Project (P503941) have underpinnings built upon the PAZ and MarketConnect models as well as strengthening the business regulations and overall policy landscape for the private sector.

III. KEY FACTORS AFFECTED IMPLEMENTATION AND OUTCOME

- 54. The project had a rather unusual beginning as it was not initially included in the country program.** The project was prepared on short notice after the cancellation of another operation. This meant lack of sufficient preparatory budget (\$80,000 previously allocated for analytical work was available). In addition, the delivery timeline within the FY meant nonavailability of next FY funds. Consequently, there was little time and limited funding to prepare for implementation, and no project preparation advance to be arranged. This proved challenging as the counterpart ministry was implementing a WB project for the first time and did not have sufficient own budget to initiate project activities.
- 55. Bank wide expertise was leveraged to design the project.** The Productive Alliance approach had been tried in many countries in Latin America, and the leading expert on this model was brought into the project team. Similarly, the SME development pilot in Zambia by InfoDev was integrated into this project, which enabled a larger financial envelope. The InfoDev SME specialist joined the team at no expense and eventually took over as co-TTL. With TTLs from Agriculture and FCI sectors, the project leveraged expertise within the Bank to ensure a multi-sectoral offering and create a strong team.

B. KEY FACTORS DURING IMPLEMENTATION

- 56. Various factors led to a slow start in implementation.** The rapid, low-cost preparation meant there was no time or resources to work on the project implementation manual, recruitment of the project implementation unit (PIU), or capacity-building prior to approval. Furthermore, this was the first time a project financed by the World Bank was to be managed by the MCTI. As a result, procurement of key staff and service providers took longer than expected. The project effectively began with the new Coordinator, and the first call for proposals under the Productive Alliances for Zambia (PAZ) program was only issued in January 2019, two years after approval. The consulting firm for MarketConnect (MC) was only hired in April 2019.
- 57. The hiring of two international consulting firms helped PAZ and MC get off to a good start.** Procedures were established, buyers contacted, screening of potential beneficiaries conducted, technical assistance provided, and matching grant systems created. Baseline data was also collected for an M&E system. The process of identifying firms with growth potential, and then providing technical assistance, was particularly rigorous and effective. The two international companies relied heavily on local expertise and were well-supported by the PIU. However, the cost of these contracts was high, and the borrower decided the project could not afford to renew their contracts once they had expired. The project continued to work with many of the Zambian experts on local contracts. Thus, the project benefited from strong support in its critical early phase, and then transitioned to a lower-cost approach while preserving continuity and building local skills in consultancy.
- 58. The project suffered from the shortage of engineering and architectural expertise.** The new project Coordinator had been initially hired to focus on the last-mile infrastructure part of component 1a. As that sub- component was eventually cancelled, the Bank reasoned that an engineer was no longer needed and any remaining demands could be handled by the project Coordinator. This decision did not seem to recognize the large

infrastructure content in many of the PAZ and MC sub-projects. Many of the POs requested funds to build storage facilities or other buildings. These involved a variety of challenges, including the requirement for certification by local authorities and compliance with World Bank environmental and social safeguards. While procurement and safeguards personnel picked up some of the responsibilities, several sub-projects suffered delays as a result. The World Bank project supervision team also lacked engineering or architectural expertise.

- 59. The construction component of ZABS lab suffered the biggest delays for a variety of reasons.** Component 2b (ii) called for the construction of a new regional lab for the ZABS. The initial problem was related to the choice of location followed by challenges in the supervision of the construction contract. The MCTI did not have much experience in this area and hence retained the consulting firm responsible for designing the lab to also supervise the project, as well as engaging the Ministry of Infrastructure to help oversee the construction. Lack of ownership of the project from the latter led to further delays in invoice settlements and completion of the remaining 20-30 percent of the works. These will be completed under a phase two of ZATP.
- 60. The COVID-19 pandemic created other problems.** The Government of Zambia imposed restrictions on office work and travel during the first and second waves of the pandemic. Trade disruptions delayed the arrival of equipment and increased costs. Together, this impeded various components, including the development and implementation of PAZ and MC sub-projects. Some SMEs suffered demand and/or supply issues. For example, most restaurants, which were important clients for some SMEs, closed during COVID-19. The project was encouraged to provide additional assistance in such cases, as part of the Bank's global response to the crisis. At the same time, some POs and SMEs benefited because imports became less reliable. This pushed grocery chains and others to accelerate their efforts to find local suppliers.
- 61. Other external factors beyond the control of the project also affected beneficiaries.** The mid-term review in 2020 underlined the deteriorating macroeconomic situation which had led to rising inflation and interest rates, affecting access to capital. Power cuts were becoming more common, raising the cost of processing activities. Droughts and floods were hurting agricultural production.

IV. BANK PERFORMANCE, COMPLIANCE ISSUES, AND RISK TO DEVELOPMENT OUTCOME

A. QUALITY OF MONITORING AND EVALUATION (M&E)

M&E Design

- 62. Although the PDO indicators and most intermediate indicators were achieved, the indicators in the results framework could have been chosen differently.** Those pertaining to market access focused on the extent to which farmers and SMEs satisfied the requirements of buyers while growth was measured through the increase in gross revenues. Neither one is a development outcome. The first one is a necessary but not sufficient condition for growing an enterprise and is thus more of an intermediate indicator. A PO or SME needs to increase its productivity to expand. Rising real revenues is an indicator that growth is occurring but is insufficient by itself. If costs are rising as quickly, there may be no net gain. Even if revenues are rising faster than costs, and a firm is more profitable, that is not usually the development outcome being sought. Job creation would be a better indicator. The results framework did indicate that 'better jobs' would be monitored, and a target was set, though this was not a formal PDO or intermediate indicator. In the case of farmer organizations, this should have been supplemented by a productivity measure, since the objective was often to increase the incomes associated with existing work.
- 63. The PDO targets could have been more ambitious.** Given the strong results on revenue growth, which far exceeded expectations despite the COVID pandemic, the targets were perhaps too modest. This overshooting may be partly due to the very low level of baseline revenues for many beneficiaries. Growth of 10 or 15 percent is not difficult in the early stages of a new company or cooperative.
- 64. There was no PDO indicator for component two.** Although this component accounted for 20 percent of the project budget, it was probably reasonable to limit its M&E to intermediate indicators. However, there was no attempt to measure the impact of the BRRR on simplifying business regulations or the CCPC on increasing competition.

M&E Implementation

- 65. The PIU was responsible for implementing the M&E system.** This included progress reporting of key performance indicators. The system drew upon consultants who accompanied project implementation and provided information for the project's M&E plan, which was funded by Component 3. A priority of the project was to ensure that these consultants were well trained and supervised to ensure consistency in data collection and particularly when facilitating participatory financial evaluations with PO members. The PIU, with World Bank support, was responsible for periodically analyzing results data as part of the project's communication strategy with key stakeholders, including the POs, commercial actors, and participating financial institutions.

- 66. The most important indicators were tracked on a quarterly basis by the PIU.** At the project's inception, a comprehensive Monitoring, Evaluation, and Learning Plan (MELP) that included the tracking of these key indicators was developed and continually refined throughout project implementation. This MELP ensured that all data protocols were meticulously executed to guarantee data reliability and precision. Given the diverse sources of data, including partners (consultants), government agencies, SMEs, small agribusinesses, and well-established aggregators, the MELP was designed to adhere to the principles of good data management. These principles included accuracy, consistency, completeness, timeliness, and security.
- 67. The Project also employed several data quality assurance procedures to ensure the reliability, accuracy, and integrity of data.** These procedures were integral to the project's success, enabling effective monitoring, evaluation, and reporting of project activities and outcomes. ZATP ensured that all personnel involved in data collection were adequately trained. The project developed standardized data collection tools to ensure consistency in the data gathered from different sources and locations. The project utilized a Kobo Toolbox software with built-in validation rules to automate the verification of data during entry. This proved instrumental in enhancing the efficiency and accuracy of data collection processes. By digitizing data collection forms and enabling real-time data entry via mobile devices, the platform streamlined data collection workflows. Enumerators could input data directly into the Kobo Toolbox app while in the field, eliminating the need for paper-based forms and manual data entry processes. This not only saved time but also minimized the risk of errors typically associated with manual data entry. One of the significant advantages of Kobo Toolbox was its ability to standardize data collection procedures across different locations and enumerators. Additionally, the Kobo Toolbox provided features for data validation, including range checks and skip patterns, which helped maintain data integrity and accuracy. These standardized procedures contributed to higher-quality data, which in turn improved the reliability of subsequent data analysis and decision-making processes.
- 68. Measurement of the gender impact could have been strengthened.** In the initial results framework, indicators were to be segregated according to gender. However, this was not tracked during implementation so a new intermediate indicator was introduced during the mid-term review to measure the share of women in total beneficiaries. It would have been useful to measure the number of female-headed SMEs and POs supported by the project. On the other hand, the PIU did track the number of new jobs created for women.

M&E Utilization

- 69. The results from ZATP are very well documented throughout the project, with regular tracking of the key performance indicators.** The regular tracking of the key results indicators and at multiple levels enabled the project and the task team to be agile and nimble in terms of customizing the project roll out and strategy to the emerging realities. A clear example of how the regular data coming from the producer organizations prompted the project and task team to come up with an innovative approach of bringing in aggregators as key enablers to significantly increase the coverage of the POs benefitting from the project approach. Another example was the tracking of the jobs data and the amount of private capital mobilized which provided key insights to the PIU and task team to come up with new strategies to expand coverage and enhance access to financial services.
- 70. However, the distinction between real and nominal rates of growth was overlooked.** The results framework in the PAD did not specify that the target rates of growth in revenue were real rates after accounting for inflation. Hence, the project implementation unit proceeded to record revenues only in nominal terms, while measuring results in real terms would have been key in a high inflation environment such as Zambia where the inflation rate hit 22 percent in 2021, declining to around 10 percent in the next two years.
- 71. It would have been useful to drill down beyond averages (as specified in the PAD) and to account for seasonality.** It would have been important to use annual rather than quarterly data to account for seasonality when assessing results, especially in the case of farmers' organizations. In addition, focusing on the average increase in revenues can hide wide variations. In the initial cohort of SME beneficiaries, the strong performance of a few large firms hid the negative rates of growth (even in nominal terms) for many beneficiaries struggling under COVID-19 and other challenges. A key takeaway from this would be to go beyond average rates of growth in future projects when monitoring results, to have a detailed firm level picture (especially during crisis) and inform mid-course corrections.

Justification of Overall Rating of Quality of M&E

Rating: Modest

- 72. The M&E system was well implemented but there were shortcomings in its design and utilization.** Reported progress on the revenue PDO indicator was based on nominal terms and done on quarterly basis for internal progress tracking. This led to oversight on the impact of inflation and the seasonality of the agribusiness sector. However, the necessary baseline and results data was collected throughout the project lifecycle, enabling a proper analysis of outcomes for this ICRR. The PIU would have benefited from greater technical support on M&E.

B. ENVIRONMENTAL, SOCIAL, AND FIDUCIARY COMPLIANCE

- 73. The project had an extensive program to ensure sound environmental and social policies and practices.** A safeguard specialist was hired by the PIU in 2018. After the mid-term review in October 2020, a social safeguard specialist was added to the team.

All SMEs and producer groups received information on potential environmental and social risks during on-boarding and were screened using the project's Environmental and Social Management Framework. Twenty Environmental Project Briefs were prepared for sub-projects with higher risks, for evaluation and approval by the Zambia Environment Management Agency. For four of these, the project also prepared Environmental and Social Management Plans consistent with World Bank policies. All beneficiaries were monitored on a quarterly basis. All the environmental and social safeguard procedures were followed for the construction of the ZABS laboratory.

- 74. The project had a well-functioning Grievance Redressal Mechanism and a Gender-Based Violence action plan.** During COVID-19, the project prepared and implemented risk mitigation measures, such as social distancing, provision of protective health equipment, and handwashing. The project's compliance with environmental and social safeguards was consistently rated as Satisfactory.
- 75. Beneficiaries and sub-projects often failed to budget for environmental and social risk management.** Indeed, the related PIU budget was also underestimated, but this was eventually rectified. There were delays in the approval of environmental and social permits from regulatory agencies such as the Zambia Environmental Management Agency, the Water Resources Management Agency, and the Zambia Electricity Supply Corporation. A lack of key personnel in environmental and social safeguards among technical service provider consultants further compounded these challenges. Monitoring of sub-projects was curtailed by COVID-19 restrictions on in-country travel but continued virtually with the help of photos provided by sub-projects.
- 76. Financial management was strong throughout the project implementation period.** Financial management was better than the average for the Zambia portfolio, according to Bank staff. A review in 2021 did identify serious weaknesses in internal controls which resulted in a downgrading of the project's financial management to Moderately Satisfactory and associated risks increased to Substantial. However, all the recommendations of the financial management review were implemented such that the rating could be restored to Satisfactory, and the risk level reduced to Moderate in the next supervision mission. This remained the case for the final two years of the project.
- 77. While procurement management faced some initial hurdles, strengthening the procurement team at the PIU level enabled a turnaround in performance.** Procurement management was problematic in the early stages of the project mainly due to low capacity of the procurement officer and the implementing ministry's lack of familiarity with Bank procedures. This was reflected in the procurement rating of Moderately Unsatisfactory in 2018. However, the ministry recognized the need to improve the capacity and hence recruited a new procurement officer with experience and greater capacity. The resultant improvements enabled the project's procurement rating to be upgraded to moderately satisfactory in 2020. One specific large procurement – the construction of the ZABS labs - continued to experience delays though, even during the later stages of the project implementation. Some of this was attributed to the selection of a construction company based on its low cost but without consideration of its capacity to mobilize the necessary resources.

C. BANK PERFORMANCE

Quality at Entry

- 78. The Program had a robust design which was well informed by lessons learned from Latin America and aligned with the Government's strategy and the Bank priorities.** Overall, the technical, E&S and Fiduciary Systems assessments were comprehensive and recommended mitigation measures were relevant. The program design drew on international experience, supported by Bank expertise. The Productive Alliances approach to link farmers with markets had an established track record in Latin America. With the help of an in-house expert familiar with this model, it was adapted to the Zambian context. The MarketConnect component also benefited from global experience with SME support.
- 79. Project preparation had limited time or resources.** As explained above, the project was not initially included in the pipeline and the project team had to move quickly with a very small budget. This meant there was no opportunity to launch preliminary activities with a Project Preparation Advance. The project was nonetheless well designed, but subsequent implementation was affected. There were also some problems in the design of the results framework.

Quality of Supervision

- 80. The task team reporting through implementation status reports, and mission aide-memoires provided a candid and accurate assessment of implementation progress, issues requiring attention and proposed resolution measures.** Bank missions were regular, benefited from sufficient resources and mobilized adequate expertise to assess progress and provide technical assistance to the PIU and the implementing ministry at multiple levels.
- 81. The task team strongly engaged at all levels of implementation.** This allowed the project to successfully reach and even exceed its targets, but also to ensure the sustainability of the program through the buy-in and anchoring of some of its key approaches and institutional infrastructure. The whole team was based in Lusaka, which facilitated an agile and timely implementation support to the client. The task team's engagement with the government, at the level of the president's office and the ministry of finance, created a privileged communication channel with the government which created trust and buy-in, even on the most innovative features of the project. This strong engagement resulted in the ZATP program being an important support and inspiration for the development of the agenda of the MCTI, and this through the various changes of leadership.

- 82. To overcome COVID-19 constraints, the task team facilitated innovations on project supervision and delivery including virtual coaching of beneficiaries tailored to support firm response to COVID-19.** The task team worked with the PIU to devise a renewed approach - “Respond, Rebuild and Rebound” - to support SMEs in both holding steady during the crisis (respond) and to reposition/re-model their business to adapt (rebuild and rebound). Beneficiaries were supported with business development services tailor-made to leverage digital platforms such as social media for targeting potential clients, and virtual site audits were conducted where beneficiaries were asked to share videos and photos via email to reduce contact. These efforts were further supplemented by virtual meetings to corroborate operational information, validate data, and ensure quality and diligence, streamlining project processes to mitigate risks by automating some operational processes. For example, Investment Plans were scored using an online automated scoring template, and results finalized and announced during virtual meetings which sped up decision-making processes.
- 83. The Task team engaged with key public and private stakeholders to ensure feedback loops were functional.** For example, despite several changes in the leadership (Project signatory) at the line ministry, the Task Team, with CMU support, remained fully engaged with the political leadership as well as senior administration within the Ministry of Finance and National Planning to ensure strong support and engagement during the last four years of project implementation.
- 84. Important changes were made before and during the Mid-Term Review, though some adjustments were missed.** The inclusion of aggregators greatly improved project effectiveness and efficiency. The reallocation of funds and changes in disbursement categories enabled the project team to support evolving opportunities more effectively, respond to COVID, and meet overall objectives without supplementary financing. However, the results framework would have benefited from greater revision during the MTR.

Justification of Overall Rating of Bank Performance

Rating: Satisfactory

- 85. While the program suffered from a slow start, the Task Team took effective corrective action.** Its engagement and innovative ways of managing shortcomings enabled them to turn the program around, put it back on track, and even exceed performance expectations on almost all outcomes. The Task Team managed to mobilize buy-in across various stakeholders, be it the national government or the private sector and the financial institutions. Critically, some of the key approaches and the enabling environment measures are now anchored into the government strategy

D. RISK TO DEVELOPMENT OUTCOME

- 86. The risks to outcomes are moderate but not insignificant.** The country is facing a serious drought in 2024 which will undoubtedly hurt agricultural production. This will affect many of the farmer organizations supported by the project, especially those without irrigation. Zambia is experiencing a severe energy crisis owing to depleted water levels in hydroelectric dams. It will also lead to shortages and/or increased costs for inputs used by SMEs. Furthermore, many SME beneficiaries have been struggling due to COVID-19, high inflation, expensive credit, and a generally difficult business environment. The survival rate for SMEs in Africa is not high, and it must be expected that some of the beneficiaries will fail. The same is probably true for some farmer organizations. Nevertheless, farmers tend to be resilient and they should persevere if the drought does not persist for a second or third year. The impact of COVID-19 is receding, and inflation is being brought under control. With the approval of a second phase of the project, there will be opportunities to continue helping some farmers and SMEs supported in the first phase. Considering the above, the phase two project was designed to support SMEs and POs to strengthen climate resilience capacities and a line of credit was added to facilitate the access to finance, including working capital.

V. LESSONS AND RECOMMENDATIONS

- 87. Matching grants can be effective if sufficient resources are invested in the selection and coaching of beneficiaries.** The project involved an extensive process of assessing applicants to confirm their growth potential. The identification and engagement of prospective buyers was particularly critical, followed by hands-on coaching from subject specialists. This proved expensive, partly because of the cost of international consulting firms. But, assisted by a transition to local consultants, the end results appear to justify the expense. This process also enabled strengthening of local consulting capacities.
- 88. Mentoring and role of customized support is vital.** Most SMEs identified mentorship as the most valued form of support, followed by business resilience/mindset change training. The success of peer mentoring during the first cohort training session suggests the potential value of a formal peer mentoring program with mentors from relevant industries. These interventions equip SMEs with essential skills and knowledge to improve, grow, and adapt their businesses. Interactions with SMEs during various forms of support also revealed that one-on-one coaching sessions, market and supplier linkages, and ad-hoc support during crises or decision-making moments were highly beneficial. Most SMEs found these more advantageous than cohort training. Recognizing this, the project added post-training coaching to help SMEs implement what they had learned.
- 89. Working with intermediaries can be very successful in reaching small farmers.** The project was initially designed to work exclusively with farmer organizations in the Productive Alliances program, but it soon identified the potential of aggregators to expand its reach. They typically use some form of contract farming. In the end, the 29 aggregators reached far more farmers than the 173 producer groups, while creating almost as many full-time jobs as the 88 SMEs. In effect, the project leveraged the greater human and financial resources of aggregators, their existing relationships with farmers, and their ability to meet the volume and quality requirements of buyers.
- 90. Similarly, working with distributors was important for SMEs.** SMEs face significant distribution and merchandising costs. Increasing market coverage requires coordinated distribution, which is cost-prohibitive for individual SMEs. Encouraging SMEs to use a single distribution point with a pre-negotiated fee can make them more attractive to buyers and manage costs effectively. While not a contract deliverable, the MarketConnect Team engaged distributors to explore this model, linking some SMEs to distributors. Further partnerships in this area could significantly boost revenue sales for beneficiary SMEs.
- 91. Importance of Working Capital.** Many SMEs were constrained by the lack of working capital. As the project was designed to support capital investments, it helped SMEs to access banks for working capital, but this sometimes proved difficult. Working capital solutions for SMEs play a crucial role in the success of the Business Linkage Fund investment and ensuring return on investment. Adequate access to working capital enhances SMEs' operational capabilities and financial resilience. Consequently, the next phase of the project will offer working capital.



92. **Such projects should focus more on job creation and income growth as the key development outcome.** The emphasis on increases in revenues was inadequate to measure success as it did not account for the evolution of costs. Even if profitability was measured, it would be important to know how much of this was shared by SME entrepreneurs in the form of job creation. Jobs, especially for low-skill labor, are a key objective of most African governments, and for the World Bank Group. So is increased small farmer productivity. For the Productive Alliance program, more attention could have been paid to the impact on farmers' incomes and indirect employment, to provide a more complete assessment of the project's impact and confirm that all the benefits were not accruing to the aggregators and the management of farmer organizations. The extra work involved could be at least partly compensated by reducing the number of variables being monitored and moving from quarterly to semi-annual or even annual reporting for some variables. Employment is also an easier variable to measure reliably compared to revenues or profitability.

Intermediate Indicators by Components

Component 1: Market Linkages in Agribusiness.								
Indicator Name	Baseline		Closing Period (Original)		Closing Period (Current)		Actual Achieved at Completion	
	Result	Month/Year	Result	Month/Year	Result	Month/Year	Result	Month/Year
Direct project beneficiaries(Number)	0.00	Jan/2017	30,000.00	May/2024	30,000.00	May/2024	240,735	May/2024
	Comments on achieving targets		Direct beneficiaries are people or groups who directly derive benefits from an intervention (i.e., children who benefit from an immunization program; families that have a new piped water connection). Please note that this indicator requires supplemental information. Supplemental Value: Female beneficiaries (percentage). Based on the assessment and definition of direct project beneficiaries, specify what proportion of the direct project beneficiaries are female. This indicator is calculated as a percentage.					
Female beneficiaries (Percentage)	0.00	Jan/2017	43.00	Jun/2022	43.00	Jun/2022	48%	Oct/2017
	Comments on achieving targets		Based on the assessment and definition of direct project beneficiaries, specify what percentage of the beneficiaries are female.					
Number of producer households that benefit from the alliances (Number)	0.00	Jan/2017	4,000.00	May/2024	4,000.00	May/2024	22,077	May/2024
	Comments on achieving targets		The number of producer households supported by members of alliances supported by the project.					
Number of beneficiary SMEs that receive support from MarketConnect (Number)	0.00	Jan/2017	250.00	May/2024	250.00	May/2024	259.00	May/2024
	Comments on achieving targets		In sub-component 1b, the number of SMEs that receive assistance under the MarketConnect program.					
Number of beneficiary SMEs that receive matching grants (Number)	0.00	Jan/2017	140.00	May/2024	140.00	May/2024	88.00	May/2024
	Comments on achieving targets		In sub-component 1b, the number of micro and SMEs that receive financial assistance (either royalty baring or matching grants, based on firm size) under the Business Linkage Fund.					
Productive alliance subprojects implemented, (number) (Number)	0.00	Jan/2017	180.00	May/2024	180.00	May/2024	202.00	May/2024
	Comments on achieving targets		Approved subprojects technically and financially executed, and administratively closed					
Buyers who fulfill their obligations under the commercialization agreement or business plan (of PA) (Percentage) (Percentage)	0.00	Jan/2017	70.00	May/2024	70.00	May/2024	73.60	May/2024
	Comments on achieving targets		Percentage of buyers who meet the terms described in the commercialization agreement or business plan / number of buyers involved in all productive alliances x 100					
Increase in average output per worker among SME beneficiaries (Percentage) (Percentage)	0.00	Jan/2017	7.00	May/2024	7.00	May/2024	44	May/2024
	Comments on achieving targets		Labor productivity, defined as output or value added per worker, reflects the effectiveness and efficiency of labor in the production and sale of the output. The indicator will measure average output per worker as a proxy for labor productivity, per hour, or labor productivity per person employed (if hourly data not available).					
Increase (additional) in agribusiness exports as a percentage of average sales value (Percentage)	0.00	Jan/2017	4.00	May/2024	4.00	May/2024	3.25	May/2024
	Comments on achieving targets		The percentage increase of exports over and above the average value of exports in the total sales among all beneficiaries.					

Share of beneficiary SMEs that receive new commercial credit (Percentage)	0.00	Jan/2017	30.00	May/2024	30.00	May/2024	39	May/2024
	Comments on achieving targets		In Component 1, the share of SMEs benefitting from technical and/or financial assistance that mobilize access to new commercial credit, based on regular market terms for agricultural financing					
Private Capital Mobilized (Amount(USD))	0.00	Jan/2017	5,000,000.00	May/2024	5,000,000.00	May/2024	7,766,952.71	May/2024
	Comments on achieving targets		The core indicator track the amount of direct financing (in the form of equity and/or debt) mobilized by private entities, using private funding, to finance investments within an IBRD/IDA operation or investments (PE, GE, RE, SF, and GU) directly linked to that operation.					
Annual Project Beneficiary Survey) among producer households and SMEs (citizen engagement) (Number)	0.00	Jan/2017	1.00	May/2024	1.00	May/2024	6.00	May/2024
Component 2: Strengthening the Regulatory and Institutional Framework for Agribusiness and Trade.								
Indicator Name	Baseline		Closing Period (Original)		Closing Period (Current)		Actual Achieved at Completion	
	Result	Month/Year	Result	Month/Year	Result	Month/Year	Result	Month/Year
Staff trained in regulatory agencies (Number)	0.00	Jan/2017	40.00	May/2024	40.00	May/2024	77.00	May/2024
	Comments on achieving targets		Number of Government workers in regulatory agencies trained by the Project.					
Number of NQI bills submitted for parliament approval (list) (Number)	0.00	Jan/2017	4.00	May/2024	4.00	May/2024	9.00	May/2024
	Comments on achieving targets		Number of NQI bills submitted for parliament approval -4 bills for parliament approval are ; (1) New Standards Bill; (2) Compulsory Specifications Bill; (3) Measurements (Metrology) Bill; and (4) Technical Regulation Framework Bill					
Share of SME beneficiaries to attain food safety standards (percentage) (Percentage)	0.00	Jan/2017	50.00	May/2024	50.00	May/2024	0.00	May/2024
	Comments on achieving targets		In sub-component 1b, the share of SMEs benefitting from technical and/or financial assistance specifically to meet and adhere to food safety standard requirements. While all the 258 SMEs were trained on HACCP, ISO & FSS aspects and a series of nine (9) training sessions were conducted to build capacity of ZABS and other Institution Staff in various GFSI benchmarked standards and techniques, the no of firms which attained formal certification is beyond the scope and control of the project. By end of the project a total of 12 SMEs were certified by ZABS on Zambia Local Supplier Scheme with 2 of these already due for renewal					
Share of staff in regulatory agencies who confirm that the training effective (percentage) (Percentage)	0.00	Jan/2017	85.00	May/2024	85.00	May/2024	100.00	May/2024
	Comments on achieving targets		Percentage of workers in regulatory agencies that attended Project-financed training that respond satisfied or highly satisfied with relevance for job function.					

Component 3: Project Management and Monitoring and Evaluation								
Indicator Name	Baseline		Closing Period (Original)		Closing Period (Current)		Actual Achieved at Completion	
	Result	Month/Year	Result	Month/Year	Result	Month/Year	Result	Month/Year
Annual Work Plan and Budget Submitted (Yes/No)	No	Jun/2017	Yes	May/2024	Yes	May/2024	Yes	Aug/2023

ANNEX 1. RESULTS FRAMEWORK AND KEY OUTPUTS

A. RESULTS FRAMEWORK

PDO Indicators by Outcomes

Contribute to increased market linkages and firm growth in agribusiness								
Indicator Name	Baseline		Closing Period (Original)		Closing Period (Current)		Actual Achieved at Completion	
	Result	Month/Year	Result	Month/Year	Result	Month/Year	Result	Month/Year
Producer Groups that meet commercialization agreement/business plan specifications (Percentage)	0.00	Jan/2017	70.00	May/2024	70.00	May/2024	68	May/2024
	Comments on achieving targets		Percentage of producers and SMEs (among beneficiaries) who achieve the specifications described in the commercialization agreement or business plan or by buyers / Total number of producer groups/SMEs benefited from productive alliances/MarketConnect) x 100					
SMEs that meet buyer requirements (Percentage)	0.00	Jan/2017	70.00	May/2024	70.00	May/2024	71.40	May/2024
	Comments on achieving targets		Percentage of SMEs (among beneficiaries) who achieve the specifications described in the commercialization agreement or business plan or by buyers / Total number of SMEs benefited from MarketConnect x 100					
Increase (additional) in average value of gross sales of producer groups (percentage) (Percentage)	0.00	Jan/2017	12.00	May/2024	12.00	May/2024	78	May/2024
Increase (additional) in average value of gross sales of beneficiary SMEs (percentage) (Percentage)	0.00	Jan/2017	14.00	May/2024	14.00	May/2024	36	May/2024

B. KEY OUTPUTS

KEY OUTPUTS and Components	
Key Objective 1: Contribute to increased market linkages	
PDO Indicators	<ul style="list-style-type: none"> • Producer organizations that meet commercialization agreement or business plan specifications (among beneficiaries as a percentage) • SMEs that meet buyer specifications (among beneficiaries as a percentage)
Intermediate Indicators	<ul style="list-style-type: none"> • Direct project beneficiaries • Number of producer households that benefit from the alliances • Number of beneficiary SMEs that receive support from MarketConnect • Buyers who fulfill their obligations under the commercialization agreement or business plan (of PA) (Percentage) • Buyers who fulfill their obligations under the commercialization agreement or business plan (of PA) (Percentage) • Annual Project Beneficiary Survey) among producer households and SMEs (citizen engagement)
Key Outputs by Component (linked to the achievement of the Objective/Outcome 1)	<p>Component 1</p> <ul style="list-style-type: none"> • 202 productive alliances that covered a total of 240, 734 farmers, 48 % of them being females • All of these 202 POs accessed training and technical support through technical support providers • 259 SMEs accessed training, mentoring and technical assistance through the Market Connect program. <p>Component 2</p> <ul style="list-style-type: none"> • Reorganized and redefined the functions and powers of the Zambia Bureau of Standards in line with the NQI policy and National Quality Policy (NQP) implementation plan. • Assisted in implementing the recommendations of the National Quality Infrastructure Plan (NQIP) to separate voluntary standards from the development and administration of compulsory standards

	<ul style="list-style-type: none"> • Provided technical support to the government in the establishment of the Zambia Accreditation Service through an Act of Parliament. Also enabled the establishment of an accreditation office under the ZAS. This streamlined support of the engineering of the national quality infrastructure institutions and assisted the creation of the Zambia Compulsory Standards Agency, enabling it to develop a strategic plan and become operational. • Zambia Weights and Measures was rebranded to Zambia Metrological Departments. • Enabled the establishment of the Technical Regulations Department at the Ministry of Trade, Commerce, and Industry for strengthening the national quality infrastructure. This department, supported by an act of parliament, now oversees the national quality infrastructure, including the accreditation of firms to ensure quality standards. The establishment of this technical department is expected to enhance oversight of quality management systems and increase respect for Zambia. • The project supported the development of a National Logistics Strategy and also enabled the establishment of an intergovernmental coordination mechanism through a National Logistics Committee housed in the Ministry of Transport. The committee's mandate cuts across numerous ministries and agencies, making it essential for coordination and oversight.
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Key Objective 2: Firm growth in agribusiness	
PDO Indicators	<ul style="list-style-type: none"> • Increase (additional) in average value (expressed in percentage terms) of gross sales of Beneficiary Pos • Increase (additional) in average value (expressed in percentage terms) of gross sales of Beneficiary SMEs
Intermediate Indicators	<ul style="list-style-type: none"> • Number of beneficiary SMEs that receive matching grants • Productive alliance subprojects implemented, (number) • Increase in average output per worker among SME beneficiaries (Percentage) • Increase (additional) in agribusiness exports as a percentage of average sales value • Share of beneficiary SMEs that receive new commercial credit • Private Capital Mobilized • Annual Project Beneficiary Survey) among producer households and SMEs (citizen engagement) • Staff trained in regulatory agencies • Number of NQI bills submitted for parliament approval (list) • Share of SME beneficiaries to attain food safety standards (percentage) • Share of staff in regulatory agencies who confirm that the training effective (percentage)

<p>Key Outputs by Component (linked to the achievement of the Objective/Outcome 1)</p>	<p>Component 1</p> <ul style="list-style-type: none"> • 202 POs were provided with Matching Grants under the Productive alliance approach to strengthen their growth. • 88 SMEs received the Business Linkage Fund as part of strengthening their growth. • US\$7.8 million in private sector capital has been mobilized • 1,340 full time jobs created through SME strengthening and 2,579 full time jobs created through the productive alliances approach
	<p>Component 2</p> <ul style="list-style-type: none"> • Institutional capacity for the Business Regulatory Review Agency (BRRRA) improved and implementation of the Business Regulatory Review Act strengthened. • Regulatory Impact Assessments (RIAs) incorporated in the policy and legislative making process relating to agribusiness and trade and a fully functional RIA system established and private sector sensitized on the RIA and stakeholder requirements in the regulatory making process. • Ministries, regulatory agencies and local authorities in the country were sensitized on the Business Regulatory Act, 2014. • Built a core team of experts at the Competition and Consumer Protection Commission that led and supervised the economic and legal analyses of market functioning and market regulations in key sectors for agribusiness. • Conducted analysis on the current regulations and rules in specific sectors and proposed alternatives that are less restrictive to competition. The activities were carried out in coordination with Business Regulatory Review Agency (BRRRA).

ANNEX 2. BANK LENDING AND IMPLEMENTATION SUPPORT/SUPERVISION

A. TASK TEAM MEMBERS

Name	Role
Soujanya Krishna Chodavarapu	Team Leader
Hazem Ibrahim Hanbal	Team Leader
Silvia Mauri	Team Leader
Baison Banda	Financial Management Specialist
Saidu Dani Goje	Financial Management Specialist
Wedex Ilunga	Procurement Specialist
Eliot Kalinda	Procurement Specialist
Thresa Musongo	Environmental Specialist
Christopher Mark Ingoe	Environmental Specialist
Kudakwashe Dube	Social Specialist
Kutemba Chilila Kambole	Procurement Team
Ankur Huria	Team Member
Henry Sichembe	Team Member
Shiny Jaison	Team Member
Patience M.B. Mutuna	Team Member
Efrem Zephnath Chilima	Team Member
Edward Philip English	Team Member

B. STAFF TIME & COST			
Stage of Project Cycle	Staff Time & Cost		
	No. of Staff Weeks	US\$ (including travel and consultant costs)	
Preparation			
FY16	13.945	98,009.88	
FY17	42.983	307,984.25	
FY18	7.550	69,033.76	
FY19	0.000	198.54	
Total	64.48	475,226.43	
Supervision/ICR			
FY18	33.803	214,475.64	
FY19	25.384	226,482.02	
FY20	37.859	326,021.33	
FY21	41.072	337,141.90	
FY22	34.111	259,852.95	
FY23	41.795	869,461.41	
FY24	38.691	415,043.47	
FY25	7.425	68,131.43	
Total	260.14	2,716,610.15	

ANNEX 3. PROJECT COST BY COMPONENT

Component	Amount at Ap- proval (US\$M)	Actual at Project Closing (US\$M)
Component 1: Market Linkages in Agribusiness.	26.7	26.9
Component 2: Strengthening the Regulatory and Institutional Framework for Agribusiness and Trade.	8.4	7.7
Component 3: Project Management and Monitoring and Evaluation	4.9	5.5

ANNEX 4. EFFICIENCY ANALYSIS

The main economic benefits of the project are new jobs for low-skilled labor, increased incomes for farmers, and higher profits for entrepreneurs. The project collected baseline and 2023 data on full-time employment for SMEs receiving matching grants. In the case of aggregators and producer groups, they were asked how much additional employment was created. It is assumed that most of this was low-skill labor, where there is excess supply, so that the employees would enjoy a surplus over what they might otherwise earn. Additional benefits accrue to farmers participating in the farmer organizations or supplying the aggregators. Finally, entrepreneurs who experienced a rise in real revenues (after inflation) will have received additional profits, if their costs did not rise as much.

The next step was to estimate the average wages earned. The Annual Labour Force Survey Report for 2022 provides an average monthly wage of ZK4,273 for retail and wholesale trade and food services, about ZK3,600 for craft and related trade workers, and ZK3,342 for the urban informal sector. We opted for ZK3,500, which is equivalent to US\$2,100 per year at the 2022 exchange rate, for the additional wage bill to be consistent with the data on increased revenues. Even at this wage rate, new hires would account for 65 percent of the revenue gain, which is probably too high. The same average wage was used for aggregators, which are also urban-based SMEs. In this case, the additional wage bill accounts for only 36 percent of the revenue gain. As for producer organizations, the labour force survey estimates the average monthly wage for the rural informal sector at ZK2,499 or US\$1,500 per year. However, at this rate, the cost of the additional jobs would surpass the reported gain in revenues. So, we adopted a wage of US\$1,000. In this scenario, the extra wage bill absorbs 71 percent of the gain in revenues. Perhaps some of these jobs are seasonal or part-time.

Various assumptions had to be made to estimate the net gain. In the case of wages, it was assumed that 25 percent of what workers earned represented the premium over alternative employment. The average urban informal sector wage (ZK3,342) is after all not much below the wage rate adopted here (ZK3,500). A similar premium is used for those hired by farmer organizations. Next, it was assumed that 30 percent of the aggregators' increased revenue accrued to farmers and half of this was a net gain after expenses. Since new jobs absorbed much of the increase in revenue for farmer organizations, only 10 percent of their earnings were a net gain for their members. Then, it was assumed that SMEs and aggregators took 10 percent of their higher revenues as profits. Finally, the impact of investments made under the project is projected to last about 20 years, to 2040.

Under these assumptions, the economic rate of return for the matching grant schemes is 4.6 percent. This is very sensitive to the assumption concerning alternative livelihoods for workers. If workers earn twice as much as they might otherwise, such that 50 percent of their wages are a net gain, then the rate of return rises to 12.1 percent. On the other hand, if the duration of the benefits is only five years, which is like what was assumed in the PAD, the rate of return is negative.

Several caveats must be added to this estimate. This calculation accepts that all the increase in revenues is due to the project. In fact, some of the SMEs were already growing before the project started, and some received support from other sources or were investing their own funds beyond that required by the matching grants. On the other hand, in some cases the project helped launch

a virtual start-up, initiating a growth process which will continue beyond the project. Ideally, a control group is needed to assess the additional impact of the project. It is also important to consider whether competitors who do not obtain support from the project may suffer a decline in sales and jobs, such that the net benefit to society is lower. This is particularly likely for services to a local market, where demand is limited and expansion by one hairdresser or restaurant may lead to decline in another. This problem is less likely to arise in the case of exports or import substitution. A few SMEs and aggregators had some involvement in exports, and more were competing with imports. It would be important to increase this focus in the next phase.

Summary of data and **assumptions**

SME jobs created	1340
Aggregator jobs created	1173
Average wage	\$2,100
Total additional wages paid	\$5.28 m.
Net wage benefit (25%)	\$1.32 m.
Farmer organization jobs created	1406
Average wage	\$1,000
Total additional wages paid	\$1.41 m.
Net wage benefit (25%)	\$0.35 m.
Increased revenues - aggregators	\$6.85 m.
- Share earned by farmers (25%)	\$1.71
- Net gain for farmers (15%)	\$1.03
- Increased profit (10%)	\$0.69
Increased revenues – farmer org.	\$1.98 m.
- Share earned by farmers (15%)	\$0.30 m
- Net gain for farmers (10%)	\$0.20 m
Increased revenues - SMEs	\$4.37 m.
- Increased profit (10%)	\$0.44 m.
Total net gain	\$4.03 m.

Streams of Costs and Benefits (US\$m.)

	Project costs	Including private¹²	Wage benefits	Farmer benefits	Profit	Net benefits
2018	1	1			0	-1
2019	4	5			0	-5
2020	7	8	0.5	0.5	0	-7
2021	4	5	1	1	0	-3
2022	6	6	1	1	0.5	-3.5
2023	4	4	1.67	1.23	1.13	0.03
2024	1.6	1.6	1.67	1.23	1.13	2.43
2025-40			1.67	1.23	1.13	4.03



ANNEX 5. BORROWER, CO-FINANCIER AND OTHER PARTNER/STAKEHOLDER COMMENTS

The ICRR was shared with the client on November 12, 2024, and borrower feedback was received on November 20, 2024. The borrower is aligned on the main findings and analysis of the ICRR. The correspondence regarding the same is filed in the operations portal. The feedback is incorporated in this final version.

ANNEX 6. SUPPORTING DOCUMENTS (IF ANY)

World Bank. 2016. Zambia - Agribusiness and Trade Project. Washington, D.C.: World Bank Group. [Link](#)

World Bank. 2023. Zambia - Second Agribusiness and Trade Project. Washington, D.C.: World Bank Group. [Link](#)

Country Partnership Framework for the Period FY19-24 (P159762). Washington D.C.: World Bank Group. (Report No. 128467-ZA).

World Bank. 2024. Zambia-Country Partnership Framework for the Period FY25-FY29. Washington, D.C.: World Bank Group. [Link](#)



REPUBLIC OF ZAMBIA

Ministry of Finance and National Planning