PARTNERING FOR INCLUSIVE GROWTH

THE AfDB AND ZAMBIA
I commend the Government and people of Zambia for putting in place the policies to ensure political stability, steady economic growth, and progress towards achieving the Sustainable Development Goals.

Zambia is a pivotal member of the Common Market for Eastern and Southern Africa and the Southern African Development Community. It has achieved macroeconomic stability and made significant economic progress in the last decade. National income has more than doubled in real terms, and growth averaging some seven percent a year has raised the country to the lower Middle Income category.

But challenges remain, and poverty levels remain too high. The situation has become more difficult in the wake of global economic headwinds and the fall of commodity prices, which have also, of course, affected copper. In addition, Zambia’s copper industry is facing a power crisis that has reduced production and led to job losses in a sector that contributes a tenth of national GDP.

Despite these challenges, we know that Zambia will come through. The country must diversify its economy, especially in agriculture and energy.

The African Development Bank remains a strong supporter of Zambia’s national development agenda, and it will continue to work in close partnership with the Government and other partners to help boost the energy sector. We will work with the Government and regulatory agencies to improve the management of the State energy utility. Energy is one of the Bank’s biggest priorities to empower Africa, and we need to unlock all the energy potential we have, whether it is solar, geothermal or hydro.

The Bank has already provided financing for the Itezhi-Tezhi Power Generation and Transmission Project, as well as the Kariba Dam Rehabilitation Project. Since 1971, we have committed approximately USD 2 billion to support agriculture, industry, water and sanitation, energy, education, health and transport in this country.

The African Development Bank is excited to partner with Zambia in her development journey, and we will continue in our support. We will do so by mobilizing our own resources and funding from the capital markets, embedding domestic firms into Global Value Chains, promoting financial inclusion by supporting women and small businesses, and identifying innovative approaches to financing infrastructure projects.

Together, we will support Zambia and Africa to achieve their development objectives.
STATEMENT FROM

HON. ALEXANDER CHIKWANDA
MINISTER OF FINANCE, REPUBLIC OF ZAMBIA

Zambia’s vision for its future is a bold one, becoming a prosperous middle-income nation by 2030. This means that, by 2030, Zambians expect to live in a strong and dynamic middle-income nation that provides opportunities for improving the well-being of all, embodying the values of socioeconomic justice and underpinned by solid principles: strong democracy; respect for human rights; gender responsive sustainable development; good traditional and family values; positive attitude towards work; peaceful coexistence; and public-private partnerships.

The Zambian economy has registered continuous buoyant growth. Despite this feat, unemployment and poverty have remained unacceptably high and the participation of Zambians in the economy has remained low. Nonetheless, we remain determined to continue on our positive growth trajectory given our resource endowment coupled with the resilient and entrepreneurial spirit of the people of Zambia.

In recent past years, the economy has faced some challenges. The slowdown in the Eurozone and in the Chinese economy has lowered the demand for, and the price of copper. With copper being the main source of our foreign exchange earnings, the fall in price has put pressure on the value of the Kwacha and lowered our tax receipts from the mining sector.

In addition climate change has become a reality and is affecting the day-to-day life of Zambians. It has affected the timing, distribution and amounts of rainfall that has adversely affected the agricultural sector and weakened our capacity to generate sufficient electric power. The strong El Niño of 2015 has contributed to suppressed rainfall, significantly limiting agricultural and pastoral potential, and straining local livelihoods.

The people of Zambia are grateful to the African Development Bank for being a valued partner and making a major contribution to our national development. Strengthening Climate Resilience in the Kafue sub-basin Project, financed by the Bank is one such support that will foster food security, sustained growth and poverty reduction to better respond to current climate variability and long-term consequences of climate change. This will be translated on ground by strengthening the adaptive capacity of 800,000 direct beneficiaries in the Kafue basin who depend on rain-fed agriculture and natural resources for subsistence and livelihood.

We will continue to foster and leverage our relationships with our development partners. Our joint strategy with the African Development Bank, in particular, will continue to focus on economic transformation for rapid inclusive growth, rural development, productivity and youth employment, and accountable governance – all areas that will contribute to fast and sustained poverty reduction for our population.

We look forward to the continuing co-operation with the African Development Bank as we strive to build on our earlier successes. I am convinced that, with the support of the African Development Bank and our other international partners, we will achieve our national vision of prosperous middle-income status by 2030.
When the Bank was established in 1964, and started its operations in 1967, it had as its core mission, to fight poverty and improve the living conditions of the citizens of its regional member countries.

Today, the Bank’s mission is to stimulate sustainable economic development and social progress in Africa, in order to meet its original objective of mitigating poverty, and improving living conditions.

The Bank does this by:

- Mobilizing and allocating resources for investment
- Providing policy advice and technical assistance to support development efforts

During his inauguration as the eighth elected President of the Bank Group on 1st September 2015, Akinwumi Adesina, outlined the five development priorities for the institution, to focus and accelerate its existing 2013-2022 strategy. These focus areas were developed as essential goals for transforming the lives of the people of Africa, while also aligning with the United Nations’ Sustainable Development Goals (SDGs).
THE HIGH 5s ARE:

01 / ✨
Light Up and Power Africa: Have a focus on energy, both conventional and renewable to power economies and create prosperous societies in both cities and rural areas.

Key issues for Africa:
- 650 million Africans, some 2/3rds of the population do not have electricity
- Power outages are on average 56 days per year, and as a result loss of sales revenue for businesses can range between 6%-20% per year
- The Bank intends to invest USD 12 billion in energy over the next five years and unlock renewable energy resources in Africa
- The Bank will also triple climate finance to support climate change adaptation and mitigation efforts on the continent

02 / 🌾
Feed Africa: Agriculture as a wealth creating viable business.

Key issues:
- 65% of Africa’s labour force is employed within the agricultural sector
- 32% of Africa’s GDP is from agriculture
- Africa spends over USD 35 billion importing food staples, including wheat and rice
- By 2050, Africa will have 65% of all the arable land in the world to feed 9 billion people inhabiting the earth

03 / 🌐
Industrialise Africa: Build the private sector of Africa to create wealth by developing financial markets, leveraging private capital markets for business to access long-term financing.

Key Issues:
- Africa accounts for only 1.9% of global manufacturing
- A key challenge in Africa’s industrial development is access to finance to facilitate growth and transformative businesses, especially in Small and Medium Enterprises (SMEs). Other constraints include lack of infrastructure, skills and institutions

04 / 💹
Integrate Africa: Focus on regional integration through smart regional infrastructure.

Key Issues:
- Regional integration aims to raise competitiveness, diversify economic bases, and create jobs for youth, thereby achieving sustainable growth and shared prosperity
- Need for improved infrastructure to improve productivity in manufacturing and service delivery, and distribution of national wealth

05 / 🙅
Improve the Quality of Life of the People of Africa: Transforming Africa’s ‘demographic dividend’ into ‘economic dividends’ through the skills of its people.

Key Issues:
- The aim is to grow the next generation as the knowledge work force for the continent, and to stimulate the creation of 25 million jobs over 10 years. This should curb the tide of migration within Africa and into Europe, keeping Africa’s youth in Africa, with economic opportunities
The African Development Bank Group and Zambia Partnering for Inclusive Growth
GEOGRAPHY, SOCIAL AND ECONOMIC HIGHLIGHTS

Geography

On 24 October 1964, the country formerly known as Northern Rhodesia became the Republic of Zambia. Zambia is the 39th largest country in the world by area. It is landlocked surrounded by eight countries: Angola to the west, Democratic Republic of Congo to the north, Tanzania to the north east, Malawi to the east and Botswana, Mozambique, Namibia and Zimbabwe to the south.

Zambia is sub-divided into 10 administrative provinces, the administration and economic capital. The most populated city is Lusaka in the Lusaka Province. Other large cities include Kitwe and Ndola in the Copperbelt province, while the tourist capital and home of the mighty Mosi-Oa-Tunya (Victoria Falls), is Livingstone, found in the Southern province.

Zambia has a tropical climate. There are three seasons in Zambia, cool and dry (May – August), hot and dry (September -October) and the warm, rainy season (November – April).

Social and Economic Life

Zambia has known peace throughout its 52 years of independence, and in 1991 returned to a system of multi-party democracy. According to the 2015 edition of the Mo Ibrahim Index on African Governance (IIAG), Zambia was rated 12th out of 54 countries in Africa, on the governance index.

With 15.7 million people, Zambia has a young and vibrant population, with the working population estimated at 6.9 million people. The majority of people work in the informal sector. Zambia is home to over 70 ethnic groups. The official language is English, while seven other local languages are used in schools and government communications (i.e. radio and publications).

Zambia has great economic potential as it is endowed with rich natural resources and a young and vibrant population. Zambia had for many years been considered one of the fastest growing economies in the world. Between 2000 and 2010, the economy grew at an annual rate averaging 7.7% per year, lifting Zambia above the threshold of lower Middle Income Countries. Gross Domestic Product (GDP) was USD 27.07 billion (2014 estimate) and GDP per capita at USD 1, 845 (2014 estimate). The main economic sectors are mining (particularly copper and emeralds), and agriculture (maize, rice, tobacco, cotton, sugar).

Despite its economic achievements and high growth rates, global drops in demand and price for copper, which accounts for 60% of Zambia’s exports, as well as domestic pressures, and drought related power shortages have curtailed this growth rate. As a result, growth in 2015 fell dramatically to an estimated 3 - 4%. Due to the falling copper prices, 2015 saw mine closures that resulted in the loss of over 7,700 jobs. The 2015 agriculture season also saw a decline in maize output by 21%, slowing down growth in that sector as well. 2015 also saw the depreciation of the Zambia currency (the Kwacha) by 50% against the dollar. However as of April 2016, the Kwacha was ranked as the best-performing currency in the world, climbing 19.9%. However, despite such signs of gain, the economy still faces numerous challenges and growth may be heavily disrupted by the current energy crisis.

Although Zambia has made significant economic progress, 60% of the population still lives below the poverty line. Furthermore, the gains of the economic progress have mostly been appreciated by the urban rich, inequality is high and has increased with the Gini-coefficient rising from 0.60 in 2006 to 0.65 in 2010. Still, against these challenges, Zambia as of 2015 had achieved two Millennium Development Goals (MDGs), on universal primary education and the reduction of HIV. However, literacy rates are at approximately 63.4%, and other health challenges, such as maternal mortality, still remain considerable.

Like many African countries, Zambia is challenged to balance economic dynamics with inclusive and equitable prosperity. The Zambian government is in the process of developing the 7th National Development Plan 2017-2021 (7th NDP). The 7th NDP will provide an opportunity for government to prioritise objectives towards poverty reduction. In order to get back on track with economic growth, it will be important for Zambia to diversify its economy as continued dependence on copper creates risks that makes it challenging to build a resilient economy.

AFRICAN DEVELOPMENT BANK AND ZAMBIA COOPERATION

The African Development Bank has been in Zambia since 1971, in which time, the bank has provided financing of close to USD 2 billion into various sectors to help develop the Zambian economy.

The Bank responded to the challenges within Zambia, such as the on-going energy crisis, and assisting in reducing the high levels of poverty, especially in rural areas, through the provision of innovative agriculture techniques among other strategies.

The Bank has been in Zambia since 1971, in which time, it has provided financing of close to USD 2 billion into various sectors to help develop the Zambian economy. The Bank has supported operations in water and sanitation, agriculture and its value chain, transport, including rail and port rehabilitation, energy through power generation and distribution, and skills transfer through vocational training.

In 2015 alone, the Bank committed approximately USD 886 million in approved and on-going projects. By the end of 2016 that figure is expected to reach USD1 billion.

The AfDB Country Strategy Paper for Zambia (2011-2015) provided the focus of activities and operations in 2015 leaning towards two key pillars: Support to Economic Diversification through Infrastructure Development and Support to Economic and Financial Governances. These focus areas also aligned with Zambia’s own Sixth National Development Plan.

In 2015, the Bank approved its largest number of operations in its history in Zambia, with a total commitment of USD 886 million, allocated in the following sectors:
Transport is a big part of the Bank’s portfolio due to the economic prospects it holds, and also in part to the Bank’s own Ten Year Strategy 2013-2022 and the Southern Africa Regional Integration Strategy Paper, both of which aim to integrate Africa through smart regional infrastructure.

The commitment from the Bank is not just about the financial resources, but its clear impact on the beneficiaries. Bank supported projects in Zambia are improving beneficiaries’ quality of life. Economic opportunities are increasing as a result of the Bank’s investment. The projects are supervised by implementing agencies to ensure that the targeted people benefit from the projects.

In addition, the Bank has been supporting the Zambian private sector, such as commercial banks, with lines of credit, to help facilitate and grow SMEs through loans and grant resources to train SMEs with better operational and business practices for growth and sustainability.

Lastly, the Bank also supports non-lending programs in Economic and Sector Work (research and policy papers) in areas such as job creation, value addition and competitiveness in industries such as mining, tourism and cattle sectors.

The Bank expects its portfolio in Zambia to grow, harnessing the Bank’s strategic High 5 priorities especially as it looks to develop its new Country Strategy in Zambia for the period 2016-2020.
“Energy is one of the important driving forces behind the development of an economy as it cuts across most economic and social activities”

Zambia’s 2030 Vision

Energy Sector Goals

- Abundant and reliable supply of affordable energy to both urban and rural areas
- Increased renewable alternative sources of energy
- Export led energy industry
- Reduce the share of wood fuel to 40% by 2030
HELPING ZAMBIA REACH ITS ENERGY GOALS

ZAMBIA HAS A VERY AMBITIOUS GOAL FOR ENERGY; WITHIN THE NEXT 14 YEARS ALL ZAMBIANS WILL HAVE ACCESS TO CLEAN, RELIABLE, AND AFFORDABLE ENERGY. ONLY 25% OF ZAMBIANS RECEIVE ELECTRICITY AND THE COUNTRY’S INSTALLED POWER CAPACITY IS CURRENTLY 1900MW, WITH DEMAND AT PEAK TIMES RUNNING BETWEEN 1800 TO 1900 MW, RESULTING IN A POWER DEFICIT OF 165MW TO 200MW.

The Energy Challenge

Zambia’s energy is currently provided primarily by hydropower. The country has the potential to produce 6000MW using hydropower plants. While this is a renewable and clean source of energy, it is also impacted by the rain patterns that help fill the reservoirs for power generation. Currently the reservoirs that store water for hydro-electric generation are Kariba, Itezhi Tezhi and Kafue Gorge. Due to the lower rainfall in the 2014-2015 rainy season, and increased water use, the levels in these dams are at record low levels.

In the 1970s up to the 2000s, Zambia experienced a surplus in energy generation, to the point of exporting power to its neighbouring countries such as Zimbabwe and South Africa. But in 2000 economic progress took hold, driven by mining production and services, increasing the demand for electricity. By 2010, Zambia’s economy was growing on average by 6.4% a year, raising the demand for electricity by 4% over the same period. For the first time since independence, the country began to experience a shortage of power.

The power shortages have been further exacerbated by the El Nino weather phenomena that led to poor rains in large parts of the country in the 2014/2015 rainy season. The state power utility, Zambia Electricity Supply Corporation (ZESCO), has had to reduce its power output by 560MW, nearly one-third of its total power generation capacity, after water levels declined at the Kariba dam and other hydroelectric plants.

In 2015 power outages, commonly referred to as load shedding, increased. This affected households and businesses, having to go without power for up to eight hours a day.

Initially power was only rationed to household consumers and light industry but currently power is being rationed equally across all sectors, including the copper mines, Zambia’s largest revenue earner.

The effects of limited electricity supply are already being felt in the economy. Businesses in the service, manufacturing and industrial sectors are experiencing reduced outputs and redundancies.

It is anticipated that power shortages will continue through to 2018, potentially up to 2020 if there is lower than average waterfall in the upcoming rainy season.

Zambia’s Response

To achieve its vision of universal access to clean, reliable and affordable energy and more immediately to increase the amount of power available on the national grid, Zambia will have to increase significantly its power generation capacity.

As a short-term measure to cover the supply deficit, ZESCO has been importing electricity. The government is expected to provide the power utility with USD 340 million in 2016 to cover the cost of this emergency power.

For the medium to long-term future the government has commissioned several new power plants, six of which are at various stages of development.

AfDB’s Response

Recognizing this urgent need, the African Development Bank is assisting Zambia respond to its power challenges.

The Bank is providing over USD 60 million to support infrastructure development to increase Zambia’s power generation capacity. The Bank support is currently focused on two major projects: the rehabilitation of the Kariba Dam and construction of the Itezhi Tezhi power plant.
The project, which is jointly owned by the Zambia Electricity Supply Corporation (ZESCO) and Tata Africa Limited, is constructing and operating a 120-MW hydropower station in Zambia’s Southern Province, at a total cost of USD 245 million, of which the African Development Bank is providing USD 30 million.

“The project began in 2012. We plan our power projects based on least cost projects, which is contained in our master power plan report. There was already an existing dam at Itezhi Tezhi, which was built to supply the Kafue Gorge Power Station, so it scored highly on the least cost scale, and of course construction would be faster because of existing structures,” explained Fidelis Mubiana, Director of Power Generation for ZESCO.

Current supply of power in Zambia is not meeting the demand that is constantly increasing, due to growth rate and increased activity in the economy.

“The coming of Itezhi Tezhi has helped bridge the gap between supply and demand. We did a power transmission line from Lusaka West Substation to Mumbwa, then from Mumbwa to Itezhi Tezhi to ensure power is pumped into the national grid. And through the national grid it is fully connected to the entire Southern African Power Pool. So this project doesn’t only benefit the nation but the region as a whole,” Mubiana continued.

But the project is not only about providing power to the national grid: it also has additional economic benefits, especially in Mumbwa and Itezhi Tezhi, both through direct job creation and through giving a boost to the services which the power station will demand from its suppliers.

Additionally, the shareholders also decided to reinvest 0.5% of annual revenue into community projects through their corporate social responsibility plans that focuses on health and education.

“Energy is a prime driver for any economy to scale up productivity and job creation. This project shows that the rules and regulations in the country are favourable enough to allow private partnership to happen, truly signifying that Zambia is open for business,” concluded Mubiana.

The project is the first private public partnership in the energy sector in Zambia.

**THE ITEZHI TEZHI POWER PROJECT**

**THE ITEZHI TEZHI POWER PROJECT IS THE FIRST PRIVATE PUBLIC PARTNERSHIP IN THE ENERGY SECTOR IN ZAMBIA.**

| TITLE OF THE PROJECT | Itezhi Tezhi Power Project |
| SECTOR | Energy |
| PROJECT AMOUNT | USD 245 million |
| AfDB CONTRIBUTION | USD 30 million |
| DATES | 2012- On-going |
Mr. Kaluba: This project came as a result of our collective realisation about the level of climate change in Zambia. Current trends show increased levels of awareness surrounding climate change. Over the past 30 years, Zambia’s GDP growth rate has totalled USD 13.5 billion. Factoring in climate change, if nothing is done about this, Zambia will start to lose USD 5 billion every decade, meaning more people will fall below the poverty line. This year, the average poverty levels have decreased but still remain a challenge for people in rural areas. In order to combat this, government and AfDB have piloted this project as an instrument of change, seeking to help communities in 11 districts cope with the impacts of climate change and its relation to their livelihoods.

What are some of the main objectives of the project?

The major objectives are to mainstream climate change in the economically vulnerable reservoir sectors and strengthen climate change awareness at sector, community and district levels.

Can you cite any examples of the actual project activities?

Yes, two examples come to mind. The first, is the larger economic infrastructure of the project, being the road network, which links Livingstone to the Kafue National Park and also links Kalomo to Ithzi-Thezi, by way of the Kafue National Park. Heavy rainfalls and constant flooding have resulted in impassable washed away sections of the road. The main idea of the road networks is to ensure the road can withstand the effects of climate change as well as open up the Kafue National Park to tourism. Secondly, the ongoing community projects. These community projects involve technological tools for community adaptation and development of small infrastructural activities such as construction of dams, fishponds and growing of community gardens to reduce the dependence of the community on relief food supplies.

What is the total cost of the project?

The total envelope is USD 38 million and USD 20.5 million of that is intended for community adaptation projects and then USD 17.5 million of that is for the larger economic infrastructure earlier mentioned.

What are some of the expected results of the project?

The project aims to support at least 800,000 farmers and equip them with tools to cope with the impact of climate change. We wish to see a higher level of awareness amongst communities and an increase in the number of districts able to mainstream climate change in their development plans.
Japhet Mweembe, a father of seven and local farmer working with the AfDB, has been able to cushion the effects of the dwindling water resources and the possible threat of food shortage. He has used sustainable agricultural techniques such as planting and cultivation of drought-resistant crops.
AGRICULTURE
FOR A BETTER LIFE

Zambia has a large land resource of 42 million hectares, and yet only 1.5 million hectares is cultivated annually. The country is also home to 40% of the water resources in Central and Southern Africa. In 2009, the agricultural output accounted for 20% of the GDP.

Though unemployment, especially among young people, has risen to around 25%, the agriculture sector employs the largest number of the working poor at 81%, and accounts for 54% of all informal jobs.

Recognizing this, the AfDB has continued to make agriculture a priority of its operations, emphasizing building and strengthening infrastructure, institutional and human capacity, community empowerment, gender equity, and social justice. Working in line with the government of Zambia’s National Vision 2030, the revised 6th National Development Plan, and the Bank’s own Country Strategy for Zambia, the Bank has financed several operations across the agricultural value chain in several provinces in Zambia. The Bank’s added value to the local strategy includes promotion of value chain development activities such as agriculture infrastructure related to irrigation and livestock, in order to positively impact job creation, increased productivity, and market linkages.

The Small Scale Irrigation Project (SSIP) is one of the Bank’s most successful projects to date. The project was designed to increase food production and household income, covering 1,980 hectares in Chongwe, Mazabuka, and Sinazongwe districts for crop production. The Bank invested USD 8.77 million into this project. However, in May 2007 it was clear that the remaining funds were going to be inadequate to complete the project successfully. With this in mind, the Bank secured an additional Euro 9.6 million from the Finnish government. With this commitment, an additional 1,413 hectares of irrigated land benefiting 977 households in Nega Nega, Kanakantapa, Sinazongwe, and Nzenga were developed. In addition, 150 hectares of sugarcane has been planted in Nega Nega, with the smallholding farmers able to sell the sugar cane to bigger sugar production companies such as Nakambala Sugar and Zambia Sugar.

The Cashew Infrastructure Development Project (CIDP) approved by the AfDB in 2015 aims to help revive the cashew industry, which is also one of government’s priorities. The objective is to contribute to poverty reduction and improve household incomes through cashew production and processing. The project will be implemented over a five-year period in 10 districts of the Western Province. The CIDP will benefit about 60,000 smallholder farmers, including 30,000 women and 7,000 young people, each planting one hectare of cashew trees. It is also expected that the project will create about 6,000 full time jobs, 3,000 for women and 1,000 for youths. Rural poverty in Zambia is high, and this project is expected to trickle down to individual households. When the trees mature the annual income of each farming household should increase by USD 430. The AfDB has invested USD 15 million in the CIDP.

Linked to the Bank’s focus on agriculture is ensuring that the agriculture projects also employ technologies and methods that take into consideration the effects and impact of climate change, to safeguard the agriculture industry for both domestic and international markets.

FEED AFRICA IS ONE OF THE AFRICAN DEVELOPMENT BANK’S ‘HIGH 5’ PRIORITIES. AS WELL AS FEEDING AFRICA ITSELF, IT ALSO AIMS TO CHANGE THE PERCEPTION OF AGRICULTURE FROM A WAY TO MANAGE, OR REDUCE POVERTY, TO A WAY TO GENERATE WEALTH, DIVERSIFY ECONOMIES AND TO ENHANCE EXPORT MARKETS TO INCREASE FOREIGN EXCHANGE REVENUE.

May 2016
www.afdb.org
The project places special emphasis on agriculture and food security. It is aligned to the Global Agriculture and Food Security Programme (GAFSP) whose goal is to enable participating developing countries raise their agricultural productivity, link farmers to market, improve non-farm rural livelihoods and thereby enhance household food and nutrition security.

The project is financed through a USD 31.12 million grant from the GAFSP. It has three components: Agriculture Production and Productivity (irrigation, aquaculture and livestock, diversification and intensification); Value Chain Development and Market Linkages (agro-processing, value chain development, agriculture, service centres and market linkages) and Institutional Strengthening.

The project’s objective is to contribute to economic growth and poverty reduction by ensuring food, income and national security among participating households through an increase in agricultural production, market engagement and enhanced institutional capacity of key agricultural sector players.

The estimated number of direct beneficiaries are 75,000 households, including 37,500 female-headed households, and 2,000 young people. In addition, about 90,000 households are indirect beneficiaries in the value chain. The project will create 850 full-time and 4,200 part-time jobs.

The project is being implemented in six districts: Sinazongwe, Gwembe, Chongwe, Rufunsa, Serenje and Chilambo.
As a beneficiary of the AfDB’s Small Scale Irrigation Project (SSIP), Rosemary glances at her sugarcane field, smiles at her youngest daughter and says, “We are going to sell it to Nakambala Sugar and manage to buy a few things for the school children.”

“Our life was not okay before. We used to plant maize but unfortunately due to water logging the crop did not bear fruit. Even when we added fertilizers, and the like, the crop still did not bear fruit. Those days were hard, we were failing to buy uniforms for the children, to even send them to school,” Rosemary said. “We are very happy to have this project and we hope you, our donors will continue to help us. Our life has changed, the children and even the women are working here and getting money.”

The Nega-Nega SSIP is a transformative business approach adopted by the Bank which seeks to raise farm productivity, household income and improve the general livelihoods of the small-hold farmers and women. It falls in line with both the Bank’s Ten Year Strategy (2013-2022) and its Gender Strategy (2014-2018). The two pursue inclusive and green growth in Zambia.

Although the Nega-Nega SSIP came to an end in September 2011, the project continues to benefit small-hold farmers. Under the SSIP farmers can generate income all year round and switch from subsistence production to market oriented production, by growing sugar cane and selling it to Zambia Sugar Plc.

Rosemary excitedly states, “Our children are going to have more chances to go to school, even university, they are going to reach university.”
AFDB focuses on water and sanitation as part of its mandate to help regional member countries reduce poverty and promote economic growth by helping achieve the SDGs for poverty, health, education and gender. The Bank looks at interventions that increase water supply and adequate sanitation, primarily targeting the poorest people living in rural areas.

The Bank has been supporting Zambia’s water sector since the early eighties. The Bank has supported 14 projects at an approximate total cost of USD 300 million across water resources, water supply and sanitation, benefiting over 1 million people. This support led to the creation of Lusaka Water and Sewerage Company, and in the Copperbelt, Nkana Water and Sewerage Company in 1991.

The Bank support has contributed to Zambia’s progress in its water success with 65% of Zambians having access to clean drinking water, and 44% having access to adequate sanitation.

**LACK OF ACCESS TO CLEAN WATER SOURCES AND SANITATION FACILITIES COSTS ZAMBIA 1.3% OF ITS GDP EVERY YEAR. IMPROVEMENTS IN WATER SUPPLY AND SANITATION AIM TO INCREASE PRODUCTIVITY, CREATING TIME-SAVINGS ON COLLECTING WATER AND PREVENTING DISEASES FROM POOR WATER SUPPLY AND SANITATION.**
“In fact I’ve even been able to increase my rentals by 25% because people want to be where there are toilets, and now my family and I have moved out of Ipusukilo,”

Steven Mundela – Moving Up the Sanitation Ladder
Thereasah is just one of approximately 750,000 people benefiting from the Bank’s investment to water infrastructure rehabilitation, and sanitation services in the Kitwe, Kalulushi and Chambishi urban areas.

The Bank invested USD 57 million for the Nkana Water Supply and Sanitation Project (NWSSP), which had five broad components:

- Water Supply
- Sewerage System
- Sanitation and Hygiene Education
- Institution Support
- Project Management

In 2010 when the project was instituted, people in the Copperbelt towns serviced by the Nkana Water and Sewerage Company were receiving unsatisfactory services from the utility company. This included limited, if any, water supply, and in low cost residential, and peri-urban households no adequate sanitation services.

“They said it couldn’t be done,” remarked engineer Cliff Bwalya, Director of Operations at Nkana Water and Sewerage Company, of the naysayers of the project. Similar projects had sprung up in other regions of the country without much success.

“AFDB’s investment has allowed us to improve our service delivery through the upgrade and rehabilitation of water treatment centers in four areas. Not only are we now able to supply households with more water, with an average of eight hours of supply, and in some cases, like Chambishi, 24 hours of supply. But we’ve also been able to connect an additional 400 households with water supply,” Bwalya proudly stated.

Under the Water Supply component of NWSSP, the Bank provided resources to upgrade the infrastructure at the water treatment plant. The improved works now allows for 86,000 cubic meters of water a day to be distributed, whereas before it was only 54,000.

Through the institutional support component, the distribution of water was also improved. The utility company was able to build water tanks, which has also resulted in saving Nkana Water and Sewerage Company costs related to energy, as they do not have to pump water into the network but use gravity to distribute the water into the network.

“All in all, the Bank’s resources helped to overhaul 40% of the infrastructure, which in turn ensured improved access and supply of water,” reported Frank Mulundu, Acting Director of Infrastructure Development, at Nkana Water and Sewerage Company. “We’ve also been able to reduce the opportunities for non-revenue water.”

In the low cost residential area of Buchi, the utility company with resources from the Bank put in a sewerage network and then constructed 1,990 water-borne toilets. In areas such as Ipusukilo, which is an unplanned settlement, it has been impossible to put in a sewerage network. Instead, the NWSSP worked with the community to put on-site sanitation facilities with ventilated improved pit (VIP) latrines and pour flush toilets. Because Ipusukilo is a water-logged area, it was known for its high cholera outbreaks, which were almost endemic. Since the introduction of the VIPs, and pour-flush toilets, Ipusukilo has not had one single cholera case recorded in over five years. Other water-borne diseases such as dysentery, and typhoid among others, have also marked a reduction in recorded cases.

Thereasah Msandile can’t help but smile as she proudly shows off not only her lush garden, but more importantly, the waterborne toilet she has received as part of the African Development Bank project with the Nkana Water and Sewerage Company.
Before receiving the ventilated improved pit latrine (VIP) Fridah Chikange, a disabled 58 year old widow, had to defecate into a plastic bag, which one of her seven orphaned grandchildren would then throw away in the river. Today, she has improved sanitation and personal dignity.
INVESTING IN THE PRIVATE SECTOR TO ALLEVIATE POVERTY

The private sector is central to the lives of poor people and has the power to make their lives better, the AfDB has made private sector development a priority both to reduce poverty and support sustainable growth in Africa.

The Government of Zambia recognises that wealth creation through sustained economic growth constitutes the most important element in poverty reduction and, consequently, a very high premium is being placed on growth-stimulating interventions; and empowering the poor to earn a decent living income.

In support of the Government’s poverty reduction strategy, AfDB’s private sector enhancement programme aims to help the Zambian economy transform and provide opportunities for growth, job creation, and wealth generation, through its different partnerships and operations within the market.

In Zambia the Bank has multiple initiatives to spur private sector development, through financial systems, strengthening institutions, and through the promotion of regional integration and trade.

In 2015, the Bank approved operations in excess of USD 50 million to financial institutions to provide lines of credit to their clients. By providing Line of Credit Agreements to financial institutions AfDB is increasing access to finance to stimulate the growth of big trans-border businesses and domestic companies that are contributing to poverty alleviation by increasing employment and creating opportunities for local SMEs through business linkages. Through these operations AfDB is unleashing the power of Zambian entrepreneurs to reduce poverty in their communities, and the nation as a whole.

AfDB and FirstRand Bank (South Africa) finalized a deal in 2012, that would involve all nine of First Rand’s subsidiaries across Africa with a USD 300 million loan to provide term financing to its clients.

FNB, the Zambia subsidiary of FirstRand Bank, took on USD 43.9 million of the USD 300 million to provide finance to its eligible clients.

“This partnership with AfDB is also about us helping AfDB meet its objectives of spurring development, stimulating the economy and ultimately improving the lives of people in Africa,” said Johan Maree, CEO of FNB. “Zambia is the first country to roll out this project as part of this deal, the next country will be Nigeria, followed by Tanzania”.

In addition to offering loans ranging from USD 3,000 to USD 80,000, Madison Finance has also expanded its SME products to meet the needs of its customers, with products such as leasing and invoice discounting.

“The Madison Finance board of directors had the vision for us to become an SME bank by 2017, and so we listen to our customers to identify what products to create for them. And we believe that our partnership with AfDB will grow this fund to even USD 6 million,” stated Titus N. Wathaka, MD for Madison Finance.
THE IMPACT OF THE WORK ON THE GROUND

THE BENEFITS OF THIS APPROACH ARE CLEAR.

“At the end of it all, this project has a filter down effect. So the economy will grow, more people will be employed and hopefully it will create sustainable employment,” Maree adds. “For the economy to grow we need something that is sustainable, and not just one-offs, and that’s the beauty of this project.” says Maree

“We’ve already started seeing the fruits of this facility, because we started disbursing funds last year and we’re already seeing business growth, which is the key objective. The growth is seeing either new jobs created directly, or through supporting the other businesses that are generated to feed into the business, so there is trickle down through this funding. The facility also allows us to do more longer term financing for our clients, which previously we might not have been able to do,” says Kapumpe Chola Kaunda, Head of Corporate and Investment Banking FNB states.

“This fund from AIDB will not only help our business but also help us reach about 20,000 SMEs. Currently we’re only reaching about 3,000,” says Waithaka.
BETTER ROADS FOR A BETTER LIFE

ONE OF THE AFD’s ‘HIGH 5’ PRIORITIES IS ‘INTEGRATING AFRICA’, WHICH SEeks TO INTEGRATE TRADE ACROSS THE REGION BY DEVELOPING AND MAKING USE OF THE TRADE CORRIDORS.

African trade currently represents only 2% of global trade while intra-African trade only represents 12% in comparison to Europe’s 60% and Asia’s 35%. Regional integration is critical to boosting economic growth in Africa.

Zambia is a landlocked country and the only way to open it up for business with its neighbours is to ensure the strategic development of the transport corridor so that Zambia can link with other countries and ports. Enhancing regional and national infrastructure, is key to this transformation.

Since 2010, the Bank has supported major interventions in Zambia to include both national and multinational projects.

One notable example is the Kazungula Bridge Project. The Kazungula Bridge Project is a joint venture between the governments of Zambia and Botswana.

The Kazungula Bridge Project is estimated to cost USD 229 million, which will be co-financed by the Japanese Development Agency JICA, which are providing loans to both Zambia and Botswana, and AFD, which are providing finance to Zambia only. The two Governments are set to provide counterpart funding.

The bridge’s primary objective is to improve the infrastructure at Kazungula to reduce transit time at the border and contribute to the overall efficiency of the corridor. The one-stop border post will streamline customs procedures so vehicles can move freely across, and there will be a rail component that will allow trains to cross the bridge and move freely between the two countries to facilitate trade.

The corridor is the busiest of the regional corridors of the SADC region linking landlocked countries to the port of Durban, which is a regional hub for export and import, and critical to regional economies.

To facilitate bridgeworks, the Bank had to resettle communities that were on the designated land. This has led to the Bank building a modern village to resettle the affected people. In doing this, the Bank has also upgrade the quality of life of the villages through improved sanitary facilities and newly constructed homes.

The Kazungula Bridge Project is only one of the Bank’s active portfolios on infrastructure development to help grow the Zambian economy through integrated trade.
“We wait for up to seven days to get across. We hope that with the coming of the bridge we won’t wait for more than 24 hours”

Oscar M. Chitambala, Truck Driver
IMPROVING LINKS BETWEEN ZAMBIA AND BOTSWANA

The Kazungula Bridge Project is being carried out with partial financial assistance from the African Development Bank, in the form of grants to the Governments of Zambia and Botswana.

The primary objective of the project is to improve the infrastructure at Kazungula to reduce transit time between borders. The project will facilitate increased trade activity, and improve the integration of the Zambia and Botswana economies, as well as their global competitiveness.

The Kazungula Bridge Project is a multi-national project in the North-South Corridor, and is part of an infrastructure improvement programme that covers the whole corridor. The project includes a bridge linking Botswana and Zambia over the Zambezi River to replace the existing ferry, and a one-stop border facility at Kazungula.

This corridor is the busiest of all regional corridors in the SADC region, linking landlocked countries to the port of Durban, the regional hub for export and import. The corridor will mostly benefit businesses engaged in the mining, agriculture and service sectors.

The project, totalling USD 229.62 million is co-financed by the Japanese Development Agency JICA, in the form of loans to both Zambia and Botswana. The Bank finances Zambia only. The two governments each provide counterpart financing.

<table>
<thead>
<tr>
<th>TITLE OF THE PROJECT</th>
<th>Kazungula Bridge Project</th>
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<tbody>
<tr>
<td>SECTOR</td>
<td>Transport</td>
</tr>
<tr>
<td>PROJECT AMOUNT</td>
<td>USD 230 million</td>
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<td>AfDB CONTRIBUTION</td>
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<td>JICA</td>
<td>USD 132.166 million</td>
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<td>EU-Africa Infrastructure Trust Fund (Grant)</td>
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<td>Zambia</td>
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</tr>
<tr>
<td>Botswana</td>
<td>USD 9.10 million</td>
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</tbody>
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The project includes: civil works, construction of a one-stop border facility, consultancy services, technical assistance, resettlement and compensation, and studies.
Beneficiary Story: Kazungula Bridge Project

IGNATIOUS MILIMO: AFDB SHOWS REAL CONCERN FOR BENEFICIARIES

“We feel good, the houses are modern houses, they are good,” exclaims Ignatious Milimo, Headman of Lumbo Village located in Southern Province’s Kazungula District.

The Kazungula Bridge Project is set to open up trade links between Zambia and Botswana and to increase economic activities in the Southern Africa Development Community (SADC) area. In order for this project to be successful, the project had to resettle a whole village to make use of the land. The resettlement project increased the quality of life for the people in the village.

“We have been staying here for one and a half years, and we are coping, we are happy with everything, we have running water, electricity in our homes, good pit latrines and we really appreciate it,” exclaims Ignatious.

In addition to this, AfDB and its cooperating partners have set up and built a community school for the children of Lumbo village. The school currently runs up to 5th grade but in conjunction with the Ministry of Education negotiations are underway to change the designation of the school from Community School to Basic School by constructing additional classroom blocks, a laboratory and a library.

“People are happy here when it comes to livelihoods. Everyone is happy, we are trying to come up with a community initiative so that we can plant a garden and sell the produce to raise extra income for those who are struggling,” says Ignatious.

“The villagers rely on cross-border trading to make a living. The relocation of the villagers to an area near the river allows for an abundance of river reeds, which when cut are used to make mats for sale as well,” said Ignatious.

“With the Kazungula Bridge Project, the business will improve because currently cross-border trading is done on the pontoon and this takes time, days even. Sometimes it breaks down so when you have your merchandise it is a problem, but when we have the bridge, in the near future, maybe it will only take 24 hours,” Ignatious explains.