I. Project Context

Country Context

Zambia's recent economic performance has been encouraging with growth rates averaging 6 percent per annum during the latter half of 2000s. Despite impressive economic growth, poverty levels have remained persistently high, especially in the rural areas. Over the 1998-2006 periods, the poverty head count experienced only a modest decline from 67 to 59 percent while rural poverty remained significantly higher, falling from 83 to only 77 percent (CSO). Broad based and higher growth rates are needed if Zambia is to reach its first Millennium Development Goal (MDG) which aims to reduce the proportion of Zambians living in extreme poverty by 50 percent. Zambia has immense, untapped mineral and agricultural resources. Less than half of Zambia's 23 million hectares (ha) of potential arable land is used for agriculture and its substantial water resources are largely underutilized.

Zambia's growth is driven by copper mining, construction and tourism. Agriculture accounts for a relatively small share of the economy due to the importance of the mineral sector. Yet most people still depend on agriculture since earnings from copper are not widely distributed. The economy remains vulnerable to instability in the global metals markets as unexpected declines in copper prices could weaken Zambia's prospects for growth and external sustainability. Livestock plays a key role in contributing to rural incomes, diversification of sources of earnings and risk management. In the traditional sector, livestock serve as "walking" savings accounts to counter drought and fluctuations in the exchange rate, prices and employment in the mines.

Zambia has long sought for ways to diversify its economy away from the reliance on copper to foster broad based economic growth. The Government has targeted agriculture as a priority sector in poverty reduction and food security as two thirds of the population live in rural areas and relies on the agricultural sector for their livelihoods. The livestock sector is relatively unexploited but recognized as an increasingly dynamic part of the agricultural economy. While livestock contributes 35 percent to agricultural value-added, the potential to expand the sector's contribution to economic growth is high given its natural resource base (four times more grazing than arable land) and favorable market prospects to drive the diversification agenda. The livestock industry has also a strong bearing on poverty-stricken communities, either directly through the provision of produce and services such as animal draught power and transport or indirectly through the provision of employment and wealth creation.

II. Sectoral and Institutional Context
Agricultural production in Zambia is markedly dualistic. Currently, an efficient commercial sector exists comprising less than 2,000 corporate and large commercial farms but utilizes 20 percent of the land. The remaining land is populated by approximately 1.1 million households in the “traditional sector” which is characterized by high poverty levels, smallholder mixed farming systems and low productivity. Among these mixed crop-livestock farming households, cattle and goats provide a significant income source for many rural communities, contributing 39 percent to income. Nearly half of the rural households own livestock with approximately 310,000 rural households, owning cattle. Livestock distribution in the country indicates that Southern, Eastern, Western and Central Provinces account for 89 percent of the total cattle population with the remaining 11 percent found in Copperbelt, Northern, North-Western, Lusaka and Luapula Provinces. The Eastern and Southern Provinces account for 80 percent of the goat population and 83 percent of the total pig population.

Zambia’s long term livestock sector strategy is to establish a Disease Free Zone with an objective of accessing international markets for livestock and meat products. In the short to medium term, the proposed Livestock Development and Animal Health Project (LDAHP) would underpin this strategy and contribute to improving veterinary and livestock services, food safety and productivity of the smallholder production systems. In a recent World Bank report on Zambia’s beef and dairy industries, the potential for expanding market opportunities for commercially-oriented livestock producers is supported by increasing domestic demand for livestock products as income levels rise, particularly in urban areas. Beef demand is currently estimated to be rising at the rate of 5-7 percent per annum (pa) and dairy products at 10 percent pa. Despite increased investment in retail outlets, per capita consumption levels is still among the lowest in Southern Africa, implying that there is potential for growth including scope for import substitution. Currently, large commercial operators provide animal products to urban areas but, increasingly, a lack of available animals constrains their ability to effectively utilize their capacity. There is considerable scope for smallholders to supply to more formalized commercial markets while meeting the growing demand in rural markets. However, investments and capacity building are required to secure the position of smallholders as suppliers of quality animal products.

Low productivity is the most important challenge faced by the livestock sector and is a result of underinvestment, poor animal husbandry, poor animal nutrition and unacceptable losses due to animal diseases. However, productivity improvements in the sector face a number of challenges. The smallholder cattle sector is characterized by slow growth rates (5-8 years to reach market weight), high calf and adult mortality rates (20-30 percent and 9 percent respectively), and low reproductive performance. In contrast, production ratios for the commercial sector feature low calf mortality (1-2 percent), high reproductive rates (65-70 percent) and an off take between 17-18 percent. Despite Government support and recognition of the considerable potential for increased livestock production, Zambia is reputed to be the most animal disease-stricken country in the Southern Africa Development Community (SADC) region. Livestock diseases are a major constraint to increasing production. Consequently, the control of these diseases and their vectors can contribute significantly to productivity improvements. Other factors responsible for low productivity include: (i) inadequate infrastructure for livestock production, processing and marketing; (ii) weak extension and advisory services; and (iii) absence of or weak producer organizations.

The LDAHP would serve to redress some of the investment and policy biases inherent in supporting agricultural development in Zambia. Its agricultural policy has been historically biased towards the maize sub-sector with massive expenditures on fertilizer subsidies and maize price support with the specific objective of improving national food security. The Ministry of Agriculture and Livestock (MoAL) has traditionally retained the key responsibilities for all aspects of major animal disease control and provision of advisory services. However, declining resource allocations prior to 2009 seriously impeded its capacity for service delivery at the farmer level. A more balanced approach towards rural development will also be supported by separate livestock policy documents derived from a number of existing documents such as: (i) the livestock component of the existing National Agricultural and Cooperatives Policy 2004-2015 (under revision); (ii) Livestock disease control strategy; (iii) Livestock Service Center Program; and (iv) Livestock Development Plan 2000-2004 (under revision). The ongoing implementation of the ALive Livestock Investment and Policy Toolkit which is funded in parallel by the World Bank-administered Trust Fund for Statistical Capacity Building (TFSCB) will provide added information.

III. Project Development Objectives
The Project Development Objective (PDO) is to improve the productivity of key livestock production systems for targeted female and male smallholder producers in selected areas of the Recipient’s territory. Specifically, the project will target selected species including cattle, small ruminants (sheep and goats), pigs and poultry for smallholder producers in Eastern, Southern and Western provinces and the Disease Free Zone comprising Central, Lusaka and parts of Copperbelt provinces.

IV. Project Description
Component Name
Component 1: Livestock Services Provision
Sub-Component 1.1: Strengthening the Surveillance, Diagnostic and Control of Animal Diseases
Sub-Component 1.2: Support for Livestock Infrastructure and Access to Services
Sub-Component 1.3: Institutional Support to MoAL
Component 2: Productive On-Farm Investments
Sub-Component 2.1: Support for the Livestock Improvement Grant Facility
Sub-Component 2.2: Pasture Management and Forage Development
Sub-Component 2.3: Strengthening Capacities of Non-Public Service Providers
Component 3: Project Management

V. Financing (in USD Million)
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<td>BORROWER/RECIPIENT</td>
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<tr>
<td>LOCAL BENEFICIARIES</td>
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VI. Implementation

The project will be implemented under the overall responsibility of MoAL. A Project Steering Committee, chaired by the Permanent Secretary (Livestock) of MoAL, and assisted by a Technical Committee will provide policy guidance and oversight. Within the Ministry, a Project Coordination Office (PCO) headed by a National Project Coordinator (NPC) will be established to ensure overall project management and coordination and will serve as the lead implementation agency. More specifically, the PCO will: (i) prepare annual work plans and budgets (AWPB) and consolidated project reports; (ii) develop communication and outreach strategies and tools including guidelines and standard formats for the disbursement of grants and M&E; (iii) pre-qualify and organize training of technical service providers for use under Component 1.3; (iv) and pre-qualify and submit proposals to the Technical Committee under the Pasture Management and Forage grant and Producers’ organization Matching Grant, and (v) establish and undertake M&E of the project. Coordination at provincial levels will be carried out by Provincial Project Coordination Offices (PPCOs). Both PCO and PPCOs will comprise: (i) civil servants from the public administration to be assigned to the project on a full time basis; and (ii) contracted staff in specific areas to fill technical gaps not available in the Ministry.

Additional support to project implementation will be provided through: (i) provincial and district extension structures of the MoAL to strengthen links with producers and participate in sub-projects pre-screening and selection; (ii) local service providers to assist LIGF applicants groups in preparing their sub-projects; (iii) Grant Committees (GC) and technical specialists to assess sub-projects and ensure final quality and selection; and (iv) specific implementation agreements for activities under the overall oversight of the PCO.

A PIM will be prepared prior to project effectiveness. The PIM will detail the organizational and technical procedures that will govern the project, including financial management and procurement. It will also detail the procedures for co-financing of sub-projects under the LIGF as it relates to the grant facility mechanism, eligibility criteria, technical and fiduciary, including social accountability.

VII. Safeguard Policies (including public consultation)

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<th>Safeguard Policies Triggered by the Project</th>
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VIII. Contact point

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