Irrigation PPPs in Zambia

Cambridge Economic Policy Associates (CEPA)
charles.groom@cepa.co.uk

1. Project overview

<table>
<thead>
<tr>
<th>Project title</th>
<th>Irrigation Development and Support Project (IDSP)</th>
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<tbody>
<tr>
<td>Localization</td>
<td>Zambia</td>
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<tr>
<td>Date of operation</td>
<td>Group I sites now in implementation phase Group II sites now in planning phase</td>
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<tr>
<td>Public partner</td>
<td>Ministry of Agriculture and Livestock (MAL), Government of Zambia</td>
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<tr>
<td>Approx. project sizes</td>
<td>• Musakashi – 1,030 ha • Lusitu – 270 ha • Mwomboshi – 4,770 ha (includes existing local commercial farm off-takers)</td>
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<tr>
<td>Approx. investment costs (3x Group I sites)</td>
<td>• Public investment of c. US$75m • Private investment of c. US$40m</td>
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Farmer beneficiaries targeted
• Musakashi – 370 smallholders and up to 19 emergent farmers
• Lusitu – 240 smallholders and up to 7 emergent farmers
• Mwomboshi – 800 smallholders and up to 60 emergent farmers

Production systems
• Wheat and soya under centre pivots
• Grains and veg under micro-irrigation
• Bananas or mangoes under microjets

2. Scheme design

Three ‘tiers’ of farmers will access the bulk water system:
• Tier 1 – local smallholder farmers on 0.5 ha plots
• Tier 2 – local emergent farmers on 5 ha plots
• Tier 3 – a commercial farm investor and irrigation operator

Tier 3 will operate, manage and maintain the bulk water irrigation system on behalf of all farmers. It will also provide support to smallholder and emergent farmers. In return, it will receive a long-term (25 year) concession on the commercial farming opportunity and land lease from the local community.

3. Sources of finance

Public investment in the bulk water system (and dam at Mwomboshi) will be financed by a World Bank IDA credit.

Private investors are sought for the commercial farm – including buildings, equipment and working capital – but are not expected to finance the bulk water system or any land purchase costs. Further public finance may be available for on-farm investment if required based on a competitive procurement process.

4. Scheme funding and payments

• Tier 1 will pay concessional water user charges
• Tier 2 will pay cost-reflective water user charges
• Tier 3 will pay no water user charges – they will use income from Tier 1, Tier 2 and their own operations to fund irrigation operation, management and maintenance
• Tier 3 will pay a concession fee to MAL based on the outcome of a competitive procurement process
• Tier 3 will establish a local community support fund through a land lease fee – this will fund provision of support services to local farmers, including training and input purchase

5. Risk management

• World Bank safeguards in place to ensure all community members benefit – including through a formal Resettlement Action Plan (RAP)
• Scheme design and construction risk (including dam safety) managed by MAL with World Bank support
• Maintenance and operation risk to be transferred to Tier 3 through applying irrigation system performance standards

Key lessons

• Local community buy-in is essential
• Establishing land tenure and formalising land titles takes time – but is perceived as essential by investors
• Transferring risk to private investors requires a commercial farming opportunity of an appropriate scale