

Reference no: P-Z1-DC0-048

# THE AFRICAN DEVELOPMENT BANK GROUP



## PROJECT APPRAISAL REPORT

### LOBITO INTEGRATED ECONOMIC CORRIDOR DEVELOPMENT PROJECT

#### MULTINATIONAL (ZAMBIA/ANGOLA)

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# AFRICAN DEVELOPMENT BANK GROUP



**MULTINATIONAL**

## **LOBITO INTEGRATED ECONOMIC CORRIDOR DEVELOPMENT PROJECT**

**PIVP/RDGS/PICU/COAO/COZM DEPARTMENTS**

May 2026

Public Disclosure Authorized

Public Disclosure Authorized

## CURRENCY EQUIVALENTS

Exchange rate effective 2/28/2026

Currency Unit	Equivalent
1 Unit of Account	1.37477 USD
1 Unit of Account	1.16456 EUR
1 Unit of Account	25.84884 ZMW
1 EUR	84.61180 USD
1 USD	18.80230 ZMW

## FISCAL YEAR

1 January – 31 December

## WEIGHTS AND MEASURES

1 Metric ton	2,204.62 Pounds (lbs)
1 Kilogramme (kg)	2.20462 lbs
1 Meter (m)	3.28 Feet (ft)
1 Millimetre (mm)	0.03937 Inch (“)
1 Kilometre (km)	0.62 Mile
1 Hectare (ha)	2.471 Acres

## ABBREVIATION AND ACRONYMS

ADF	African Development Fund
AfDB	African Development Bank
AFC	Africa Finance Corporation
BCR	Benefit-Cost Ratio
BMP	Biodiversity Management Plan
BPS	Borrower Procurement System
CAPEX	Capital Expenditure
CBA	Cost-Benefit Analysis
CP	Cooperating Partner
CSP	Country Strategy Paper
EIRR	Economic Internal Rate of Return
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
EU	European Union
GBV	Gender-Based Violence
GHG	Greenhouse Gas
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
IFMIS	Integrated Financial Management Information System
IFR	Interim Financial Report
IRM	Independent Recourse Mechanism
LAR	Lobito Atlantic Railway
LCTTFA	Lobito Corridor Transit Transport Facilitation Agency
MCTI	Ministry of Commerce, Trade and Industry
MIHUD	Ministry of Infrastructure, Housing and Urban Development
MTL	Ministry of Transport and Logistics
NAP	National Adaptation Plan
NDC	Nationally Determined Contribution
NDP	National Development Plan
NPV	Net Present Value
OPEX	Operating Expenditure
OSBP	One-Stop Border Post
PAPs	Project Affected Persons
PFM	Public Financial Management
PIU	Project Implementation Unit
PPP	Public-Private Partnership
PRCA	Procurement Risk and Capacity Assessment
PSC	Project Steering Committee
RAP	Resettlement Action Plan
RISP	Regional Integration Strategy Paper
RPFF	Rome Process/Mattei Plan Financing Facility
SEP	Stakeholder Engagement Plan
STIs	Sexually Transmitted Infections
VGf	Viability Gap Funding
ZLR	Zambia Lobito Railway

## PROJECT INFORMATION SHEET

### CLIENT INFORMATION

<b>Project Name</b>	Lobito Integrated Economic Corridor Development Project
<b>Sector</b>	Transport
<b>Loan/Grant Recipients</b>	Republic of Zambia
<b>Project Instrument</b>	Loan and Grant
<b>Executing Agency</b>	Ministry of Infrastructure, Housing and Urban Development

### COUNTRY AND STRATEGIC CONTEXT

<b>Country Strategy Paper Period:</b>	Southern Africa RISP: 2020-2026 Zambia: 2024-2029
<b>Country Strategy Paper Priorities supported by Project:</b>	Southern Africa RISP (2020 – 2026): Priority Area 1: Infrastructure Connectivity, Priority Area 2: Market Integration and Industrialization. Zambia: Priority Area: (I) Boosting Private Sector Development through Infrastructure Investments and (II) Agricultural Value Chain Development for job creation targeting women and the youth.
<b>Government Program (PRSP, NDP or equivalent):</b>	Program for Infrastructure Development in Africa (PIDA) Priority Action Plan II, 2021-2030 SADC Protocol on Transport, Communication and Meteorology, 2006 SADC Regional Infrastructure Development Master Plan, 2012-2027 Zambia Development Vision 2030 and 8th NDP 2022-2026
<b>Project classification:</b>	<p>Integrate Africa: Regional infrastructure connectivity (Hard 4.1), Regional infrastructure connectivity (Soft 4.2) Light Up and Power Africa: Power distribution (2.4) Feed Africa: Value addition (1.2)</p> <p>SDG 2-End hunger , food security and improved nutrition, sustainable agriculture, SDG 7-Ensure access to affordable, reliable, sustainable and modern energy for all, SDG 9-Build resilient infrastructure, promote inclusive sustainable industrialization, and foster innovation, SDG 10-Reduce inequality within and among countries, SDG 13-Take urgent action to combat climate change and its impacts, SDG 17-Strengthen the means of implementation and revitalize the global partnership for sustainable development.</p> <p>Selectivity priorities:</p> <ol style="list-style-type: none"> <li>1. <i>Integrate Africa</i>: [Regional infrastructure Connectivity] - Strengthen regional infrastructure connectivity and improve the regional environment for market integration.</li> <li>2. <i>Light Up and Power Africa</i>: Accelerating progress towards universal electricity access for Africa through a clean energy revolution.</li> <li>3. <i>Feed Africa</i>: Strengthen food security for Africa through a transformation of African Agriculture.</li> </ol>
<b>Country Performance and Institutional Assessment:</b>	3.48 (2023)
<b>Projects at Risk in the country portfolio:</b>	6%, March 2026 Transport: (0)

### PROJECT CATEGORISATION

<b>Environmental and Social Risk Categorization</b>	Category 1, validated on 3-6-2024
<b>Does the project involve involuntary resettlement?</b>	Yes, the project involves significant involuntary resettlement due to the permanent land acquisition required for the rail and road corridors. Project will result in the physical displacement of 705 households and the economic displacement of 4,834 PAPs. These activities will lead to the loss of 2,898.42 hectares of arable land and 499.5 hectares of

	residential land, as well as the demolition of approximately 2,147 structures and impacts on 44 burial grounds.
<b>Climate Safeguards Categorization:</b>	Category 1 (requires detailed Climate Risk Assessment and development of Climate Change Management plan). As well as Green House Gases (GHG) accounting and identification of reduction strategies. Low carbon transport alternative – facilitating shift from road to rail. Paris Aligned
<b>Fragility Lens Assessment:</b>	Yes. This project aligns with the African Development Bank Strategy for Addressing Fragility and Building Resilience in Africa (2022–2026), particularly its priorities of building resilient societies and strengthening institutional capacity.
<b>Gender Marker System Categorization:</b>	Category 2
<b>Youth Skills and Jobs Categorization:</b>	Category 2

## ADF KEY FINANCING INFORMATION

<b>Borrower</b>	Zambia (ADF Blend financing terms)
<b>Interest Rate*:</b>	One Percent in Units of Account (UA 1%) per annum converted to the disbursement currency equivalent upon approval of the PAR by the ADF Board of Directors
<b>Service Charge*:</b>	A minimum of One Percent in Units of Account (UA 1%) per annum converted to the disbursement currency equivalent upon approval of the PAR by the ADF Board of Directors on the amount disbursed and outstanding.
<b>Commitment Fee:</b>	0.75% per annum on the undisbursed loan amount. Commitment fee starts accruing 120 days after the date of signature of the loan agreement
<b>Tenor:</b>	30 years inclusive of Grace Period
<b>Grace Period:</b>	5 years

\*ADF currency specific lending rates are revised and published quarterly: <https://www.afdb.org/en/documents/financial-information/lending-rates>

Source	Amount (millions)		Financing Instrument
	UA	EUR	
African Development Fund (ADF-PBA)	2.7		ADF Loan
African Development Fund (ADF-RO)	183.4		ADF Loan
Rome Process/Mattei Plan Financing Facility (RPF)	7.3	8.6	Grant
Government Counterpart Contribution:	0.6		In-kind
<b>Total Project Cost:</b>	<b>194</b>	<b>8.6</b>	

## PROJECT DEVELOPMENT OBJECTIVE AND COMPONENTS

<b>Project Development Objective:</b>	To improve transport and trade facilitation along the Lobito Corridor, contributing to economic development and regional integration
<b>Project Components:</b>	Transport Infrastructure investments, UA 169.3 million
	Trade and transport facilitation, UA 13.6 million
	Institutional support and project management, UA 6.7 million
	Compensation and resettlement, UA 4.4 million

## PROJECT PROCESSING SCHEDULE TO BOARD APPROVAL

<b>PCN Approval:</b>	10-04-2026
<b>Appraisal Mission:</b>	10-04-2026 to 13-04-2026
<b>Planned Board Presentation:</b>	20-05-2026
<b>Effectiveness:</b>	01-10-2026
<b>Project Implementation Period:</b>	1-09-2026 - 31-12-2033
<b>Planned Mid-term Review:</b>	01-11-2029 to 30-11-2029
<b>Project Closing Date:</b>	31-12-2033

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# 1 STRATEGIC CONTEXT

## A. Country Context, Strategy and Objectives

1. The Lobito Corridor spans Southern and Central Africa, linking Angola, the Democratic Republic of the Congo (DRC), and Zambia from the Port of Lobito to the Copperbelt region. For many years, and before the outbreak of conflict in the region, the former Benguela Railway was a strong unifying and integrating factor, providing the most economical route for mining operations, which historically thrived across these two regions. In addition, the Corridor is potentially an important trading zone for agricultural and industrial products. Following the revitalization of the Angola–DRC line through a concession, the Lobito Atlantic Railway (LAR), the line presents a strong business case for interconnection to Zambia. In recognition of its importance, the three corridor member countries have signed a joint agreement for its revitalization and development.

2. The proposed Lobito Integrated Economic Corridor Development Project (LIECDP), which will be phased, aims to establish a greenfield railway linking Zambia’s Copperbelt and North-Western regions to Angola and the Port of Lobito. The project entails the construction of approximately 829 km of new railway infrastructure, comprising 550 km in Zambia and 279 km in Angola, starting from Chingola (Zambia), crossing into Angola, and connecting to the existing Lobito Atlantic Railway (LAR) at Luacano. The rail line, referred to as the Zambia Lobito Railway (ZLR), will be implemented as a Public Private Partnership (PPP) under a User-Pay, Design Build Finance Operate Maintain Transfer model, with a concession period of 30 years. This model allocates construction, demand and operational risks to the private sector while the public sector retains political and regulatory risks. The project developer is the Africa Finance Corporation (AFC) and has signed concession agreements with Zambia and Angola. AFC will establish a Special Purpose Vehicle (s) that will act as the legal entity with a mandate of overseeing the construction, operation and maintaining the rail infrastructure for the duration of the concession. In addition to the railway component, the project includes the improvement of approximately 260 km of roads, implementation of trade facilitation measures, development of agro-processing facilities, and enhancement of power distribution infrastructure along the corridor. This initial phase focuses on Bank financing in Zambia, contributing towards the construction of the 550 km railway section and a strategic 105 km road link connecting Zambia to the Angolan border. It also includes targeted trade facilitation interventions, notably the construction of a One-Stop Border Post (OSBP) to enhance cross-border trade and mobility, as well as capacity-building activities. The subsequent phase will be subject to financial closure and successful railway contract award.

3. The financing proposal envisages the Bank mobilizing up to US\$500 million through a phased approach, with the present project constituting the first tranche under ADF-16 of about US\$250 million loan and co-financing of Euro 8.6 million grant from Rome Process/Mattei Plan Financing Facility (RPF). A second tranche of US\$250 million is envisaged under ADF-17. These concessional resources are expected to serve as potential future instruments to leverage market-based resources, to be explored in subsequent phases through a strategic blend of financial instruments, including partial credit guarantees. This blended approach combining public and private resources reinforces the Bank’s role as an integrator of diverse financing instruments. In Future interventions are expected to extend support to additional rail investments and complementary sectors such as agriculture, energy, dry ports, and mineral beneficiation. Collectively, these investments constitute a cornerstone for transforming the Lobito Corridor from a historically extractive route into a diversified economic corridor. To this end, a separate comprehensive corridor-wide scoping study covering all three member countries will be undertaken to

identify additional priority investments that enhance logistics efficiency, industrial connectivity, economic impact, and tourism potential, beyond the corridor's traditional transit function.

4. Zambia's Copperbelt is currently served by multiple regional ports and corridors, including Dar es Salaam, Beira, Walvis Bay, and Durban. A competitiveness analysis conducted as part of the feasibility study indicates that the ZLR is projected to outperform these alternatives. This comparative advantage is driven by shorter distances, fewer border crossings, improved infrastructure conditions, and a more sustainable operating model. Key findings show that: (i) the ZLR is expected to deliver significantly reduced transit times between the Copperbelt and the Port of Lobito; and (ii) reliability is enhanced through a more direct and streamlined route. The Port of Lobito itself stands to benefit from ongoing and planned investments, including the concession of its container and multipurpose terminal to Africa Global Logistics, supported by growing traffic volumes on the LAR. Moreover, Lobito's closer proximity to European and eastern American markets, relative to other Southern African ports serving the Copperbelt, offers additional potential to strengthen trade linkages between the landlocked Copperbelt region and global markets.

5. The proposed operation is well aligned with the National Development Plans (NDPs) of both Zambia and Angola. Angola's NDP 2023–2027 is structured around three pillars: economic diversification, human capital development, and modernization of infrastructure. Zambia's 8th NDP (2022–2026) focuses on socio-economic transformation for improved livelihoods. The operation also aligns with the SADC Transport Sector Plan, which highlights the need to develop road and rail infrastructure and services along key strategic and development corridors. In addition, the project is aligned with the Bank's Country Strategy Papers (CSPs) for Zambia and Angola. The Zambia CSP (2024–2029) focuses on two priority areas: (i) boosting private sector development through infrastructure investments; and (ii) agricultural value chain development for job creation, targeting women and youth. The project supports both pillars. The Angola CSP (2024–2029) focuses on: (i) economic diversification for inclusive growth; and (ii) support to sustainable infrastructure development. Catalyzing private sector participation through investment promotion, an improved business environment, and financial inclusion is also a key theme of the Governments' plans.

6. The project is aligned with the Bank's Ten-Year Strategy (2024–2033) twin strategic objectives of accelerating inclusive green growth and driving prosperous and resilient economies, through scaling up the High 5s, promoting private sector investment, and addressing cross-cutting priorities. It is aligned with four (4) of the High 5s (Integrate Africa, Industrialize Africa, Light Up and Power Africa, and Feed Africa); Bank's Cardinal Point 1 - enhanced access to capital, by mobilizing Africa's financial resources through catalyzing co-financing and private sector; Cardinal Point 3 - harnessing demographic transformation, transforming population growth into economic development through impacting skills and job creation and Cardinal Point 4 - provision of climate-resilient infrastructure and robust value addition through rail and road development. The project is also aligned with the Bank's Regional Integration Strategic Framework (RISF) 2018–2025; the Southern Africa Regional Integration Strategy Paper (SA RISP) 2020–2026; the ADF-16 strategic pillars of sustainable, climate-resilient, and quality infrastructure; the Bank's Sustainable Transport Action Plan focus areas of accelerating green mobility, reducing transport costs through corridor development, improving regional integration, and financing climate-resilient infrastructure; the Programme for Infrastructure Development in Africa (PIDA) Priority Action Plan II (2021–2030) focus area of infrastructure connectivity, strengthening regional trade through robust infrastructure; and AU Agenda 2063, specifically the African Continental Free Trade Agreement (AfCFTA). The project falls within the Regional Corridor and AfCFTA Acceleration

Initiative, whose objective is to catalyze investments that promote economic corridor development and unlock Africa's trade competitiveness.

7. The project promotes strengthening of institutional capacity, building resilient societies and catalyzing private sector investments, in line with the Bank's 'Strategy on Addressing Fragility and Building Resilience in Africa' and the Bank's Policy Framework for Climate Change & Green Growth (2021 -2030). Private sector investment in the economic corridor will take a structured approach that reduces risks, streamlines operations, and builds infrastructure that lowers business costs. Successful strategies generally involve public-private partnerships (PPPs), regulatory reforms, targeted development of key infrastructure (rail, highways, ports, energy, and digital connectivity) and de-risking investments. The project supports SDGs 2, 7, 9, 12 and 13 and is aligned to the Bank's Gender Strategy 2021-2025 extended to 2026, pillar 3 - increasing women's access to social services through infrastructure and pillar 2 - accelerating job creation for women through skills enhancement. It also conforms with the Bank's selectivity priorities namely: strengthen regional infrastructure connectivity and improve the regional environment for market integration and will unlock transformative agricultural opportunities including SAPZs.

8. This project is aligned with RPF eligibility criteria since it falls within its priority sectors of intervention and presents high climate mitigation / adaptation impacts, while addressing the climate-fragility-migration nexus, including the root causes of climate-induced irregular migration.

#### **B. Sector and Institutional Context**

9. Zambia and Angola have developed policy and strategy documents that guide sector investments and intend to take advantage of their geographical locations as a comparative advantage to position as transport hubs. Zambia has developed a National Transport Policy and a National Transport Master Plan to guide transport development. It particularly stresses intermodal transport with a target of 30% of freight on the railway by 2030. Angola has a National Transport Master Plan that targets to revitalize the rail network and complete the extension to Zambia. Both countries aim to establish efficient, safe, interlinked and competitive regional transport development corridors with private sector participation.

10. The main sector challenges include the absence of paved road and rail connectivity between Zambia and Angola; the poor condition of existing road and rail infrastructure; limited financial, technical, and local industry capacity; and rail companies that are not structured to achieve optimal business efficiency, including through effective private sector participation. For example, Zambia's railway density currently stands at 2.83 km per 1,000 sq. km, while Angola's is 2.11 km per 1,000 sq. km, compared to a global average of about 23 km per 1,000 sq. km. Additional constraints include infrastructure bottlenecks, prolonged transit and waiting times at ports and border crossings, and cumbersome cross-border procedures. The transport network is also increasingly exposed to extreme climatic events, particularly floods, which frequently result in costly damage to public infrastructure. High regional youth unemployment, exceeding 20 percent, along with social exclusion, inequality, and environmental pressures, heightens the risk of instability. Furthermore, the conflict in Eastern DRC poses broader regional security risks if left uncontained; however, the likelihood of spillovers to the Lobito Corridor remains limited due to low geographic proximity and ongoing international efforts to counter insecurity. Notwithstanding these challenges, recent rail sector reforms have yielded some positive outcomes, notably the concessioning of the LAR in 2022 and the Tanzania Zambia Railway Authority (TAZARA) in 2024 for Angola and Zambia, respectively. In addition, Zambia enacted legislation in 2018 mandating that at least 30 percent of bulk and heavy cargo be transported by rail, although achievement of this target will depend on significant improvements in service delivery.

11. The project will benefit from synergies and coherence of the soft and hard infrastructure provided in Bank financed prefeasibility study for extension of the Angola to Zambia railway link which recommended a PPP approach, the Lobito Corridor Trade Facilitation project and national transport master plans for Angola and Zambia. The Bank also seeks to strengthen the development impact of the Lobito corridor with a complementary investment in agricultural production in the eastern region of Angola (Moxico and Cuango Cubango province) and the planned Kolwezi-Solwezi (DRC to Zambia) power line.

### **C. Rationale for Bank's Involvement**

12. The Bank commenced operations in Zambia in 1971 and has a comparative advantage built on its extensive experience. Interventions in Zambia and other corridor states have covered investments, knowledge and policy dialogue and technical assistance. The Bank's vast experience places it in a better position to implement the project. Examples in rail and regional projects include Tanzania-Burundi-DRC Standard Gauge Railway Project, Nacala Rail Port Project and Morocco Railway Infrastructure Reinforcement Project. The Bank's support also forms part of a broader initiative involving several other multilateral and bilateral donors towards complementary corridor initiatives and an integrated economic corridor approach covering transport, trade facilitation, agriculture, energy and urban development which are all areas in which the Bank has accumulated a lot of experience. Bank intervention is vital, aligning with its strategic focus on climate resilience, gender equality, and expanded social services. By prioritizing women's empowerment and youth job creation, the project ensures inclusive growth and long-term economic stability within the corridor. This will contribute to resilience against spillovers of instability or insecurity and shocks, further improving lives, livelihoods and equality.

13. The Bank launched the Regional Corridor Development Initiative at the Africa Investment Forum (AIF) in 2023. The Bank explicitly recognizes that regional corridors: (i) are the backbone of Africa's integration; (ii) are essential for reducing transport costs and unlocking trade flows; and (iii) require strong governance, coordination, and financing platforms. The project is well aligned with this approach in terms of its cross-border scope (Angola–DRC–Zambia), multimodal transport design (rail, road, and port), high-value economic flows (minerals and agriculture), and strong private sector and global partner interest. The Bank is therefore supporting the operationalization of its corridor approach through a bankable, high-impact pilot corridor, using Lobito as one of the deal-making platforms to crowd in private capital rather than relying on Bank financing alone. In 2026, the Regional Corridor Development Initiative was further reinforced as a Special Initiative. Emerging thinking emphasizes that corridors should: (i) integrate multimodal transport, energy, agriculture, and the broader industrial ecosystem; (ii) include cities, logistics hubs, and corridor authorities; and (iii) strengthen governance, institutional structures, and coordination capacity. The project therefore serves as a demonstration corridor to support the scaling up of the Bank's 2026 regional corridor special initiative.

### **D. Development Partners Coordination**

14. The Bank coordinates its activities in Zambia with other development partners through the Cooperating Partners (CP) Working Group, which serves as the main forum for aid coordination and harmonization. Active CPs in the transport sector include the African Development Bank, the World Bank (WB), the European Union (EU), the European Investment Bank (EIB), the United States (US), the Japan International Cooperation Agency (JICA), the Millennium Challenge Corporation (MCC), and the United Nations Development Program. The Bank currently serves as the lead for the transport sector CP group. The project was presented to, and discussed with, the CPs and received their full support. In

addition, the Bank has been actively engaging development partners and has signed a Memorandum of Understanding with the US, EU, AFC, and Italy to strengthen cooperation in support of corridor development. Furthermore, AFC, as the ZLR project developer, coordinates monthly technical and quarterly strategic working group meetings related to the development of the railway line. More recently, partners, led by the WB and the three corridor countries, inaugurated a ministerial roundtable that formally launched structured trilateral coordination among the corridor states. This initiative established an “Engine Room” to support analytical work and co-host coordination meetings. Synergies will be achieved with ongoing and planned partner supported interventions, including the EU-financed rehabilitation of the Chingola–Lusaka–Livingstone railway line, EU-funded studies on urban development and food value chains, an IFC study on strategic investment mapping, the MCC-proposed rehabilitation of the Solwezi–Mutanda road section and feeder roads, and the proposed WB-supported rehabilitation. The studies will be completed in 2026. Zambia has also signed an agreement with Anzana Electric Group for the electrification of the Lobito Corridor of US\$300 million initiative to connect nearly 2 million by 2030.

## **2 PROJECT DESCRIPTION**

### **A. Project Development Objective**

15. The project development objective is to improve transport connectivity and trade facilitation along the Lobito Corridor thus contributing to economic development and regional integration. The project will ultimately contribute to broader social and economic development, poverty reduction efforts, job creation for the youth and mitigating fragility by stimulating economic opportunities in the project area.

### **B. Theory of Change**

16. **The problem:** Despite sharing a long common border of approximately 1,110 km, Angola and Zambia currently lack a single paved road or rail transport link, constituting a major bottleneck to envisaged national and regional development strategies. The corridor faces significant economic and infrastructure challenges, including high upfront investment costs, elevated financial risks for participating countries, particularly in light of Zambia’s debt constraints and complex cross-border regulatory and institutional requirements. Additional constraints include residual landmine contamination on the Angola side, limited local processing capacity, and strong competition from alternative regional trade routes. As a result of these infrastructure and institutional gaps, the corridor remains largely underdeveloped despite its considerable potential, with communities along the corridor characterized by high levels of poverty, unemployment, and limited access to basic social services. From a social perspective, women are disproportionately concentrated in the lower-value segments of economic activity along the corridor and face greater constraints in accessing higher-value opportunities linked to trade, logistics, agribusiness, services, energy, and enterprise development. The project area is also highly vulnerable to climate-related shocks, particularly flooding, which frequently causes damage to critical infrastructure. Notwithstanding these challenges, the corridor has the potential to serve as a key driver of socio-economic transformation through job creation, regional integration, and inclusive livelihood opportunities; however, this potential remains largely untapped.

17. **Intervention strategy/outputs:** To address these challenges, the project will adopt an integrated economic corridor approach through the development of 550 km of climate-resilient railway infrastructure, 105 km of strategic road links, and the construction of an OSBP to improve connectivity, facilitate trade, and unlock broader economic opportunities along the corridor. The railway component

will be implemented under a public–private partnership (PPP) arrangement to leverage private-sector expertise, efficiency, and capital for the accelerated and cost-effective delivery of public infrastructure. In addition, the project will support local capacity building, trade and transport facilitation, climate change mitigation and adaptation co-benefits, gender equality, and youth employment, including the creation of at least 5,000 temporary jobs (with a focus on women and youth, representing at least 80%). Cross-border operational bottlenecks will be addressed through the harmonization of two (2) border and transport policies. The project will also tackle skills gaps by training 50 technical staff in corridor management, logistics, safeguards, monitoring and evaluation, and related operational areas, as well as 300 public officials, border agencies, logistics operators, traders, and MSMEs in rail and road construction and maintenance, climate change, corridor development, and trade facilitation, targeting at least 80% youth and 50% women.

18. The defining strength of the project lies in its creation of a true multimodal economic corridor, with rail and road infrastructure forming the backbone. This multimodal system enhances efficiency (rail for bulk mineral transport and roads for last-mile connectivity), resilience (diversified transport options), inclusivity (improved community access), and economic diversification (supporting agriculture, trade, and services alongside mining). Through this integrated approach, the project will help transform the Lobito Corridor from a mineral export route into a comprehensive spatial development axis

19. **Expected outcomes** include: (i) a reduction in rail travel time along the Chingola to Lobito corridor from 17 days to 3 days; (ii) a reduction in road travel time between Mwinilunga and Jimbe from 4 hours to 1.2 hours; (iii) increased access to an all-weather transport network for approximately 5.1 million people (at least 80% youth and 50% women), up from the current 3.1 million; (iv) an increase in regional trade between Zambia and Angola from USD 4.7 million to USD 20 million per annum; (v) support for at least 500 direct and indirect jobs (at least 80% youth and 30% women), particularly in construction, logistics, and professional services (vi) reduce dwell time at the border to 1 hour and (vii) provide 3,500 people with improved access to water and sanitation. The project is also expected to contribute to a shift in industrial structures toward higher value-added activities, catalyzing manufacturing transformation and growth of the tertiary sector. Collectively, these outcomes will generate long-term impacts in enhanced regional integration and competitiveness.

20. **The underlying assumptions** for achieving the project objectives are that timely financial closure will be secured; contractors will perform satisfactorily and deliver works to the required standards and within agreed timelines; the Governments of Zambia and Angola will remain committed to corridor development and to the protocols of regional harmonization and integration; and that effective cross-border coordination, including regulatory alignment and facilitation measures, will be maintained. It is further assumed that key implementation enablers including timely land acquisition and clearance, adequate institutional capacity, and sustained stakeholder engagement will be in place, and that complementary investments and private sector participation will materialize to fully realize the economic corridor potential.

## C. Project Components

### *Component 1: Transport infrastructure investments, UA 169.3 million*

21. This comprises: i) construction of 550 km of low carbon and climate resilient 1067 mm wide Cape gauge greenfield railway line in Zambia linking to Angola. Bank support will be viability gap funding for Zambia towards the PPP concession, ii) construction of 105 km of low carbon and climate resilient road (Mwinilunga-Jimbe) in Zambia with ancillary facilities for communities and iii) construction

supervision.

***Component 2: Trade and transport facilitation, UA 13.6 million***

22. Comprises: i) construction of OSBP at Jimbe; ii) supporting the development of OSBP procedures, coordinated border management, digitalized processes, transit facilitation, private sector engagement, trader sensitization, and corridor monitoring; iii) supporting implementation of relevant trade and transport facilitation policies; iv) supporting corridor-based trade and value chain development to link producers, traders, MSMEs and logistics operators to market opportunities; and v) strengthening the Lobito Corridor Transit Transport Facilitation Agency Secretariat.

***Component 3: Institutional support and project management, UA 6.7 million***

23. Comprises: i) the establishment of a project implementation unit (PIU), ii) training in rail and road construction and maintenance and capacity-building of Mwinilunga Trades School, iii) monitoring and evaluation iv) technical, financial, procurement and environmental and social audits, v) HIV/AIDS awareness and prevention, sensitization on STIs and GBV, road safety, and initiatives to promote gender equality and inclusion, and vi) communication and visibility.

***Component 4: Compensation and resettlement, UA 4.4 million***

24. This component comprises land and property acquisition and livelihood restoration plans for Project Affected Persons (PAPs) along the road corridor.

**D. Project Cost and Financing Arrangements**

25. The total cost of the project is UA 194 million. The Bank will support government of Zambia with VGF for the rail, financing the construction of the road and trade facilitation. The costs are based on costs of key activities obtained from updated studies.

26. Bank financing for this phase will be provided from an ADF-16 Loan of UA 186.1 million to the Republic of Zambia comprising the country allocation of UA 2.7 million and leveraging corresponding Regional Operations (RO) envelope of UA 183.4 million. In addition, co-financing RPF grant of Euro 8.6 million (UA 7.3 million) towards the construction of the road and is being processed for Board consideration. The Government of Zambia will provide an in-kind contribution of UA 0.6 million, approximately 0.31% of the total project which has been minimized it in line with the Country Financing Parameters. Justification is provided in annex 4-9.

27. Regionally, the project target area has over 5.1 million people living along the corridor. The project's immediate zone of influence in Zambia are the two provinces of Copperbelt and North-Western with a total population of 4.1 million whereas in Angola it will be the Moxico province of approximately 1 million. In addition to hard infrastructure, it will provide or improve social amenities and core services including water and sanitation, health and school structures along the project road. Public consultations

were undertaken that included government departments, mines, project affected persons, civil society organizations, the private sector, freight & forwarders associations and CPs. From the feedback received, the project is well appreciated as a catalyst for social-economic development in the countries and region.

### E. Bank Group Experience and Lessons Reflected in Design

28. The Bank’s interventions in Zambia and across the continent have covered investments, knowledge and policy dialogue, technical assistance, and budget support. Lessons were drawn from the Nacala Railway/Port Project and Dakar–Diamniadio on structuring projects as public-private partnerships (PPPs) and on pursuing broader complementary investments to maximize development benefits. In this regard, beyond financing hard infrastructure, the intervention is designed to evolve from a transport corridor into an economic corridor, encompassing a wider range of value-adding activities and linkages. Lessons have also been drawn from the IDEV Evaluation of AfDB Transport Sector Projects (December 2024). These include: (i) integrating well-planned ancillary components to enhance impact and sustainability including sound land planning and land use to accompany relocation of economic activities; (ii) ensuring sustainable maintenance funding and robust governance frameworks for the transport sector (the project has been structured as a PPP to strengthen sustainability); (iii) fully integrating climate resilience into project design; (iv) proactive and structured coordination with development partners; and (v) taking into account soft trade facilitation infrastructure and measures.

29. Other key lessons identified from projects implemented in Zambia, specifically the Nacala Corridor Road Development Project, the Kazungula Bridge Project, and the Chinsali–Nakonde Road Rehabilitation Project—include: (i) strengthening institutional and implementation capacity (the project integrates technical assistance through a dedicated PIU); (ii) promoting local industry participation (capacity support will be provided to the local construction industry); and (iii) establishing robust cross-border coordination mechanisms (the project allows for support to an established corridor framework for coordination).

## 3 PROJECT FEASIBILITY

### A. Financial and Economic Analysis

30. The economic evaluation of the project is based on a Cost-Benefit Analysis (CBA), which provides the basis for calculating the Net Present Value (NPV), the Economic Internal Rate of Return (EIRR), and the Benefit-Cost Ratio (BCR). The project demonstrates strong economic logic remaining positive in all three cases of traffic considering that it is a greenfield railway line in a developing country. Information is based on the AFC’s feasibility study and preliminary engineering design dated June 2025.

**Table 5: Results of economic analysis**

Assessment scope	Metric	Pessimistic case (USD million)	Base case (USD million)	Optimistic case (USD million)
		+20%	0%	-20%
CONSOLIDATED PROJECT’S RESULTS	NPV	2,161.6	3,286.1	4,421.8
	IRR	9.5%	11.0%	12.4%
	CBR	1.7	2.0	2.3

31. Other factors that were considered for the economic evaluation are: (i) the residual asset value for infrastructure, track and roadbed which is 50 years and 30 years for rolling stock; (ii) consumer surplus; (iii) and producer surplus. Indirect factors are: (i) reducing GHG emissions; (ii) air pollution; (iii) safety benefits; (iv) reduced road maintenance; (v) congestion; (vi) in a wider economic sense, it is regional and economic development, reliability, savings in vehicle operating cost and noise pollution.

32. *Project financial results:* The project is not financially viable in the base case scenario without VGF. Though it can be paid back within 24.5 years, the NPV sits around USD 450.9 million and at 4.3% IRR. Viability support would be required for the project to attain financial viability.

33. The sensitivity analysis indicates that the project is highly sensitive to variations in capital expenditure (CAPEX), with increases significantly affecting its financial viability. The operating expenditure (OPEX) variations are less pronounced, modifying the base case more modestly. Despite the negative results, the project could still be paid back in less than 24 years in the optimistic scenario.

**Table 6: Sensitivity analysis**

Assessment scope	Metric	Pessimistic case (USD million)	Base case (USD million)	Optimistic case (USD million)
		+20%	0%	- 20%
CAPEX +/- 20%	Equity NPV	(1,122.0)	(893.9)	(667.5)
	Equity IRR	1.01%	2.1%	3.58%
	Payback period	37.1	34.5	31.6
OPEX +/- 20%	Equity NPV	(920.5)	(893.9)	(868.4)
	Equity IRR	1.77%	2.1%	2.43%
	Payback period	35.2	34.5	33.8

34. Similarly, upgrading of the Mwinilunga-Jimbe road showed that the road upgrading is economically feasible. Information is based on the Road Development Agency (RDA)'s economic analysis update dated March 2026.

**Table 7: Economic analysis of Mwinilunga-Jimbe road**

Parameter	Value
EIRR (%)	18.8
NPV (USD million)	32.9

**Table 8: Sensitivity analysis of Mwinilunga-Jimbe road**

Scenario	EIRR %
Cost + 20%	17.1
Traffic - 20%	15.6
Traffic - 20% and Cost +20%	14.1

35. Results for the road indicated that improving the geometry and upgrading the pavement of the project road to an all-weather bitumen road of 7 m wide carriageway and 1.5-2m wide shoulders, was more economically beneficial than the “without project” case. Results showed that overall construction costs can increase by up to 35% and traffic can reduce by 26% for the NPV to be zero.

#### ***Additional Positive Effects***

36. The switch from road to rail will reduce the number of trips on the road network which will reduce collisions and pollutant emissions, improving safety and minimizing GHG emissions. Road transport dominates Zambia's freight and passenger traffic, accounting for over 95% of total transportation, while rail traffic holds a negligible share of less than 5% due to dilapidated infrastructure, despite government targets to shift 30% of bulk cargo to rail. The project will also lead to regional development, increased social inclusion and reduced regional disparities in Zambia, Angola and DRC.

## **B. Environmental and Social Safeguards**

37. **Category:** The Project is classified as a Category 1 validated on June 3, 2024, in ISTS and SAP. This category is also justified by the Environmental Management Act, 2011 and the Environmental Protection and Pollution Control Regulations, 1997 in Zambia, which categorise the construction of greenfield railway projects and the rehabilitation of roads as high risk.

38. **Safeguards Documents and their readiness:** the Borrower has prepared and disclosed for Zambia Road, One Stop Border Post, and railway components 3 ESIA, 2 RAPs, 2 Stakeholder Engagement Plans (SEPs), 1 Biodiversity Management Plan (BMP), and 1 FA-ESMP. The disclosure status of the safeguards documents is as follows:

- Road component ESIA, RAP, and SEP disclosed on 19 January 2026.
- One Stop Border Post ESIA disclosed on 23 March 2026.
- Railway component ESIA and RAP cleared by the Bank and approved by the national authority on 20 April 2026; pending national disclosure for Bank disclosure.
- SEP and BMP were disclosed on 10 April 2026.
- FA-ESMP was disclosed on 16 April 2026.

For the Angola railway section, which is an associated facility, the ESIA and RAP are pending national approval prior to disclosure. The SEP and BMP were disclosed on 10 April 2026.

39. **Stakeholders' engagement and public consultations:** The Bank verified in February and March 2026 that stakeholder consultations were conducted during the preparation of ESIA and SEPs. For the Mwinilunga–Jimbe Road (Zambia), consultations undertaken between August and September 2025 reached approximately 3,177 people (1,032 females and 2,145 males). For the railway section, consultations conducted between May and June 2025 reached 333 people (153 males, 112 females, and 68 youth). The Client will ensure that in-kind compensation for structures, productive assets (such as farmland, fisheries, or grazing land), and sources of livelihood is provided before work begins.

40. **Environmental and Social Risks and impacts:** Environmental impacts are assessed as major due to the alignment intersecting 5 protected areas in Zambia, especially: National Forest Reserves (Lamba Headwaters, Chisenga, Kafue Headwaters, and Lushishi) and four Key Biodiversity Areas, including Chimfunshi Wildlife Orphanage. Twenty-seven (27) plant species of conservation concern and 39 endemic flora species will be impacted by the railway, especially *Ansellia africana*, *Ensete homblei*, *Hypoxis goetzei* and *Erythrocephalum albiflorum*, from northwestern Zambia (Mwinilunga and Kalumbila Districts) and northeastern Zambia (Luapula Province). Based on a total railway corridor length of 515 km and a clearing width of 6 m, roughly 309 hectares of land are expected to be cleared and adversely affected. Approximately 5,066–5,106 ha of land will be cleared and impacted by the railway, more specifically 3,599.7 ha of Miombo woodland, 215.7 ha of Grassland, 11.7 ha of *Cryptosepalum* forest, 11.1 ha of Riparian Forest and 1,267.8 ha of Ruderal/cultivated land.

41. The Mwinilunga–Jimbe Road will impact 1,598 PAPs who will be economically displaced within the road reserve. Occupational health and safety risks are high, while the mobilisation of approximately 300 workers increases public health and traffic accident risks. The Railway component poses major impacts, including permanent land take within a 100-metre wayleave, resulting in the physical displacement of 703 PAPs and the economic displacement of 3,209 PAPs. This will result in the loss of 2,882.5 hectares of arable land and 499.5 hectares of residential land, the demolition of approximately 2,147 structures, and impacts on 44 burial grounds.

42. **E&S measures:** Major Specific mitigation measures included in the Biodiversity Management Plan and ESIA for all the project phases are: Siting of the railway and ancillary infrastructure and subsequent clearing of land to be done in non-critical habitat areas; Re-align rail sections where possible to avoid Critical Habitat; Where avoidance is not possible, reduce the width of clearing; Develop offset programme for residual losses to Critical Habitat; Plan works for the dry season; Restore disturbed areas by recontouring slopes, planting indigenous plants, and controlling invasive species encroachment; and re-vegetate > 80 % of the exposed area within two wet seasons; Continuously monitor of ecological corridors. The ESMPs adequately address identified risks and impacts. The ESMP budget, included in the project cost, is USD 10,080,894.56, comprising USD 228,144.56 for the road and OSBP component and USD 9,852,750 for the railway component. Three RAPs and Livelihood Restoration Plans will be implemented, with displacement minimised through design optimisation (18–30 m road width and ±200 m rail realignment) to avoid densely settled areas. Unavoidable losses will be compensated at full replacement cost prior to displacement. Livelihood restoration programmes will include agricultural support programmes benefiting over 2,256 PAPs through the provision of high-yield seed, fertilisers, livestock-rearing support, mechanised processing equipment, and technical extension services. To support income diversification, the project will deliver over 3,254 vocational and business training opportunities

43. **Involuntary Resettlement:** The Project will result in the physical displacement of 703 PAPs and the economic displacement of 3209 PAPs, whose structures are within the right-of-way. The OSBP will not have any displacements as this is public with no incumbencies. The RAP budget for the road project is USD 1,930,908.63 which is financed through the Bank's loan; a budget of 4.4 UA is included in the project cost. For the Railway component, the overall compensation of USD 81,092,683.83 will be financed by the concessionaire. The concessionaire will establish a compensation fund, which has been set as a condition precedent to disbursement of railway financing. The affected land will remain public land under Government ownership and will be leased to the concessionaire for the concession period

44. **Capacity to implement ESMP and Institutional Arrangement:** The implementing agency will be the Ministry of Infrastructure, Housing and Urban Development (MIHUD). The PIU will be established within the Ministry and will work with the Road Development Agency (RDA), which is responsible for the road, Ministry of Commerce, Trade and Industry (MCTI) responsible for trade facilitation and Ministry of Transport and Logistics (MTL) and the concessionaire (AFC) responsible for the railway. AFC will establish a Special Purpose Vehicle, which will be required to recruit dedicated Environmental and Social (E&S) safeguards specialists and allocate a specific budget for safeguards implementation. The PIU will have an Environmental Safeguards Specialist and a Social Safeguards Specialist.

45. **E&S Compliance and readiness:** In addition to the full and adequate implementation of all the disclosed E&S plans, including measures to address non-anticipated risks and impacts occurring during project implementation, the Borrower will prepare monthly E&S measures implementation reports. Also, an annual E&S performance audit conducted by an independent E&S safeguards expert will be submitted annually and no later than the end of the first quarter of the following year. All these reports will be shared with the Bank and made accessible to the stakeholders. Also, the Borrower is committed to establishing the project-level Grievance Redress Mechanism (GRM) at the onset of the implementation, making it known by all the stakeholders and maintaining it functional over the project's lifecycle. Further, in the event of an Environmental-Occupational-Health and Safety (EOHS) incident on a project site, the Borrower is committed to notify the Bank immediately, no later than 48 hours after the occurrence, share the relevant national Authority's investigation report and when deemed necessary by the Bank to submit

a root-cause analysis (RCA) report, prepared by an independent OHS expert, to be cleared by the Bank for the implementation of the corrective action plan (CAP) by the Borrower. These obligations are reflected in the E&S conditions of the financing agreement, including its annexed ESMP. The project is compliant and ready for submission to Board consideration, as evidenced by the ESCON in section 8.

### ***Climate Change and Green Growth***

46. Vulnerability and resilience: Zambia is the 59<sup>th</sup> most vulnerable country and the 138<sup>th</sup> most ready out of 187 countries globally (ND-GAIN, updated 2025). Climate-relevant risks to infrastructure, as documented in the National Adaptation Plan (2023), include damage to or destruction of infrastructure due to extreme events, particularly flooding. The project is identified as climate risk category 1, indicating potentially high vulnerability to the impacts of climate change. Key climate-relevant hazards<sup>1</sup> in the North-Western and Copperbelt provinces include river flooding, urban flooding, and wildfires. Extreme weather events - especially floods, droughts, and high temperatures - are anticipated to increase in frequency, duration, and intensity in the project area. The project traverses diverse topography, ranging from mountainous to flat terrain, and areas that receive over 1,000 mm of rainfall per annum; the corridor routing has been designed to avoid the most adverse ground conditions and floodplains and, where feasible, follows the existing road corridor. Climate change risk and vulnerability analyses have been integrated into the environmental impact assessment studies for the major infrastructure components (railway, road, and OSBP), with risk management measures proposed. The ESMP requires the implementation of climate risk management plans by relevant stakeholders (railway operators, the project manager, contractors, and specialist consultants) and specifies the measures and activities to be implemented during construction and throughout the operational life of the project. Proposed measures include climate-resilient design features (roads, rail tracks, culverts, bridges, drains, buildings, and facilities), nature-based solutions to serve as buffers for extreme events (and erosion control), enhanced operational processes and practices (e.g., maintenance and repair), firebreaks around key facilities and the right-of-way, and ongoing monitoring of risks and impacts.

47. GHG emissions: The modal shift from road to rail is anticipated to reduce greenhouse gas (GHG) emissions. Railway infrastructure is generally considered an aligned mitigation activity (MDB Joint Methodology for Tracking Mitigation Finance). The project does not include the procurement of locomotives; however, the railway operators are expected to make new purchases, which are anticipated to utilize modern, cleaner technology. According to projections, Zambia Lobito Rail segment is expected to avoid approximately 300,000 tonnes CO<sub>2</sub>e annually by 2031, with this figure potentially doubling by 2065 as freight volumes increase (ZLR Feasibility Study Report, 2024)<sup>2</sup>. The ESMP requires the implementation of Pollution Prevention Plans by relevant stakeholders (railway operators, the project manager, contractors, and specialist consultants) and specifies the measures and activities to be implemented during construction and throughout the operational life of the project. Proposed measures include the installation of energy-efficient technologies in buildings and facilities; the use of clean fuels and alternative energy sources; routine maintenance of engines and equipment; the enhancement of natural carbon sinks; and monitoring of GHG emissions to support refinement of emissions calculations.

48. The NDC (updated 2021; provisional NDC 3.0, 2025) identifies the infrastructure sector as highly vulnerable to climate change and prioritises it for adaptation action. It also sets targets of modernising

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<sup>1</sup> Think Hazard Platform, Accessed March 2026

<sup>2</sup> Specific information on locomotive return trips, pooling strategy, engine efficiency, power usage and energy requirements of operational building and facilities was unavailable at the time of ESIA development.

1,248 km of rail infrastructure (Zambia Railways) and delivering 2,250 km of climate-resilient road infrastructure by 2030. The NAP (2023) specifies that rail, roads, and buildings should be designed in accordance with climate-resilient infrastructure codes and standards. In addition, NDC 3.0 mandates integrating climate risk into public infrastructure planning, with spatial planning guided by Zambia's national adaptation and development plans. The project delivers both adaptation and mitigation benefits and aligns with the Bank's strategic framework for climate change and green growth. The operation has been identified as Paris-aligned using the Joint MDB Framework for assessing Paris alignment of direct investment operations. In addition, it is recommended to undertake strategic climate risk and opportunity assessment for the corridor development programme.

### **C. Other Cross-cutting Priorities**

#### ***Poverty Reduction, Inclusiveness and Job Creation***

49. The project is expected to deliver substantial social and economic benefits to local communities in the corridor with key avenues of impact including: (i) creating local employment opportunities during the construction phase, thereby increasing household incomes and strengthening community participation in project delivery; (ii) enhancing the economic potential of the project area through improved infrastructure and expanded opportunities for small enterprises; (iii) improving access to safe water, sanitation services, and associated support to schools, markets, and health facilities, which will contribute to better health outcomes and enhanced human capital; (iv) supplying reliable potable water to households, reducing the burden—particularly on women and girls—of traveling long distances to access water; and (v) building community capacity through targeted training programs, including skills development in rail infrastructure maintenance. Collectively, these measures are designed to strengthen social inclusion, expand livelihood opportunities, and contribute to poverty reduction, in line with the Bank's commitment to equitable and sustainable development.

50. **Youth, Skills and Jobs Consideration:** The project is identified as Category 2 in line with the Youth Skills and Jobs Marker System. The project will provide an estimated 500 permanent and 5000 temporary employment opportunities to unemployed women and men. These will be in at least construction, logistics, OSBP operations and professional services. It will also train at least 300 people in rail and road construction maintenance and 50 in corridor management, logistics, climate change safeguards, M&E and related operational areas. It will prioritize women and youth (at least 80%) and training (at least 50% women). Details are in Annex 3-4.

#### ***Opportunities for Building Resilience***

51. Zambia and Angola face a range of national vulnerabilities that constrain their potential for enhanced socioeconomic development. Both countries are characterized by high levels of poverty, significant urban–rural disparities and inequality, climate-related vulnerabilities, macroeconomic instability, and exposure to external shocks and spillover effects. Although Zambia and Angola are not transition states, their high debt burdens and strong dependence on copper and oil revenues respectively represent important sources of vulnerability. Furthermore, subnational fragility exists along the corridor due to limited access resulting from inadequate transport infrastructure. This has contributed to highly underdeveloped regions, limited-service delivery, and constrained economic opportunities, with high levels of informality. Additionally, insecurity in DRC has contributed to forced displacement in the region, placing additional pressure on social infrastructure and employment opportunities, particularly in areas close to the corridor.

52. This project aligns with the African Development Bank Strategy for Addressing Fragility and Building Resilience in Africa (2022–2026), particularly its priorities of building resilient societies and strengthening institutional capacity. Transport infrastructure along the corridor will improve connectivity and trade between economic centres within and across countries, stimulating private investment, supporting economic development and enabling regional stability. An integrated approach is essential to support holistic development, incorporating complementary sectors such as agriculture and water and sanitation. Stakeholder consultations highlighted the importance of strengthening local community capacity and preparedness alongside the development of core transport infrastructure. This is necessary to ensure that communities along the corridor are not merely bystanders but are able to actively benefit from the new infrastructure through local value addition and economic opportunities. Accordingly, the project embeds targeted community development and preparedness interventions. These initiatives also provide future opportunities for the Bank and DPs to support complementary investments along the corridor, contributing to more holistic economic corridor development. A detailed assessment is provided in the Annex 3.2.

### ***Gender Equality and Women's Empowerment Promotion***

53. The project aims at improving access to resources, markets, and entrepreneurship opportunities for women and youth through skills development, employment and inclusion in transport sector and agricultural value chains. In Zambia, 54.1% of women participate in the labor force, contributing significantly to the country's economy. However, only 14.61% of women are employed in paid work. The youth unemployment rate is high, with 9.7% of young women and 12.2% of young men aged 15 to 24 actively seeking employment. In Angola, 74.9% of women participate in the labor force but only 26.31% are engaged in paid employment. Youth unemployment is a pressing issue, with a youth unemployment index of 1.0 for individuals aged 15 and 24. Notably, 17.2% of young women in this age group are unemployed and actively seeking work. The project will contribute to closing the gender gap in employment by employing women and youth. In addition it will also provide skills development in rail construction and maintenance to enable their employability in the project. Temporary direct jobs to be created 5000, at least 80% women and youth, direct and indirect jobs 500, at least 80% youth of which 30% will be women. The target for women is only 30% because very few women have required skills. In addition, the project will increase cross border trade facilitation and the upscaling of agribusinesses for women and youth through access to lucrative markets, generate transformative gender impacts through improving access to safe water, sanitation services, and associated support to schools, markets, and health facilities, which will contribute to better health outcomes and enhanced human capital by reducing the time and physical burden of water collection—tasks disproportionately carried by women and girls—and strengthen women's participation in economic activities and overall this will also improve their income and livelihood. By targeting women and youth, it will promote gender equity and women's economic empowerment. The project recognises the fact that the labour influx will increase risk of GBV/SEA/SH and HIV therefore will put mitigation measures in place. A gender specialist in the project will enhance gender mainstreaming. The following interventions will promote gender equality and women empowerment: (i) Training of 50 personnel in transport sector of which 50 % will be women; (ii) 5000 temporary jobs created of which 80% will be women and youth; (iii) Skills development training in rail/rail construction and maintenance of which 30% female and 50% youth; (iv) Development of Gender Based Violence Prevention and Response Mechanism; (v) HIV and AIDS Awareness campaign.

### ***Civil Society: Inclusivity, Oversight and Accountability***

54. Consultations were done with Civil Society Organisations (CSOs) and the project will involve them in raising awareness amongst communities and other stakeholders, prior to the commencement and during implementation of the project. Additionally, they will assist in identifying and verifying the criteria used in selecting beneficiaries of the social safeguards' programmes. They found it re-assuring that the project will have dedicated staff to address E&S safeguards and who will interface with key stakeholders.

## **4 IMPLEMENTATION**

### **A. Institutional and Implementation Arrangements**

55. The executing agency (EA) will be Ministry of Infrastructure, Housing and Urban Development (MIHUD). MIHUD shall be responsible for overall project execution, coordination, and reporting to the Fund, through a PIU composed of at least seven (7) core staff namely: (i) Project Coordinator, (ii) Procurement Specialist, (iii) Financial Management Specialist, (iv) Monitoring & Evaluation Specialist and (v) Environmental Specialist, (vi) Social Specialist and (vii) Economic and Trade Specialist; throughout the duration of the Project implementation period, each with qualifications and terms of reference acceptable to the Fund. The concessionaire (AFC) will be responsible for the railway implementation. The PIU shall be responsible for carrying out, *inter alia*, the following tasks: (i) the day-to-day implementation of the Project including preparation and submission to the Fund of progress reports, financial reports, audit reports, and any other technical reports on Project activities and results; (ii) all Project related monitoring and evaluation activities including compliance with the Fund's procurement, financial management and control requirements and supervision and monitoring of consultants and contractors performance; (iii) all Project related procurement including supervision of quality assurance, disbursement, financial management, monitoring and evaluation, and environmental and social safeguards management; (iv) consultations with stakeholders and partner organizations regarding implementation of the Project; (v) facilitation of collaborations between stakeholders and the Recipient; and (vi) overall day-to-day communication with the Fund on all matters concerning Project implementation, including seeking no objections in line with the Fund's rules and procedures and providing the operational link to the Fund on matters related to implementation of the Project. The Ministries will nominate focal persons to the PIU who will attend coordination meetings to ensure alignment and timely resolution of implementation challenges. The PIU will collaborate with RDA in day-to-day implementation of the Project. The Borrower shall set up a Project Steering Committee (PSC) comprising Permanent Secretaries of Ministry of Finance and National Planning (Budget & Economic Affairs) to serve as PSC Chair, MIHUD, MTL, MCTI, LCTTFA and RDA. The PSC will provide high-level oversight, overall policy guidance and strategic direction for the Project, ensure engagement, commitment, synergy, and harmonization in Project implementation amongst participating stakeholders, and review and approve annual work plans and budgets throughout the Project implementation period, in accordance with Terms of Reference acceptable to the Fund. The PSC will meet at least twice a year in person or virtually. The Project Coordinator will be the Secretary of the PSC. The PSC will also coordinate the regional aspects.

### **B. Procurement**

56. **Procurement Arrangements:** Procurement of goods, works, and consulting services financed under the project will be carried out in accordance with the African Development Bank's Procurement

Framework (October 2015), comprising the Bank's Procurement Policy, Methodology, and Procedures. Specifically, Procurement will be carried out following:

- i. Borrower Procurement System (BPS): The BPS shall all be used for miscellaneous operational costs.
- ii. Bank Procurement Policy and Methodology (BPM): The Bank Standard Procurement Methods and Procedures (PMPs), using the relevant Standard or Model Solicitation Documents (SDs), shall apply to high-value and/or high-risk Contracts.

57. **Procurement Risks and Capacity Assessment (PRCA):** The assessment of procurement risks, their sectors, project levels, and procurement capacity at the implementing agencies were undertaken for the project, and the output has informed the decisions on the procurement regimes (BPS, Bank, and Third Party) being used for specific transactions or groups of similar transactions under the project. The EA was assessed and rated with a substantial procurement risk rating. While it has prior experience with donor-funded projects, challenges were identified. The appropriate risks mitigation measures have been included in the procurement PRCA action plan proposed in the Annex 4-5.

58. **Review Procedures:** all procurements under Bank PMPs shall be subject to prior review by the Bank.

59. **Advance Contracting:** Advance contracting was approved for (i) Mwinilunga to Jimbe roadworks and pre-qualification was concluded; and (ii) the contracting of the construction supervision consultants for Mwinilunga to Jimbe road upgrading, whose procurement is at the Request for Expression of Interest (REoI) Evaluation stage.

60. The consultancy contract for the design update for Mwinilunga-Jimbe T5 Road Section (105 km) and the OSBP at Jimbe was signed under the Lobito Corridor Trade Facilitation Project (ADF grant) under the Ministry of Commerce, Trade and Industry and is in progress.

### **C. Financial Management, Disbursement, and Audit**

61. An assessment of the Financial Management (FM) system of the MIHUD was conducted in accordance with the Bank's Financial Management Guidelines for Investment Operations (2019) to determine its capacity to manage the financial aspects of the project including budgeting, treasury and disbursement, internal controls, accounting and financial reporting, external audit. The assessment concluded that the proposed FM arrangements are adequate to provide reasonable assurance of accurate and timely financial reporting. The overall fiduciary risk rating is assessed as Moderate. The Project's FM will be implemented within the existing institutional structure of the MIHUD Finance Department. The Director of Finance will provide overall oversight and ensure compliance with the project's FM requirements, as well as with the Bank's policies and procedures. However, due to capacity constraints and the already heavy workload within the Finance Department, a qualified Finance Expert acceptable to the Bank will be competitively recruited to support the PIU and serve as the Project Accountant, responsible for the day-to-day financial management of the project.

62. MIHUD has limited experience managing Bank-financed projects. To enhance implementation readiness, the Bank will provide training in financial management, disbursement, and procurement during project launch. The Bank's Country Office, Regional Office, Sector Department, and the ecosystem will closely monitor implementation to ensure full compliance with this provision and other project requirements. In addition, a Project Implementation Manual outlining procedures for

procurement, disbursement, and financial management will be developed to guide project implementation.

63. MIHUD prepares its financial statements in accordance with the Public Finance Management Act (PFMA) of 2018, the Public Finance Management (General) Regulations of 2020, and the International Public Sector Accounting Standards (IPSAS) on a cash basis, while gradually transitioning toward accrual accounting. Financial transactions are currently recorded through the Integrated Financial Management Information System (IFMIS–SAP), and the same arrangements will also apply to the project. During the 2026 Country Portfolio Performance Review, the Ministry of Finance committed to support use of the IFMIS project module by training Project accountants, assigning separate project codes, and ensure accurate recording and reporting of project financial activities.

64. The existing internal control, accounting, and financial reporting frameworks have been assessed as adequate and will be applied to the project. The project will also be included in the Internal Audit work program and will be audited semi-annually, with audit reports shared with the Bank during supervision missions. In addition, the project will prepare and submit Interim Financial Reports (IFRs) to the Bank as part of the project quarterly progress, within 45 days after the end of each quarter.

65. **External Audit:** Annual financial statements will be prepared by the PIU and audited by the Office of the Auditor General (OAG) in accordance with Bank-approved Terms of Reference. The audit report, together with the Management Letter, will be submitted to the Bank within six months after the end of each financial year. No audit fees will be payable to the Auditor General, except in exceptional circumstances reimbursable cost such as per diem and transport may be financed to support field audit activities.

66. **Disbursement:** The project will primarily use the Direct Payment and Revolving Fund (Special Account) methods for eligible expenditures. The Reimbursement and Reimbursement Guarantee methods, as outlined in the Bank’s Disbursement Handbook, will also be available when required. MIHUD will open a foreign currency Special Account at the Central Bank, with funds transferred to the project through the Treasury Single Account framework and a mirror account at a commercial bank acceptable to the Bank. The mirror account will generate bank statements to support the justification and reconciliation of expenditures charged to the Special Account.

#### **D. Monitoring and Evaluation**

67. Experience from Bank-financed multinational projects, including the Nacala Corridor (Zambia/Malawi/Mozambique) and Kazungula Bridge, has shown that monitoring and evaluation (M&E) systems for multinational operations are often constrained by weak technical and financial capacity at regional, national and project levels, as well as insufficient baseline data. The project has therefore been designed to strengthen the M&E system through clear institutional responsibilities, dedicated technical support, and adequate financing. At the regional level, the PSC will monitor overall project progress, while at project level the Executing Agency, supported by consultants, will monitor all aspects of implementation. The Zambia Environmental Management Agency will additionally monitor ESMP compliance. To address identified capacity gaps, the PIU will include an M&E specialist, and a consultancy firm will be recruited to undertake a socio-economic impact study to measure results in the project area of influence and UA 500,000 has been allocated. Technical audits will be undertaken to complement annual financial audits, while the Bank will undertake bi-annual supervision missions, a mid-term review in year three, and a project completion report. Government has also established a specialized PPP Office within the Ministry of Finance with aggregate expertise and technical assistance

that will monitor project implementation, providing centralized oversight for the rail concession. The planned monitoring activities are presented in Annex 4-1 – Monitoring plan.

## **E. Governance**

68. A Zambia Country Fiduciary Risk Assessment (CFRA 2023) identified weak internal controls, inadequate fiscal reporting and monitoring of contingent liabilities and debt and lack of proper systems in place for procurement and PFM to monitor and track project activities. Zambia's debt is considered sustainable but remains at high risk. In mitigation, borrowing is focused on grants and concessional financing. Zambia is also strengthening its economic and financial governance through PFM reforms with support by the Bank. The accounting system has also improved as the integrated financial management system can now accommodate over 50% of the national budget. The Bank with the collaboration of DPs will continue to provide necessary procurement and FM training to improve capacity in these areas. Based on the Bank's experience in implementing projects in Zambia, the existing governance practices and controls at national level have been deemed satisfactory.

## **F. Sustainability**

69. The LCTTFA is evidence of the countries' commitment to the project. Critical factors for the project's sustainability include: (i) Institutional capacity – the project is supporting the institutional, regulatory, and legal systems including staff training and learning programme; (ii) environmental and climate change – project includes activities to improve climate resilience of the infrastructure; (iii) financial sustainability – the rail development is structured to be a PPP with a 30-year concession that includes operation and maintenance. The project sustainability is also influenced by the port of Lobito which is operated by Africa Global Logistics under a concession agreement with Government of Angola.

70. Institutional sustainability: In the case of the road, Zambia has in place strong institutional and legal frameworks under which two (2) key entities have been established, namely the RDA as road network managers and the National Road Fund Agency for financial mobilisation and management. The project has also included training of low scale contractors that will be key in providing routine and periodic maintenance of the roads and rail.

71. Construction industry capacity: Zambia has a low supply of contractors to carry out large scale rail and road construction and periodic maintenance works. The Government has put in place policies to promote growth of the SMEs in the construction industry through training organized by the National Construction Council (NCC), and by promoting subcontracting of works to local contractors by main contractors. In relation to consulting firms, local firms usually team up with foreign consultants. This arrangement works well in terms of technology transfer and is likely to help develop a good cadre of local consultants in the medium to long term. The project will also involve the training of women and youth in rail and road construction and maintenance.

72. Axle load control: The long-term sustainability of the road component will depend on effective control of axle loads, as overloading is a major cause of premature pavement failure and increased maintenance costs. The Government has already embarked on the installation of permanent axle load weighbridges at strategic locations, and the project will complement these efforts through the installation of a weighbridge on the project road. This arrangement is expected to strengthen enforcement of axle load regulations, safeguard the road asset against premature deterioration, and support the sustainability of the project's benefits beyond completion.

73. Quality: The project has incorporated a technical audit to ensure additional quality control and the designs have taken into consideration climate resilience measures especially in the nature and size of drainage structures, rail and road elevation, etc.

## **G. Risk Management**

74. The potential risks have been identified at the various levels as presented in the Risk Matrix in Annex 4-2. The identified key risks category includes: (i) political and governance risk, (ii) macroeconomic risk; (iii) technical design of the operation; (iv) fiduciary and value for money; (v) environmental and social; (vi) capacity of implementing entity; and (viii) regional conflict risks. The risks are rated at four levels Low, Moderate, Substantial or High.

## **H. Knowledge Building**

75. The project will further increase knowledge in preparation and management of PPP railway projects as well as adopting an economic corridor development approach. The project will build related knowledge in data and system support. It will also feed in the ongoing The African Regional Transport Corridor Management System (ARTCOMS) project which is an open web application for the monitoring of the Lobito corridor road/ rail conditions in real time.

76. The next phase of the project is expected to leverage innovative financing instruments, including partial credit guarantees (PCGs) and syndication, while facilitating private sector participation. This approach will bring additional expertise in structuring financing for similar projects. The project will also strengthen capacity through targeted training in project management and environmental and social safeguards, and will support skills development for apprentices, graduates, women, and youth entrepreneurs in rail and road construction and maintenance.

77. The monitoring and evaluation of impact from the project have been specifically designed to build and disseminate this knowledge to the other entities at the national and regional levels. The key lessons and knowledge gained in designing this novel transaction structure could serve as a model to be replicated in future corridor projects. Through M&E, baseline data shall be collected for defined indicators which will be monitored during implementation and at project completion. These shall be used to evaluate the performance of the project and analyzed to improve future projects

# **5 LEGAL INSTRUMENTS AND AUTHORITY**

## **A. Legal Instrument**

78. The legal instruments for financing the project are: (i) A Loan Agreement between the African Development Fund (the “Fund”) and the Republic of Zambia (the “Borrower”), and (ii) a Letter of Agreement between the Borrower and the Fund and the African Development Bank (the “Bank”) as the administrators of the Rome Process/Mattei Plan Financing Facility (RPF).

## **B. Conditions Associated with Fund’s Intervention**

79. **Conditions Precedent to Entry into Force:** The Loan Agreement shall enter into force upon fulfilment by the Borrower of the provisions of Section 12.01 of the General Conditions Applicable to the Fund Loan and Guarantee Agreements (Sovereign Entities). The Letter of Agreement shall enter into force on the date of its signature by the Fund and Bank and the Recipient.

80. **Conditions precedent to first disbursement:** The obligation of the Fund to make the first disbursement of the Loan/Grant shall be conditional upon the entry into force of each Agreement, and fulfilment by the Recipient, in form and substance satisfactory to the Fund, of the following conditions:

- (a) Confirmation of the establishment of the PIU, and designation of the following interim core staff – (i) Project Coordinator, (ii) Procurement Specialist, (iii) Environmental and (v) Social Specialist, each with qualifications and terms of reference acceptable to the Fund, indicating names, role/position, curriculum vitae, and designation letter.

81. **Conditions Precedent to disbursement for works involving resettlement** - Subject to the Entry into Force of the Loan/Grant Agreement, and fulfilment of the Condition Precedent to First Disbursement, the obligation of the Fund to disburse the Loan/Grant for works that involve resettlement shall be subject to the fulfilment by the Borrower/Recipient, of the following additional conditions:

- (a) Submission of a works and compensation schedule prepared in accordance with the Resettlement Action Plan (RAP) and the Fund's Safeguards Policies, in form and substance satisfactory to the Fund detailing: (i) each lot/section of civil works under the Project, and (ii) the time frame for compensation and/or resettlement of all PAPs in respect of each affected lot/section;
- (b) Submission of satisfactory evidence that all PAPs in respect of works in the affected lot/section have been compensated and/or resettled in accordance with the Environmental and Social Management Plan (ESMP), the RAP and/ or the agreed works and compensation schedule and the Fund's Safeguards Policies, prior to the commencement of works in such lot/section and in any case before the PAPs' actual move and/or taking of their land and related assets; or
- (c) in lieu of paragraph (b) above, submission of satisfactory evidence indicating that the resources allocated for compensation and/or resettlement of PAPs have been deposited in a dedicated account in a bank acceptable to the Fund or remitted to a trusted third party acceptable to the Fund, where the Recipient can prove, to the satisfaction of the Fund that, compensation and/or resettlement of PAPs in accordance with paragraph (b) above could not be undertaken fully or partially, because of the following reasons: (i) the identification of the PAPs by the Recipient is not feasible or possible; (ii) ongoing litigation involving the PAPs and/ or affecting the compensation and/or resettlement exercise; or (iii) any other reason beyond the control of the Borrower/Recipient, as discussed and agreed with the Fund; and
- (d) Submission of evidence confirming that the Borrower/Recipient has acquired all land and/or rights with respect to the land, required for carrying out the works.

82. **Undertakings:** The Borrower/Recipient shall: (a) within six (6) months after the entry into force of the financing Agreement, (i) competitively recruit the following seven (7) substantive PIU core staff - Project Coordinator, Procurement Specialist, Financial Management Specialist, M&E Specialist, Environmental Specialist, Social Specialist, and Economic and Trade Specialist, each with qualifications and terms of reference acceptable to the Fund, (ii) develop and adopt a Project Implementation Manual outlining procedures for procurement, disbursement, and financial management to guide project implementation, and (iii) procure, install and use an appropriate accounting software acceptable to the Fund to ensure accurate recording and reporting of project financial activities; (b) finance and cause to be financed, the operating costs and maintain the PIU, with the mandate, staffing and resources acceptable to the Fund throughout the duration of the Project implementation period, (c) cause RDA to establish and maintain its Project Implementation Team (PIT) to implement and support the PIU in monitoring and reporting on its project activities; (d) within three (3) months after the entry into force of the Loan/Grant Agreement, establish and maintain the existence and functioning of a Project Steering Committee (PSC) composed of Permanent Secretaries of Ministry of Finance and National Planning

(Budget & Economic Affairs) to serve as PSC Chair, MIHUD, Ministry of Transport, Ministry of Commerce, LCTTFA and RDA, in a form and with a composition and mandate acceptable to the Fund, throughout the duration of the Project implementation period, (e) provide, and/or use its reasonable endeavours to cause beneficiaries to provide, as promptly as needed, funds, facilities, services and other resources required for implementation of the Project, and/or necessary or appropriate to ensure that the goals of the Project and the purpose of the Loan/Grant are accomplished, (f) implement the project with due diligence and efficiency, and in compliance with the Bank Group Integrated Safeguards System (ISS) Policy requirements, Environmental and Social Management Plan (ESMP), and applicable national legislation, in a manner and in substance satisfactory to the Fund, (g) refrain from taking any action which would prevent or interfere with the implementation of the ESMP, including any amendment, suspension, waiver, and/or voidance of any provision thereof, whether in whole or in part, without the prior written concurrence of the Fund, (h) prepare and submit to the Fund, as part of Project reporting, monthly progress reports on the implementation of the ESMP including any deficiencies identified and the corrective measures thereto, an annual E&S performance audit conducted by an independent E&S safeguards expert at the end of each project year, to be submitted to the Fund by the end of the first quarter of the subsequent project year, and a completion E&S performance/compliance audit report reviewed and cleared by the Fund prior to the preparation of the overall Project Completion Report, to be shared with both the Fund and stakeholders, (i) establish a project-level Grievance Redress Mechanism (GRM) included in the SEP at the start of project implementation, make it known to the stakeholders, and maintain its existence throughout the project lifecycle, (j) in the event of an Environmental-Occupational-Health and Safety (EOHS) incident, notify the Fund within 48 hours, provide the relevant National Authority investigation report(s), and, if required by the Fund, submit a root-cause analysis (RCA) report and implement a corrective action plan, (k) establish collaboration arrangements and maintain their existence and functioning in a form and with a composition acceptable to the Fund, throughout the Project lifecycle, to ensure timely, well-coordinated, and effective implementation of the Project, and (l) for disbursement through a Special Account, submit to the Fund a withdrawal request with a Special Account denominated in forex opened at a bank acceptable to the Fund, in the name of the Project, for deposit of the proceeds of the loan and grant.

### **C. Compliance with Bank Group Policies**

- This project complies with all applicable Bank policies.
- There are exceptions to Bank policies.

### ***African Development Bank Group Independent Recourse Mechanism***

83. Communities and individuals who believe that they are adversely affected by an African Development Bank Group (AfDB) supported project may submit complaints to existing project-level grievance redress mechanisms or the AfDB's Independent Recourse Mechanism (IRM). The IRM ensures project affected communities and individuals may submit their complaint to the AfDB's Independent Recourse Mechanism which determines whether harm occurred, or could occur, as a result of AfDB non-compliance with its policies and procedures. To submit a complaint or request further information please contact: [IRM@afdb.org](mailto:IRM@afdb.org) or, visit the IRM website [www.irm.afdb.org](http://www.irm.afdb.org). Complaints may be submitted at any time after concerns have been brought directly to the AfDB's attention, and Bank Management has been given an opportunity to respond before reaching out to the IRM.

## **6 RECOMMENDATION**

84. Management recommends that the Boards of Directors approve the award of the proposed loan of One Hundred Eighty Six Million one Hundred Thousand Units of Account (UA 186,100,000) from the resources of the African Development Fund, and the proposed grant of Eight Million Six Hundred Thousand Euros (EUR 8,600,000) from the resources of the RPF, to the Republic of Zambia, to finance implementation of the Project under the terms and conditions stipulated in this report.

## 7 RESULTS FRAMEWORK

RESULTS FRAMEWORK						
A PROJECT INFORMATION						
PROJECT NAME AND SAP CODE: Lobito Integrated Economic Corridor Development Project Phase, P-Z1-DC0-048				COUNTRY/REGION: Zambia/Angola/RDGS		
PROJECT DEVELOPMENT OBJECTIVE: to improve transport connectivity and trade facilitation along the Lobito Corridor, contributing to economic development and regional integration.						
ALIGNMENT INDICATOR (S): (i) Regional infrastructure integration index, (ii) Intra-Africa trade as a proportion of total goods' trade (%) (iii) Employment to population (%) (women/ youth)						
B RESULTS MATRIX						
RESULTS CHAIN AND INDICATOR DESCRIPTION	RMF/ADOA INDICATOR	UNIT OF MEASUREMENT	BASELINE (2025)	TARGET AT COMPLETION (2033)	MEANS OF VERIFICATION	
<b>OUTCOME STATEMENT 1: Improved transport connectivity along the corridor</b>						
OUTCOME INDICATOR 1.1: Travel time rail (Chingola-Lobito)	<input type="checkbox"/>	day	17	3	Traffic surveys report	
OUTCOME INDICATOR 1.2: Travel time road (Mwinilunga-Jimbe)	<input type="checkbox"/>	hour	4	1.2	Traffic surveys report	
<b>OUTCOME STATEMENT 2: Enhanced trade facilitation and cross-border exchange</b>						
OUTCOME INDICATOR 2.1 Trade between Zambia and Angola	<input type="checkbox"/>	value (USD millions)	4.7	20	Socio-economic impact study report Zambia Statistics Agency	
OUTCOME INDICATOR 2.2 Dwell time Jimbe border post	<input type="checkbox"/>	hr	NA	1	Socio-economic impact study report	
<b>OUTCOME STATEMENT 3: Increased access to services and economic opportunities along the corridor</b>						
OUTCOME INDICATOR 3.1: People with improved access to transport	<input checked="" type="checkbox"/>	number (millions)	3.1	5.1 million At least 80% youths, 50% women	Socio-economic impact study report	
OUTCOME INDICATOR 3.2: Direct and indirect jobs supported	<input checked="" type="checkbox"/>	No.	0	500 At least 80% youths, 30% women	Socio-economic impact study report	
OUTCOME INDICATOR 3.3: New People with improved access to water and sanitation	<input checked="" type="checkbox"/>	number	0	3500	Socio-economic impact study report	
<b>COMPONENT A: Transport infrastructure investments</b>						
<b>OUTPUT STATEMENT A.1: Climate proof rail network constructed</b>						
OUTPUT INDICATOR A.1.1: Cross-border climate resilient rail constructed	<input type="checkbox"/>	km	0	550	Provisional and Final Acceptance Certificates; Construction Supervision Reports	
<b>OUTPUT STATEMENT A.2 Climate proof road network social infrastructure constructed/rehabilitated</b>						
OUTPUT INDICATOR A.2.1: Climate resilient roads built or upgraded	<input type="checkbox"/>	km	0	105	Provisional and Final Acceptance Certificates; Construction Supervision Reports	
OUTPUT INDICATOR A.2.2: Water rearticulation system	<input type="checkbox"/>	Yes/No	No	Yes	Provisional and Final Acceptance Certificates; Construction Supervision Reports	
OUTPUT INDICATOR A.2.3: Healthcare or education	<input type="checkbox"/>	Number	0	4	Provisional and Final Acceptance Certificates;	

facilities provided/rehabilitated					Construction Supervision Reports.
OUTPUT INDICATOR A.2.4: Temporary direct jobs created	<input checked="" type="checkbox"/>	<i>Number</i>	0	5,000 - <i>at least 30% women &amp; 80 youth</i>	Contractors' employment records
<b>COMPONENT B: Trade and transport facilitation</b>					
<b>I OUTPUT STATEMENT B.1: Transport and trade capabilities built</b>					
OUTPUT INDICATOR B.1.1 OSBP constructed	<input type="checkbox"/>	<i>Yes/No</i>	No	Yes	Provisional and Final Acceptance Certificates; Construction Supervision Reports
OUTPUT INDICATOR B.1.2 Border & transport policies harmonized /border systems upgrade or modernized	<input type="checkbox"/>	<i>Number</i>	0	2	Document review of approved harmonized border & transport policy documents
<b>COMPONENT C: Institutional support and project management</b>					
<b>I OUTPUT STATEMENT C.1: Institutional capacity strengthened (public &amp; private)</b>					
OUTPUT INDICATOR C.1.1 Number of public officials, border agencies, logistics operators, traders and MSMEs trained in rail & road construction and maintenance, corridor development and trade facilitation.	<input checked="" type="checkbox"/>	<i>Number</i>	0	300 <i>at least 80% youths, 50% women</i>	Training Reports
OUTPUT INDICATOR C.1.2 Number of technical staff trained in corridor management, logistics, climate change and greenhouse gas safeguards, M&E and related operational areas.	<input type="checkbox"/>	<i>Number</i>	0	50 <i>at least 80% youths, 50% women</i>	Training Reports

## 8 ENVIRONMENTAL AND SOCIAL COMPLIANCE NOTE (ESCON)

### ENVIRONMENTAL AND SOCIAL COMPLIANCE NOTE (ESCON)



A. Basic Information <sup>1</sup>		
Project Title: <b>LOBITO INTEGRATED ECONOMIC CORRIDOR DEVELOPMENT PROJECT</b>		Project SAP or TFMS Code: <b>P-ZI-DC0-048</b>
Region: <b>RDGS</b>	Country: <b>Multinational</b>	
Project Sector Unit: <b>Transport</b>		Lending Instrument: <b>Project Finance Loan/Grant</b>
Appraisal dates: <b>13-Apr-26 to 16-Apr-26</b>		Estimated Approval Date: <b>20-May-26</b>
Task Team Leader: <b>DANIEL ISOOBA</b>		Alternate Task Team Leader: <b>x</b>
Environmental Safeguards Officer(s): <b>Ziva DOMINGOS   Bruno Alberto NHANCALE</b>		
Social Safeguards Officer(s): <b>Tananga Mathews NYIRENDA   Daniel Ouma OGOL</b>		
E&S Category: <b>Category 1 (High Risk)</b>	Operation Type: <b>Sovereign Operation / Public Sector Operation</b>	Financial Intermediary: <b>No</b>
Categorization Date: <b>3-Jun-24</b>	Categorization Date in ISTS: <b>3-Jun-24</b>	Categorization Date in SAP: <b>3-Jun-24</b>
Is this project processed under rapid responses to crises and emergencies?		<b>No</b>
Is this project processed under a waiver to ISS requirement(s) requested by the Borrower/Client and granted by the Board?		<b>No</b>
B. Disclosure and Compliance Monitoring		
B.1 Mandatory disclosure <sup>2</sup>		
Environmental and Social Assessment/Audit/System/Others: <b>4 Environmental and Social Impact Assessment (ESIA) (1 ESIA for Road in Zambia, 1 ESIA for One Stop Boarder Post in Zambia, 1 ESIA for Railway in Zambia and 1 ESIA for the associated facility in Angola)</b>		
Was/Were the document (s) disclosed <i>prior to appraisal</i> ?	<b>Yes</b>	
Date of "in-country" disclosure by the borrower/client	<b>13-Jan-26</b>	
Date of receipt, by the Bank, of the authorization to disclose	<b>14-Jan-26</b>	
Date of disclosure by the Bank	<b>19-Jan-26</b>	
Resettlement Action Plan (RAP) <sup>3</sup> : <b>3 (1 RAP for Road in Zambia, 1 RAP for Railway in Zambia and 1 RAP for the associated facility in Angola)</b>		
Was/Were the document (s) disclosed <i>prior to appraisal</i> ?	<b>Yes</b>	
Date of "in-country" disclosure by the borrower/client	<b>13-Jan-26</b>	
Date of receipt, by the Bank, of the authorization to disclose	<b>14-Jan-26</b>	
Date of disclosure by the Bank	<b>19-Jan-26</b>	
Stakeholder Engagement Plan (SEP) <sup>4</sup> : <b>3 (1 SEP for Railway in Zambia, 1 SEP for Road and OSBP in Zambia and 1 SEP for associated facility in Angola)</b>		
Was/Were the document (s) disclosed <i>prior to appraisal</i> ?	<b>Yes</b>	
Date of "in-country" disclosure by the borrower/client	<b>4-Dec-25</b>	
Date of receipt, by the Bank, of the authorization to disclose	<b>5-Dec-25</b>	
Date of disclosure by the Bank	<b>5-Dec-25</b>	

<sup>1</sup> Note: This ESCON shall be appended to project appraisal reports/documents before Senior Management and/or Board approvals.

<sup>2</sup> For multiple disclosure dates of the same type of document/instrument (ESIAs, RAPs, etc), please indicate the date of the last disclosure that meets the 5096+1 disclosure requirement.




<sup>3</sup> Including Livelihood Restoration Plan (LRP)

<sup>4</sup> Including Grievance Redress Mechanism (GRAM)

<b>Pest or Vector Management Plan (PMP/VMP): Not Applicable</b>	
Was/Were the document (s) disclosed <i>prior to appraisal</i> ?	<b>Not Applicable</b>
Date of "in-country" disclosure by the borrower/client	<a href="#">Click to select the date</a>
Date of receipt, by the Bank, of the authorization to disclose	<a href="#">Click to select the date</a>
Date of disclosure by the Bank	<a href="#">Click to select the date</a>
<b>Vulnerable Peoples Plan (VPP): Not Applicable</b>	
Was the document disclosed <i>prior to appraisal</i> ?	<b>Not Applicable</b>
Date of "in-country" disclosure by the borrower/client	<a href="#">Click to select the date</a>
Date of receipt, by the Bank, of the authorization to disclose	<a href="#">Click to select the date</a>
Date of disclosure by the Bank	<a href="#">Click to select the date</a>
<b>Biodiversity Management Plan (BMP)<sup>5</sup>: 2 (1 BMP for Railway in Zambia and 1 BMP for the associated facility in Angola)</b>	
Was the document disclosed <i>prior to appraisal</i> ?	<b>Yes</b>
Date of "in-country" disclosure by the borrower/client	<b>2-Apr-26</b>
Date of receipt, by the Bank, of the authorization to disclose	<b>2-Apr-26</b>
Date of disclosure by the Bank	<b>10-Apr-26</b>
<b>Livelihood Restoration Plan (LRP)<sup>6</sup>: Not Applicable</b>	
Was the document disclosed <i>prior to appraisal</i> ?	<b>Not Applicable</b>
Date of "in-country" disclosure by the borrower/client	<a href="#">Click to select the date</a>
Date of receipt, by the Bank, of the authorization to disclose	<a href="#">Click to select the date</a>
Date of disclosure by the Bank	<a href="#">Click to select the date</a>
<b>Riparian Communities Participation Plan (RCP): Not Applicable</b>	
Was the document disclosed <i>prior to appraisal</i> ?	<b>Not Applicable</b>
Date of "in-country" disclosure by the borrower/client	<a href="#">Click to select the date</a>
Date of receipt, by the Bank, of the authorization to disclose	<a href="#">Click to select the date</a>
Date of disclosure by the Bank	<a href="#">Click to select the date</a>
<b>Emergency Preparedness &amp; Response Plan (EPRP): Not Applicable</b>	
Was the document disclosed <i>prior to appraisal</i> ?	<b>Not Applicable</b>
Date of "in-country" disclosure by the borrower/client	<a href="#">Click to select the date</a>
Date of receipt, by the Bank, of the authorization to disclose	<a href="#">Click to select the date</a>
Date of disclosure by the Bank	<a href="#">Click to select the date</a>
<b>Hazardous/Medical Waste Management Plan (HWMP): Not Applicable</b>	
Was the document disclosed <i>prior to appraisal</i> ?	<b>Not Applicable</b>
Date of "in-country" disclosure by the borrower/client	<a href="#">Click to select the date</a>
Date of receipt, by the Bank, of the authorization to disclose	<a href="#">Click to select the date</a>
Date of disclosure by the Bank	<a href="#">Click to select the date</a>
<b>Riparian Notification (RN): Not Applicable</b>	
Was the document disclosed <i>prior to appraisal</i> ?	<b>Not Applicable</b>

<sup>5</sup> Refer to footnote 212 of the ISS: Depending on the nature and the scale of the risks and impacts of the project, the Biodiversity Management Plan (BMP) may be a stand-alone document, or it may be included as part of the ESMP prepared under OS1. Select this if a standalone BMP is required.

<sup>6</sup> Refer to footnote 190 of the ISS: The Livelihood Restoration Plan (LRP) is normally part of the Resettlement Action Plan (RAP). However, for complex livelihood restoration, a stand-alone LRP can be prepared as part of the ESMP. Select this if a standalone LRP is required.

Date of "in-country" disclosure by the borrower/client	Click to select the date		
Date of receipt, by the Bank, of the authorization to disclose	Click to select the date		
Date of disclosure by the Bank	Click to select the date		
<b>Environmental and Social Management Plan of the Financing Agreement (FA-ESMP) <sup>7</sup> 1</b>			
Was the document disclosed <i>prior to appraisal</i> ?	No		
Date of "in-country" disclosure by the borrower/client	16-Apr-26		
Date of receipt, by the Bank, of the authorization to disclose	16-Apr-26		
Date of disclosure by the Bank	16-Apr-26		
Is in-country disclosure of any of the above required documents not allowed as per the country's legislation or not expected because of crises/emergencies: <b>Not Applicable</b>			
If applicable, please explain below:			
<b>Not Applicable</b>			
<b>B.2. Compliance monitoring indicators</b>			
Has satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes		
Has costs related to environmental and social measures, including for the running of the grievance redress mechanism, been included in the project cost?	Yes		
Is the total amount for the full implementation for the Resettlement of affected people, as integrated in the project costs, effectively mobilized, and secured? <sup>8</sup>	Yes		
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes		
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes		
<b>C. Clearance</b>			
Is the project compliant with the Bank's environmental and social safeguards requirements, and can be submitted to Approval?			Yes
<i>Prepared by</i>	<i>Name</i>	<i>Signature</i>	<i>Date</i>
Environmental Safeguards Officer(s):	Ziva DOMINGOS   Bruno Alberto NHANCALE		20-Apr-26
Social Safeguards Officer(s):	Tananga Mathews NYIRENDA   Daniel Ouma OGOL		20-Apr-26
Task Team Leader:	Daniel ISOOBA		20-Apr-26
<i>Submitted by</i>			
Sector Director:	Epifanio Carvalho De Melo (OIC) for Mike Salawou		20-Apr-26
<i>Cleared by</i>			
Director SNSC:	Maman-Sani ISSA		11-May-26

<sup>7</sup> As referred to in section III.2.3 of the Bank's Environmental and Social Policy (ESP)

<sup>8</sup> In case a Resettlement Action Plan (RAP) is/are not required although the Environmental and Social Impact Assessment (ESIA) is/are disclosed, attached the image/picture/photo of the area/site/landscape to evidence that it is free of any encumbrance (simple statement or letter from the borrower does not suffice), in addition to the statement by the Borrower that it is a public-owned

## **9 CONTENTS OF TECHNICAL ANNEXES (ATTACHED)**

### *Annexes related to the strategic context*

- Annex 1-1: Project Classification by High 5, Area of Intervention and SDGs
- Annex 1-2: AfDB's Current Portfolio in the Country
- Annex 1-3: Similar Projects Financed by the Bank and other Partners in Country
- Annex 1-4: Country's Comparative Socio-economic Indicators
- Annex 1-5: Map of Project Area
- Annex 1-6: Country development agenda
- Annex 1-7: Sector and Institutional Analysis
- Annex 1-8: Development Partner Support Matrix
- Annex 1-9: Regional context and expected impact

### *Annexes related to the project description*

- Annex 2-1: Detailed Theory of Change
- Annex 2-2: Detailed RPF
- Annex 2-3: Detailed Project Components
- Annex 2-4: Detailed Project Costs
- Annex 2-5: Lessons Learned

### *Annexes related to the project feasibility*

- Annex 3-1: Economic and Financial Analysis
- Annex 3-2: Project Fragility/Resilience Assessment Note
- Annex 3-3: Climate Change and Green growth
- Annex 3-4: Project Fragility/Resilience Note
- Annex 3-5: Gender Equality and Women's Empowerment Promotion
- Annex 3-6: Youth Jobs and Skills Plan

### *Annexes related to the project implementation*

- Annex 4-1: Monitoring Plan
- Annex 4-2: Risk Matrix
- Annex 4-3: Detailed Implementation Plan
- Annex 4-4: Detailed Implementation Arrangements
- Annex 4-5: Detailed Procurement Arrangements

Annex 4-6: Detailed Financial Management and Disbursement Arrangements

Annex 4-7: Detailed Audit Arrangements

Annex 4-8: Project Implementation Support Plan and Arrangements