

AFRICAN DEVELOPMENT BANK

AFRICAN DEVELOPMENT FUND



ZAMBIA
COUNTRY PORTFOLIO REVIEW

**COUNTRY OPERATIONS DEPARTMENT, NORTH, EAST AND SOUTH
REGION**

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ACRONYMS AND ABBREVIATIONS

AIDS	Acquired Immunodeficiency Syndrome
ABB	Activity Based Budgeting
ADB	African Development Bank
ADF	African Development Fund
BESIP	Basic Education Investment Programme
COMESA	Common Market for Eastern and Southern Africa
CAS	Country Assistance Strategy
DFID	Department of Foreign and International Development
DBS	Direct Budget Support
EMIS	Education Management Information System
HIPC	Highly Indebted Poor Countries
HIV	Human Immunodeficiency Syndrome
JICA	Japan International Cooperation Agency
MTEF	Medium Term Expenditure Framework
MOU	Memorandum of Understanding
MDG	Millennium Development Goals
MOE	Ministry of Education
NAC	National AIDS Council
NGO	Non Governmental Organisations
PIU	Project Implementation Unit
PEMFA	Public expenditure Management and Financial Accountability
SAG	Sector Advisory Group
SWAP	Sector Wide Approach
TAF	Technical Assistance Fund
UN	United Nations
UNICEF	United Nations Children Fund
USAID	United States Agency for International Development
UA	Units of Account
WHI	Wider Harmonisation Initiative
WFP	World Food Programme
WHO	World Health Organisation
ZESCO	Zambia Electricity Supply Company

CURRENCY EQUIVALENTS

(As at September 2005)

1 UA	6 672.81 Kwacha
1 UA	1.49834 US\$

Fiscal Year

1 January - 31 December

EXECUTIVE SUMMARY

1 The Portfolio Review Report is based on the findings of a combined Country Portfolio Review and Country Strategy Paper preparation mission that was undertaken in Zambia from 11 - 29 April 2005 and the subsequent dialogue mission in August 2005. The purpose of the Country Portfolio Review is to review the implementation performance of the Bank Group's ongoing portfolio in Zambia, with the expectation that the lessons learnt would, among other things, improve the implementation of the ongoing projects and the designing of the new Bank's Medium Term Strategy.

2 **Overall Portfolio:** The Bank Group has committed a total of UA 602.28 million, net of cancellations, since operations started in Zambia in 1971, to finance 37 projects, 5 lines of credit, 5 policy-based programmes, 4 institutional support operations, 8 studies, 1 debt relief operation (Supplementary Financing Mechanism) and 1 emergency relief operation. The net commitments comprise of UA 263.11 million (44%) from ADB resources and UA 339.17 million (56%) from ADF/TAF resources. It has also made three investments in the private sector with a total amount of US\$17.83 million. The ongoing public sector portfolio consists of 9 operations in Agriculture, Water Supply and Sanitation, Energy, Social and Multi-Sector projects, valued at UA 115.17 million. There is also the Child Welfare project that was approved by the Board in October 2004, but has not yet been signed by the Government owing to sustainability concerns and other design problems that the Government has raised, of which the Bank has responded by redesigning the project to address the concerns.

3 **Main Features of the Portfolio:** The size of the portfolio does not compare favourably with other countries of almost similar size. Kenya, Mozambique, Madagascar Burkina Faso and Tanzania, for example, have each a portfolio size that is more than double that of Zambia in terms of value. The predominant lending instrument is project lending through the ADF window with eight projects and only one policy based operation. Eight projects are managed through the traditional Project Implementation Units outside the structures of the line Ministries, while only one project, namely the Support to Education Project (Education III) uses an integrated system through the Ministry's infrastructure department. All the projects have some form of an institutional capacity building component.

4 **Portfolio Performance:** The review reflects a general satisfactory overall portfolio performance with a rating of 2.17 and a high probability of individual projects meeting their stated development objectives on completion. The Child Welfare project that was approved by the Board in October 2004, but has not yet been signed by the Government owing to sustainability concerns and other design problems should have been cancelled in April 2005 in accordance with Bank rules. The Bank has redesigned components of the programme that were of concern and submitted the new proposal for Government consideration, after which a decision will be made to either sign or cancel the project. The average age of the portfolio is 4.8 years, compared with the Bank wide of 4.2 years, while the average duration between loan approval and effectiveness is 16 months, which is relatively lengthy. Therefore, more projects could age in the near future if both the

Government and the Government do not enforce remedial measures and strong supervision. In general, the Bank Group supervision mission has been mixed in terms of frequency. The agriculture and multisector projects have been characterised by inadequate supervision, while supervision in water and sanitation and social sectors has been satisfactory. However, the skills mix of the supervision missions has also been generally satisfactory in all sectors. There is, therefore, a need to sustain supervision missions in the sectors where this has been conducted satisfactory, while increasing frequency for the unsatisfactory projects.

5 **Generic Problems:** The review identified four main generic common problems that affect the expeditious implementation of the portfolio that require constant monitoring. They include absence of a comprehensive national monitoring and evaluation framework for ongoing projects, delays in fulfilment of conditions precedent to grant and loan effectiveness, inadequate or availability of counterpart funding to Bank funded projects, lengthy procedures for processing award of contracts, and absorptive capacity problem manifesting itself through low disbursement.

6 **Lessons Learnt and Proactive Management of Portfolio.** The lessons learnt from the portfolio review highlight issues of portfolio management and future Bank intervention in Zambia. Although overall coordination of the Bank portfolio has improved, there is no comprehensive national monitoring and evaluation framework for ongoing projects. The successful use of Ministry of Education structures in management of the Education III project and the increasingly moving away from stand alone projects by other development partners in Zambia under the harmonisation initiative, requires the Bank to move towards integrating the existing eight stand alone PIUs into the respective line Ministries. This will enable strengthening of the Government monitoring and evaluation systems beyond project implementation. The frequency of periodic supervision missions from head office that has characterised the Bank's management of the portfolio, while still relevant, would be diminished as the Bank opens the Country Office in 2006. The latter would enable better appreciation of the constraints affecting project implementation and formulation of more country-based solutions to the problems. Regarding the delays in fulfilment of conditions precedent to grant and loan effectiveness or disbursements, periodic training workshops are required to constantly familiarise line Ministries staff with Bank rules and procedures, given staff turn over and movement within Government. Coupled with this is the need to strengthen preparatory work and reduce the number of conditionalities precedent to loan effectiveness or disbursements. The lengthy procedures for processing contract award does not require improvement of the structure of delivery system for Bank Group funded projects, but an overhaul of the whole Government procurement system. Regarding inadequate counterpart funding, the Bank should take the opportunity provided by the Medium Term Expenditure Framework that is becoming increasingly used as the main planning and budgeting tool to project commitment, by ensuring that project coordinators consistently integrate the counterpart funds in the framework. It also requires the Bank to move towards convergence of intervention instruments with other development partners by increasing use of SWAPs and the Budget Support, obviously within the limits of the Bank's rules. Business as

usual approach through independent programmes/projects is no longer consistent with developments under the harmonisation initiative.

7 **Conclusion and Recommendations:** The following measures are therefore recommended to further improve the performance of the Bank Group Portfolio in Zambia.

Government:

- (i) The Ministry of Finance and National Planning should establish clear guidelines and monitoring framework for ensuring fulfilment of loan and grant conditions by the Executing Agencies;
- (ii) Establish a national project monitoring and evaluation system under the PEMFA programme that incorporates all Ministries;
- (iii) Incorporate adequate provisions for counterpart funds in the Medium Expenditure Term Expenditure Framework (2006 – 2008);
- (iv) Hold quarterly meetings with project coordinators on project/programme implementation;
- (v) Integrate the existing stand alone PIUs into the respective line Ministries
- (vi) Provide a waiver on Bank funded projects the requirement that all civil works contracts require to be reviewed by the Ministry of Justice prior to award;

Bank Group:

- (vii) Adopt and use the procurement plans of ongoing projects as a monitoring and evaluation tool
- (viii) Maintain the recommended target average of 1.5 supervision missions per year to enable a close monitoring of ongoing activities particularly projects with civil works components. Coupled with this is the need for regular training workshops on Bank rules and procedures for Executing Agencies;
- (x) Agree with the Government on an acceptable turn around period for processing contract awards for various Bank Group funded on going projects;
- (xi) Expedite the opening of the Country Office in 2006;
- (xii) Enhance efforts to support the strengthening of the Office of the Auditor General and procurement reforms in partnership with other development partners addressing other fiduciary risks under the Public Expenditure Management and Financial Accountability Programme;

(xiii) Ensure that project coordinators of Bank funded projects consistently integrate the counterpart funds in the Medium Term Expenditure Framework;

(xiv) Reduce the number of conditionalities precedent to loan effectiveness or disbursement ensuring that they are kept minimal, realistic and achievable within the stated timeframe;

(xv) Harmonise future intervention instruments with the existing donor coordination framework that has been developed in Zambia i.e. increasingly use of SWAPs and Direct Budget Support;

(xvi) Ensure adequate consultation among key stakeholders during project preparation and to ensure local ownership of these projects;

7.1 The Boards are invited to take note of the findings of the Portfolio Review.

1.0 INTRODUCTION

1.1 Objectives, Structure and Coverage of the Report

1.1.1 A Bank Group mission that combined the Country Portfolio Review and Country Strategy Paper preparation was undertaken in Zambia from 11 - 29 April 2005 and dialogue mission in August 2005, upon which the findings of this Country Portfolio Review are based. The purpose of the Country Portfolio Review, like in the earlier reviews, is to review the implementation performance of the Bank Group's ongoing portfolio in Zambia, with the expectation that the lessons learnt would, among other things, improve the designing of the new Bank's Medium Term Strategy. The previous reviews were carried out in 1995, 1996 and 1998.

1.1.2 The report reflects a general satisfactory of overall portfolio performance with a rating of 2.17 and high probability of individual projects meeting their stated development objectives on completion. It further highlights the lessons learnt from the portfolio review

1.1.3 The first part of the report describes the main features of the portfolio, detailed performance reviews of individual ongoing projects, highlighting specific implementation issues arising from each project. The second part makes an assessment of the Bank Group and Government management of the portfolio. The third part reflects upon the Bank's coordination with other development partners and makes a general assessment of the recent developments in harmonisation of donor interventions in Zambia, that impact on the current and future Bank Group interventions in the country. The last part proposes specific measures required to improve the existing portfolio and future interventions.

1.2 Size and Composition of the Cumulative Portfolio

1.2.1 Since 1971, the Bank Group has committed to Zambia, a total of UA 602.28 million, net of cancellations, to finance 37 projects, 5 lines of credit, 5 policy-based programmes, 4 institutional support operations, 8 studies, 1 debt relief operation (Supplementary Financing Mechanism) and 1 emergency relief operation. The net commitments comprise of UA 263.11 million (44%) from ADB resources and UA 339.17 million (56%) from ADF/TAF resources. The public utilities have received the largest share of Bank Group financing (25.6%), followed by industrial sector (24.9%), agriculture (14.7%), the social sector (9.9%), the multi-sector (8.7%), and transport (7.7%). The cumulative disbursement on the Bank Group portfolio is UA 500.24 million (83.06%) while the disbursement rates on ADB and ADF/TAF loans are UA 253.01 million (96%) and UA 240.04 million (71%) respectively. The disbursement rate for the ongoing portfolio is UA 34.50 million (29.96%) against a portfolio of UA 115.17 million.

1.2.2 The Bank Group has also made three investments in the private sector in Zambia with a total amount of US\$17.83 million. The first investment was a loan of US\$ 10.83 million to a textile manufacturing company that was approved in 1995. The second

investment is an equity participation of US\$2 million in a venture capital fund that was approved in 1998, while the third investment of US\$5 million was approved in 2000 to finance the rehabilitation of the Lusaka Intercontinental hotel.

2.0 REVIEW OF ONGOING PROJECTS

2.1 Main Features of the Portfolio

2.1.1 The current portfolio consists of 9 ongoing public sector operations in Agriculture, Water Supply and Sanitation, Energy, Social and Multi-sector projects, valued at UA 115.17 million. The predominant lending instrument is project lending through the ADF window with eight projects and only one policy based operation. Table 1 shows the breakdown of ongoing public sector portfolio by sector while, Annex I provide the list of the specific ongoing portfolio.

Table I: Breakdown of Ongoing Projects by Sector: (As at 31 November 2005)

Sector	No. of Operations	Commitment (UA Million)	Share of Total (%)
Agriculture	2	27.07	23.50
Water Supply and Sanitation	2	34.44	29.90
Energy	1	4.85	4.21
Social	3	32.08	27.85
Multi -sector	1	16.73	14.54
		0	0
Total	9	115.17	100

2.1.2 Water Supply and Sanitation's share of 29.90% accounts for the bulk of the current portfolio followed by Social, Agriculture, and Multisector that account for 27.85%, 23.50% and 14.54% respectively. The average age of the portfolio is 4.8 years, and more projects could age in the near future if both the Bank Group and the Government do not enforce remedial measures and strong supervision. Other than the ongoing projects, there is the Child Welfare project that was approved by the Board in October 2004, but has not yet been signed by the Government owing to sustainability concerns and other design problems. The Bank has redesigned components of the programme that were of concern and submitted the new proposal for Government consideration, after which a decision will be made to either sign or cancel the project.

2.1.3 The size of the portfolio does not compare favourably with other countries of almost similar size. Table II compares Zambia's ongoing portfolio with a few selected Regional Member Countries (RMC).

Table II: Zambia's Portfolio compared with other countries in 2005.

Country	Number of projects	Net Commitment UA' million
Malawi	21	137.02
Mozambique	67	343.80
Madagascar	19	161.40
Kenya	10	180.96
Tanzania	17	246.36
Uganda	17	272.21
Senegal	18	180.65
Burkina Faso	26	343.8
Zambia	9	115.17

2.1.4 Eight ongoing Bank funded projects are managed through the traditional Project Implementation Units outside the structures of the line Ministries, while only one project, namely the Support to Education Project (Education III) uses an integrated system through the Ministry's infrastructure department. The latter is augmented by three technical assistance experts and manages not only the Bank funded projects, but all the other projects under the Ministry within the context of the existing SWAP in the sector. This has been regarded as a success by all development partners in the education sector.

2.1.5 The World Bank and the EU use PIUs as the prime institutional structure for implementing projects in Zambia, while some development partners use variations of PIUs like outsourcing consultants or NGOs, e.g. DFID and the USAID. Meanwhile, the Government has called upon development partners to gradually merge stand alone projects towards joint management of sector programmes under the harmonisation initiative. This implies a move away from the current stand alone PIUs that predominate the eight Bank funded ongoing projects and eventually harmonisation the Bank's supervision, reporting, monitoring and evaluation systems with other development partners. The World Bank has already commenced efforts to integrate its PIUs into Government structures.

2.1.6 Nevertheless, the integration of project/programme management into the structures of line Ministries would have to address, invariably, the incentive structure for civil servants specifically responsible of various programmes. Already, although the integrated PIU in the Ministry of Education has worked, the remuneration difference between the civil servants in the infrastructure department and the three technical assistance experts has created distortions in the system.

2.2 Review of Each Operation

Agriculture Sector

2.2.1 **Overview:** There are two ongoing operations in the agriculture sector, namely, the Agricultural Sector Investment Programme and the Small Scale Irrigation Project. Although not active, the Agricultural Marketing, Processing and Infrastructure Project (ZAMPIP) supported with an ADF loan of UA 9.2 million and approved in August 1992,

remain in the portfolio. The latter project was stopped in 1996, but its Rural Credit Component (UA 6.02 million) retained and merged with the Rural Credit Component of the Agricultural Sector Investment Programme to extend short and medium term financing for eligible farmers in the Eastern Province. Consequently, the activities of the ZAMPIP loan are now reported under the ongoing Agricultural Sector Investment Programme. The Village Based Woodlands Management Project, approved in December 2000, was cancelled in September 2003 at the request of the Government, without any disbursements having been made to the Borrower. The total value of the active portfolio in the sector is UA 27.07 million.

2.2.2 There has been less than satisfactory implementation of the Small Scale Irrigation Project largely due to design problems. Only a few missions were undertaken at the launch in 2001 and two technical field supervision missions in February 2003 and July 2005. However, following the technical supervision mission in July 2005, a revised Procurement Plan was agreed upon with the Government whose implementation is on schedule and is closely monitored by the Bank. The Agricultural Sector Investment project had been supervised regularly, at least once per year, including a mid-term review in 2002. The overall performance of the portfolio in the sector was less satisfactory mainly due to less satisfactory financial performance and delays in implementation of the core activities, i.e. rehabilitation of buildings (civil works) for the Agricultural Sector Investment project and establishment of irrigation schemes for the Small Scale Irrigation Project.

Agricultural Sector Investment Programme

Basic Data and Project Objectives

<u>Approved amount:</u> UA 15.00 million UA 6.02 million (transferred from ZAMPIP loan) <u>Cancelled Amount:</u> N/A <u>Net commitment:</u> UA 15.00 million	<u>Source:</u> ADF	<u>Disbursed amount:</u> ADF: UA 5.98 million
<u>Date approved:</u> 17.12.96 <u>Date signed:</u> 24.04.97 <u>Entry into force:</u> 24.04.98	<u>Accounts audits (years):</u> Submitted accounts for 1999,2000, 2001, 2002 and 2003 and 2004. <u>Progress reports:</u> Submitted regularly although delays	<u>Last disbursement deadline:</u> 30.12.05
<u>Date of last supervision:</u> July 2005		

Project Objectives/Components: The objective of the programme is to enhance the productive capacity of small holder farmers through improved research and extension services, credit lending to incremental production of maize, beans, sorghum and other crops. The programme also seeks to improve the living standards of the subsistence farming population of 364 284 households by providing income generating micro projects and promoting sound principles of entrepreneurship and private initiatives.

2.2.3 Project Progress: Commencement of project activities experienced major delays, primarily due to delays in fulfilment of joint donor loan conditions for disbursement effectiveness. The major conditions that took time to fulfil were the restructuring of the Ministry of Agriculture, Food and Fisheries to the satisfaction of all key stakeholders, and appointment of staff to the Districts where the programme would be implemented. Implementation of project activities only started in August 1999, almost three years after Board approval. Delays are being experienced in the implementation of mostly the civil works, where hardly any physical activity has commenced. This delay stems primarily from long delays by the Executing Agency to award the contract for the works due to, among other things, lengthy Government procurement procedures. Audit reports for the financial years ending 1999, 2000, 2001, 2002, 2003 and 2004 have been received while quarterly progress reports have been submitted as required, albeit, late in most cases.

2.2.4 Procurement Performance: Most categories of goods and services envisaged at appraisal have been procured except the civil works. Although there have been discernable procurement delays, generally procurement has been carried out in accordance with the Bank's policies.

2.2.5 Financial Performance: The project has disbursed UA 5.98 or 40%, to date. This reflects a relatively low rate of financial disbursement given that the project commenced operations in 1999. Government contribution has also been inadequate. The project suffered two disbursement suspensions in 2002 and 2004, both due to misapplication of the funds in the Special Account by the Government. Meanwhile, the UA 6.02 million transferred from ZAMPIP to finance the credit component has been fully disbursed. Financial management and performance as a whole improved substantially following the recruitment of a full time project accountant in 2004.

2.2.6 Activities and Outputs: Project activities have not been implemented as per the schedule approved at appraisal, largely because of start-up delays, which, among other things, stemmed from design flaws that required the Ministry of Agriculture and Cooperatives to serve as the Implementing and Executing Agency, without a PIU. The PIU was then established in 2000 to address implementation problems, with the recruitment of a coordinator, accountant and procurement officer. Only then did project activities start moving. Targets set for provision of rural credit have been achieved while research and extension support had also commenced. Only the civil works component had not taken off at the time of the review.

2.2.7 Impact on Development: Given the objective of enhancing the productivity of smallholder farmers through improved research and extension services, credit and

capacity building, the development performance of the project is marginally satisfactory. However, the failure of the project to rehabilitate staff houses and agricultural training centres, has and continues to, severely affect the morale of staff of the Ministry who are involved in implementing the project, with adverse implications for project implementation effectiveness and future performance.

Overall performance: The overall implementation of the project has been less satisfactory

Project Performance Rating Summary in 2005

Project Implementation	Procurement Performance	Financial Performance	Activities and Works	Impact on Development	Overall Assessment
1.6	1.5	2.5	2.3	2.3	2.00

Summary of Problems and Recommended Actions.

Problems	Recommended Actions
Delays are being experienced in the rehabilitation of staff houses, training centres, irrigation development and, research and extension support.	The Government and the Bank should work towards identifying specific measures and an agreed matrix of actions required to accelerate implementation of the activity.
Delays to award the contract for the civil works	The Government and the Bank should agree on an acceptable turn around period for processing contract awards
Inadequate Government contribution	The Bank should urge the Government to disburse its counterpart funds and ensure that project coordinators include the requirement in the MTEF.

Small Scale Irrigation Project

Basic Data and Project Objectives

<u>Approved amount:</u> UA 6.05 million <u>Cancelled Amount:</u> N/A <u>Net commitment:</u> UA 6.05 million	<u>Source:</u> ADF	<u>Disbursed amount:</u> ADF: UA 0.91 million
<u>Date approved:</u> 07.09.00 <u>Date signed:</u> 06.02.01 <u>Entry into force:</u> Loan 15.03.02 Grant: 06.02.01	<u>Accounts audits (years):</u> Audit done for 2003 accounts <u>Progress reports:</u> Submitted for 2004	<u>Last disbursement deadline:</u> 31.12.07
<u>Date of last supervision:</u> July 2003		

Project Objectives/Components: The objective of the project is to increase food production and farm incomes for the target group. In Gwembe Valley the aim will be poverty alleviation while in Mazabuka District the aim will be food security and import substitution. The project has three components, namely, Irrigation Development, Rural Credit System and Capacity Building.

2.2.8 *Project Progress:* Overall, there are serious delays in the implementation of almost all components of the project. Physical development of the planned six small scale irrigation schemes had not commenced because the procurement of consultancy services for the design and construction supervision has not been done. It is estimated that project implementation is lagging at least four years behind schedule. Under the capacity building component, Training of Technical Services Branch and Agricultural Extension Branch staff is almost complete. Under the irrigation development component, only topographic surveys at two sites have been done (one district remaining) and draft deliverables are being reviewed by the PCU. The socio-economic baseline surveys have commenced while community mobilization has not started. Regarding planning and design, the process of recruiting the consultancy services have just commenced with approval of a shortlist and the Terms of Reference. Installation of electricity to all sites is progressing satisfactorily. However, construction of the schemes has not started. Regarding the Rural Savings and Credit component, the process to contract a MFI to manage the component has not commenced. So far, the main achievements relate to procurement of goods (notably vehicles, field and office equipment) and short-term consultancy services. The delays in start up has resulted in some of the project components being irrelevant, for example, the procurement of 64 motorcycles, radio communication equipment and construction of a 30-room office block. The PIU now estimates that it can use only seven motorcycles and will only provide for the operation and maintenance of these seven.

2.2.9 *Procurement Performance:* The procurement of goods (vehicles, motor cycles, office equipment, radio communication and filed equipment) as well as short term consultancy services to undertake baseline surveys, topographic survey, and community mobilisation and gender mainstreaming has either been completed or are at advanced stage. The movement of the Bank from Abidjan also affected the procurement activities. It took, for example, more than eight months to receive a no objection from the Bank to award the contract for topographical surveys.

2.2.10 *Financial Performance:* 14% and 24% of the loan and grant components, respectively, had been disbursed.

2.2.11 *Activities and outputs:* To date the main achievements relate to procurement of goods (notably vehicles, field and office equipment) and short-term consultancy services. The development of irrigation schemes has not started since the procurement of consultancy services for the design and construction supervision has not been done. Training of Technical Services Branch and Agricultural Extension Branch staff is almost complete. The topographic surveys have been completed. The socio-economic baseline surveys have commenced while community mobilisation has not started.

2.2.12 *Impact on Development*: Given the objective of increasing food production and farm incomes for the target group in Gwembe Valley and Mazabuka District, the slow progress that has been made on civil works, implies that the development performance of the project to date is marginally satisfactory.

2.2.13 *Overall Performance*: The overall implementation of the project has not been satisfactory. The project as designed is unlikely to be implemented within the envisaged implementation schedule. The Bank is currently monitoring the implementation of the revised Procurement Plan agreed upon with the Government in July 2005.

Project Performance Rating Summary in 2005

Project Implementation	Procurement Performance	Financial Performance	Activities and Works	Impact on Development	Overall Assessment
2.0	1.0	1.0	1.0	1.0	1.2

Summary of Problems and Recommended Actions.

Problems	Recommended Actions
Project design problem that is leading to delays in the implementation of most project components	The Government and the Bank should work towards identifying specific measures and an agreed matrix of actions required to accelerate project implementation.
Some project components are no longer relevant to meet the project objectives, e.g. procurement of 64 motor cycles and construction of 30 room office block	The Government and the Bank have revised the project list of goods and services and prepared a new procurement plan to ensure that whatever is being procured is still necessary to meet the project objectives. The Bank should therefore consistently monitor compliance to the schedule.
Irregular technical supervision missions	The Bank should maintain the recommended 1.5 supervisions missions per year.

II Water Supply And Sanitation Sector

2.2.14 **Overview**: The Bank is currently supporting two projects in the sector, namely, Central Province Rural Water Supply and Sanitation Project and the Central Province Eight Centres Water Supply and Sanitation Project valued at UA 34.44 million. Five Districts in the Central Province are being supported to improve access to water and sanitation through the former, while eight urban centres are covered by the latter project. Support to the urban centres includes formation of Rukanga commercial utility company, installation and rehabilitation of water supply and sanitation facilities. Furthermore, the Bank assisted Government in April 2005 to conduct an assessment of coverage of water supply and sanitation services in the rural areas and estimated the investment required to raise the coverage as envisaged by the MDGs.

Central Province Rural Water Supply And Sanitation Project

Basic Data and Project Objectives

<u>Approved amount:</u> UA 12.41 million <u>Cancelled Amount:</u> N/A <u>Net commitment:</u> UA 12.41 million	<u>Source:</u> ADF	<u>Disbursed amount:</u> ADF: UA 5.01 million
<u>Date approved:</u> 08.12.00 <u>Date signed:</u> 20.06.01 <u>Entry into force:</u> 12.11.01	<u>Accounts audits (years):</u> Submitted accounts for 2002 2003 and 2004. <u>Progress reports:</u> Progress reports submitted regularly	<u>Last disbursement deadline:</u> 31.12.06
<u>Date of last supervision:</u> November 2005		
<u>Project Objectives/Components:</u> The objective of the project is to provide adequate and sustainable water supply and sanitation services to the people of the five rural districts in Central Province, promote protection of water catchments, and contribute to the ongoing efforts to control the spread of HIV/AIDS and malaria epidemics		

2.2.15 *Project Progress:* The project experienced delays in the fulfilment of loan and grant conditions prior to entry into force, and, as a result the loan was declared effective in April 2001. Following the award of the contract for works, physical implementation of the project is progressing well, and project completion is expected by the end of December 2006. Quarterly progress reports and audited project financial statements have been submitted regularly to the Bank. The performance of the project in this regard is satisfactory.

2.2.16 *Procurement Performance:* Procurement activities included civil works, drilling and equipping water points, supply and delivery of a) hand pumps, b) computers and accessories, c) office equipment, d) motor vehicles, e) motor cycles, f) bicycles, and g) mosquito bed nets and accessories. It also included recruitment of PIU staff as well as procurement of consultancy services for auditing, and monitoring and evaluation services. All the procurement activities of the project have been finalised and are progressing satisfactorily.

2.2.17 *Financial Performance:* UA 5.01 million (40%) had been disbursed as at November 2005. The financial performance of the project has lagged behind the physical progress, as most of the civil works contractors have partially fulfilled contractual obligations, for example, there have been delays in the supply of hand pumps, resulting in works not being commissioned and therefore contractors not paid. This was caused by the fact that civil works and supply of hand pumps were two separate contracts by different contractors. It has now been agreed with the Bank that a single contract would be

awarded for the new sites. The financial performance of the project is therefore unsatisfactory.

2.2.18 *Activities and outputs*: The PIU has been established and staff recruited. All the contracts for sitting, drilling and equipping boreholes in the five districts were awarded in May 2004, while drilling works started in June 2004. The PIU and D-WASHE have continued with the identification and repair of malfunctioning water facilities in the project area. A total of 756 water points have been identified, of which 30% have been rehabilitated. Regarding sanitation support, public institutions requiring support for improved sanitation have been identified and support in this regard is progressing satisfactorily. Ongoing activities also included (i) training of malaria control together with HIV/AIDS agents and sensitisation of the beneficiary communities on malaria and HIV/AIDS prevention and control, (ii) health and hygiene education activities in villages where water points have been built or rehabilitated, and (iii) community mobilization and training to facilitate full participation by the project beneficiaries. The implementation of the project activities was therefore progressing satisfactorily.

2.2.19 *Impact on Development*: Since physical works were progressing well, the beneficiaries have started to benefit from the project. The project has provided sustainable water supply and sanitation services to part of the people of the five rural districts in the Central Province. It has also contributed to protection of water catchments areas, and efforts to control the spread of HIV/AIDS and malaria epidemics. Additional positive impact on development is still expected after the completion of the project.

2.2.20 *Overall Performance*: The implementation of the project is progressing satisfactorily, while the performance of the PIU had improved from unsatisfactory to satisfactory.

Project Performance Rating Summary in 2005

Project Progress	Procurement Performance	Financial Performance	Activities and Outputs	Impact on Development	Overall Assessment
2	2	1.75	2.25	2.25	2.25

Summary of Problems and Recommended Actions.

Problems	Recommended Actions
Delays in the supply of hand pumps by contractors resulting in work not being commissioned and hence low disbursement.	A single contractor would now be responsible for civil works, procurement and installation of hand pumps.

Central Province Eight Centres Water Supply and Sanitation Project

Basic Data and Project Objectives

<u>Approved amount:</u> ADF: UA 16.25 million TAF: UA 5.78 million <u>Cancelled Amount:</u> N/A <u>Net commitment:</u> ADF: UA 16.25 million; TAF: UA 5.78 million	<u>Source:</u> ADF/TAF	<u>Disbursed amount:</u> ADF: 0.38 million TAF: None
<u>Date approved:</u> 17.12.03 <u>Date signed:</u> 22.04.04 <u>Entry into force:</u> 16.12.04	<u>Accounts audits (years):</u> N/A <u>Progress reports:</u> First progress report submitted in 2005	<u>Last disbursement deadline:</u> 31.12.10
<u>Date of last supervision:</u> November 2005		
<u>Project Objectives/Components:</u> The objective of the project is to improve the quality and delivery of water supply and sanitation services in the eight centres in the Central Province, namely Kabwe, Kapiri-Mposhi, Mkushi, Serenje, Chibombo, Chisamba, Mumbwa and Nampundwe. The activities comprise rehabilitation and extension of the existing water supply and sanitation infrastructure in the eight centres and formation of a commercial utility to be responsible for the delivery of the services		

2.2.21 *Project Progress:* The PIU submitted the first progress report to the Bank in 2005. Activities currently ongoing include recruitment of consultancy services for institutional support and the hygiene promotion/public health, relocation and compensation of people affected by the project. The Government has been financing all the start up activities.

2.2.22 *Procurement Performance:* The recruitment of the project Engineering Supervision Consultant has been finalised, and the pre-qualification documents for the main works contract were in progress. The civil works contracts are envisaged to be awarded in the first quarter of 2006. The progress on procurement was thus satisfactory.

2.2.23 *Financial Performance:* Only UA 0.38 million (2.34%) disbursement had been effected from the ADF resources to date, while most of financing to date has been from the Government. The financial performance of the project was therefore not satisfactory.

2.2.24 *Activities and Outputs:* The PIU has been established by secondment from the Ministry of Local Government and Housing. The PIU had also prepared the documents for the recruitment of the consultant, pre-qualification document for works,

and formation of the commercial utility. However, no physical work had been done to date. The implementation of the main activities of the project was not satisfactorily.

2.2.25 *Impact on Development*: No work had started, therefore impact on development was expected later.

2.2.26 *Overall Performance*: While the performance of the PIU was satisfactory the overall implementation of the project was rated less satisfactory.

Project Performance Rating Summary in 2005

Project Progress	Procurement Performance	Financial Performance	Activities and Outputs	Impact on Development	Overall Assessment
2	2	1.5	2	2	1.75

Summary of Problems and Recommended Actions.

Problems	Recommended Actions
Delays in physical implementation of project activities	The Government should accelerate implementation of the project activities.

Victoria Falls - Katima Mulilo Interconnection Project

Basic Data and Project Objectives

<u>Approved amount:</u> UA 4.85 million <u>Cancelled Amount:</u> N/A <u>Net commitment:</u> UA 4.85 million	<u>Source:</u> ADF	<u>Disbursed amount:</u> ADF: UA 2.42 million
<u>Date approved:</u> 01.12. 99 <u>Date signed:</u> 17.02.00 <u>Entry into force:</u> 28.12.01	<u>Accounts audits (years):</u> The first audited project accounts for the year ended 31 March 2004 has been submitted <u>Progress reports:</u> Quarterly progress reports submitted regularly	<u>Last disbursement deadline:</u> 30.06.06
<u>Date of last supervision:</u> June 2005.		

Project Objectives/Components: The objective of the project is to provide adequate and reliable electricity to the border town of Katima Mulilo in Namibia and the towns in western region of Zambia. At appraisal, the project was envisaged to comprise (i) construction of 132 kV line from Victoria Falls to Katima Mulilo; and (ii) erection of 220/132 kV and 132/66 kV substations respectively at Victoria Falls and Katima Mulilo. In July 2003, the Bank approved the upgrade of the capacity of Interconnector by constructing the network in 220 kV network instead of 132 kV network in order to accommodate the increase in forecasted power demand in Zambia and Namibia. The upgraded Interconnector involves (i) construction of 230 km of 220 kV line (ii) erection of 220 kV bay at Victoria Falls; and (iii) erection of 220/66 kV substation each at Katima Mulilo and Sesheke.

2.2.27 Project Progress: The project was initially envisaged to be completed in December 2002 but project activities only started in March 2003. The implementation of the project has dragged, primarily due to the time taken in fulfilling the conditions precedent to first disbursement of the loan. Loan effectiveness took more than 18 months, mainly due to delays in finalising the on lending agreement and firming up the Power Purchase Agreement between ZESCO (Zambian Power Utility) and NamPower (Namibian Power Utility). Additional delays were also experienced during the tendering process for the procurement of the Engineering Consultant and works.

2.2.28 After the award of the two main contracts, namely supply and installation of transmission line and substations, physical implementation of the project is progressing well. Quarterly progress reports are submitted to the Bank regularly. In addition, the executing agency has submitted to the Bank the first audited project accounts for the year ended 31 March 2004. In this regard, the performance of the project is improving to satisfactory.

2.2.29 Procurement Performance: Procurement included two major works, namely. supply and installation of a) transmission line, and b) substations. It also included procurement of consulting services to provide engineering services for design and supervision, as well as auditing services of project accounts. All the procurement activities of the project have progressed satisfactorily.

2.2.30 Financial Performance: The financial performance of the project is progressing satisfactorily. To date UA 2.42 million (50%) has been disbursed from the ADF loan.

2.2.31 Activities and outputs: The implementation of the main activities of the project is progressing satisfactorily. After the award of the two main contracts, physical implementation of the project improved significantly.

2.2.32 Impact on Development: Implementation of physical works of the project started in June 2004, and works are progressing satisfactorily. However, much of the project impact on development is expected on completion.

2.2.33 Overall Performance: Despite the initial delays in starting up project activities, the implementation and performance of the PIU was satisfactory.

Project Performance Rating Summary in 2005

Project Progress	Procurement Performance	Financial Performance	Activities and Outputs	Impact on Development	Overall Assessment
2	2	2	2	2	2

Summary of Problems and Recommended Actions.

Problems	Recommended Actions
No major problems requiring immediate actions were identified.	

III Social Sector

2.2.34 **Overview:** There are three on-going projects in the social sector, one in education, the Support to Education Project (Education III) and two in health, the Health Sector Support Project (Health II) and Support to the National Aids Council Programme. The total amount of ongoing projects in the sector is UA 18.42 million, if the Child Welfare Project is excluded, which was approved but has not been signed. There are Sector Wide Approaches (SWAPs) in place for both the Education and Health sector reflecting a move away by development partners on stand alone projects. In both SWAPs there is a Memorandum of Understanding signed by the 12 development partners in education and 11 in health. The MOUs provide the framework for co-operation, through their detailing of the joint structures for planning, implementing and monitoring the respective sector plans. The Government and development partners have agreed that any future support to education and health should be through the existing SWAPs with the modality of pooled funding.

Support to Education Project (Education III)

Basic Data and Project Objectives

<u>Approved amount:</u> UA 8.50 million <u>Cancelled Amount:</u> N/A <u>Net commitment:</u> UA 8.50 million	<u>Source:</u> ADF	<u>Disbursed amount:</u> ADF: UA 4.62 million
<u>Date approved:</u> 01.12.99 <u>Date signed:</u> 17.02.00 <u>Entry into force:</u> 09.02.01	<u>Accounts audits (years):</u> Submitted since 1999. The audits are undertaken in the context of the SWAP. <u>Progress reports:</u> Quarterly progress reports submitted regularly	<u>Last disbursement deadline</u> 31.12.06:
<u>Date of last supervision:</u> October 2005		

Project Objectives/Components: The objective of the project is to contribute to an increased access to, and improved quality of basic education in Zambia. This is to be done by supporting four components of the Basic Education Support Investment Programme (BESIP), namely, infrastructure development, provision of education materials, teacher education development, and capacity building for decentralization.

2.2.35 Project Progress: The project activities fall within the Basic Education Sub-Sector Investment Programme (BESSIP) developed by the Ministry of Education (MOE) with the support of the development partners. To reflect the Bank's support to strengthening of existing Government structures, no stand alone PIU was established for the project, instead, Bank's support is through the relevant Ministry Directorate. Implementation of the project is progressing relatively satisfactorily with provision of education materials, teacher education development and capacity building for decentralization nearly complete. There have been delays in the infrastructure component, which led to an extension of the project closing date to the end of December 2006.

2.2.36 Procurement Performance: Overall procurement performance has been satisfactory. The Ministry of Education Procurement and Supplies Unit has performed efficiently.

2.2.37 Financial Performance: To date, 54% of funds have been disbursed. This is a result of slow disbursement in relation to civil works. The Teacher Training, Educational Materials and Capacity Building components should be fully disbursed by the end of 2005.

2.2.38 Activities and Outputs: The activities that form part of the BESSIP, which fall within the MOE mainstream structures, have been carried out smoothly. Under the Teacher Education Component teachers have been trained in multi-grade, HIV/AIDS and the use of textbooks and science kits. A cascade model of training has been supported by Training Manuals. For the Educational Materials component, textbooks in core subject areas of English and Maths have been procured. With regards to Capacity Building for Educational Management, computers had been provided and training carried out in collaboration with USAID. A training program for capacity building in education management information system (EMIS) has been carried out for 167 staff from the district education offices. The final phase of training for 82 provincial officers was ongoing. Under the civil works, of the 44 schools to be built, 33 were being constructed by private contractors while 13 through community efforts. 20 contractor schools are now complete. Poor performance of the contractor in two of the provinces had severely hindered progress in 2004. In relation to the 13 community-based mode schools, slow rate of utilisation of funds, intermittent release of funds and lack of skill mix at community level has impacted negatively on the progress of their completion.

2.2.39 Development Impact: The anticipated impact on contributing to the overall success of the Basic Education Support Programme is satisfactory. The success of BESIP, which was a collaborative work between the Ministry of Education and the

development partners, has led to the joint development of the Education Strategic Plan 2003 – 2007. The development partners contribute to the implementation of the Strategic Plan through a range of modalities with pooled funding being predominant.

2.2.40 *Overall assessment:* The overall assessment is satisfactory.

Project Performance Rating Summary in 2005

Indicator	Project Progress	Procurement Performance	Financial Performance	Activities and Outputs	Development Impact	Overall assessment
Rating	2.00	2.5	2.0	2.0	3.0	2.30

Summary of Problems and Recommended Actions.

Problems	Recommended Actions
(i) Poor performance of the contractor in the Eastern and Luapula Provinces	Government expedite award of the new contracts of the terminated contracts. The Government should also improve the supervision of contractors with specific performance benchmarks agreed with the contractors.
(ii) Construction of the 13 community-based mode schools: - Slow rate of utilisation of funds, - Intermittent release of funds and - Lack of skill mix at community level	The Government should augment the implementation capacity under this programme in the specific identified communities that are experiencing the capacity problems.

Support to the National Aids Council Programme

Basic Data and Project Objectives

<u>Approved amount:</u> UA 1.00 million <u>Cancelled amount:</u> N/A <u>Net commitment:</u> UA 1.00 million	<u>Source:</u> ADF/TAF	<u>Disbursed amount:</u> ADF/TAF: UA 0.73 million
<u>Date approved:</u> 25.04.01 <u>Date signed:</u> 26.06.01 <u>Entry into force:</u> 20.06.01	<u>Accounts audits (years):</u> Submitted 2003 and 2003 audits while 2004 were being prepared <u>Progress reports:</u> Quarterly progress reports submitted regularly	<u>Last disbursement deadline:</u> 30.12.05
<u>Date of last supervision:</u> August 2005		

<p>Project Objectives/Components: The objective of the project is to strengthen the capacity of the National Aids Secretariat to enable it to co-ordinate the implementation of the National Aids Strategic Framework (2001 – 2003) in order to slow the spread of the HIV/AIDS pandemic. This is to be achieved through (i) technical assistance (ii) consultancy (iii) training (iv) equipment and supplies, and (v) operating costs</p>

2.2.41 *Project Progress:* The project experienced commencement delays due to slow fulfilment of conditions precedent to entry into force of the grant. Further delays were caused by changes in the senior management at the National AIDS Council and its structural reorganization.

2.2.42 *Procurement Performance:* Overall procurement has been acceptable. However, the process had been delayed because of an oversight by NAC's management of the Bank's procurement and disbursement rules. The salary of the Project Coordinator was being taxed initially, but the problem has since been resolved. The project was one of those identified for procurement performance review, which the Bank carried out in December 2004.

2.2.43 *Financial Performance:* To date 73% had been disbursed.

2.2.44 *Activities and Outputs:* Four consultancies had been carried out, namely, Monitoring and Evaluation, Co-ordination of HIV/AIDS programmes, Financial Management and Internal Operations and Procedures. These consultancies took place at the same time to ensure collaboration and co-ordination. The Bank provided, in April 2005, the no objection for the short list of firms for the fifth consultancy, i.e. Gender Analysis framework. A total of 359 staff had to date been trained in different areas. Office equipment comprising computers and printers had been provided and three vehicles purchased although one was stolen in 2004. The bid evaluation report for replacement of the stolen vehicle has been carried out and the Bank had granted its no objection to the bid evaluation related to its procurement. The technical assistance component has experienced long delays.

2.2.45 *Development Impact:* The anticipated impact on contributing to the coordination of HIV/AIDS related activities in the country was rated at 3.00 in the last supervision visit of October 2005.

2.2.46 *Overall assessment:* The overall assessment is satisfactory:

Project Performance Rating Summary in 2005

Indicator	Project Progress	Procurement Performance	Financial Performance	Activities and Outputs	Development Impact	Overall assessment
Rating	2.00	2.50	2.00	2.00	3.00	2.30

Summary of Problems and Recommended Actions.

Problems	Recommended Actions
Slow recruitment of experts for the Technical Assistance Component	Government should expedite the process of recruitment of the experts

Health II

Basic Data and Project Objectives

<u>Approved amount:</u> UA 8.92 million <u>Cancelled Amount:</u> N/A <u>Net commitment:</u> UA 8.92 million	<u>Source:</u> ADF	<u>Disbursed amount:</u> ADF: UA 6.06 million
<u>Date approved:</u> 14.07.99 <u>Date signed:</u> 01.10.99 <u>Entry into force:</u> 01.02.01	<u>Accounts audits (years):</u> Audits received for 2002, 2003 and 2004 <u>Progress reports:</u> Quarterly progress reports submitted regularly	<u>Last disbursement deadline:</u> 31.07.06
<u>Date of last supervision:</u> August 2005		
<u>Project Objectives/Components:</u> The project objective is to enhance access to health care and improve quality of care for rural communities through improved primary care infrastructure, provision of safe water, development of preventive maintenance policy, support to human resources development programme and capacity building both at the central and district levels. The project comprised six components, namely, (i) improved primary health care infrastructure in rural areas; (ii) provision of safe water; (iii) establishment of preventive maintenance policy, (iv) support to the human resources development programme; (v) capacity building; (vi) project management		

2.2.47 Project Progress: The project experienced long delays to commence due to delays in fulfilment of conditions precedent to entry into force and to first disbursement. A further delay was experienced in the recruitment of PIU staff who only came in place in November 2001. Further causes of delays include delays in approval of project documentation by Government, inadequate counterpart funding, amendment of civil works contract periods and inadequate resources for preventive maintenance

2.2.48 Procurement Performance: To date the Bank has granted its no objection to eight of the thirteen project contracts.

2.2.49 Financial Performance: 33% of the loan had been disbursed as at November 2005.

2.2.50 *Activities and Outputs:* The PIU staff was only recruited in November 2001 due to delays in the recruitment process. Under the improved primary health care in rural areas, two consulting firms were appointed to oversee the design and supervision of rehabilitation and construction of rural health centres, staff houses and associated external works which have been grouped into two lots with four contracts. With pre-design and tendering stages complete they are now preparing to move on to the next and last stages. The Bank Group granted its no objection in August 2004 for the award of four civil works' contracts for the rehabilitation/construction of rural health centres. However, the signing of the contracts have been delayed due to the new requirement by the Government that all contracts should be reviewed and approved by both Ministry of Finance and National Planning and the Ministry of Justice. Under community sensitisation, community participation and involvement in the construction of VIP latrines under the component by the various beneficiary communities have been satisfactorily implemented in all the 20 sites. Under the provision of safe water the contracts for drilling and equipping of boreholes for the rural health centres have been signed. The preventive maintenance draft policy has been presented to Cabinet for approval following the review by various Ministries. Under human resources development four schools have been supplied with equipment, library books and teaching materials, office equipment and 4 mini-buses. The technical assistance resources were used to finance one technical working group comprised of Ministry of Health and CBOH staff to develop the Human Resource Policy and Capacity Building programme.

2.2.51 *Development Impact:* The development impact was rated as 3.00 in the last supervision of October 2005.

2.2.52 *Overall assessment:* The overall implementation of the project has been satisfactory.

Project Performance Rating Summary in 2005

Indicator	Project Progress	Procurement Performance	Financial Performance	Activities and Outputs	Development Impact	Overall assessment
Rating	1.83	2.00	2.25	2.00	3.00	2.25

Summary of Problems and Recommended Actions.

Problems	Recommended Actions
(i) Long delays in processing of civil works contracts	Waiver the requirement by Government that all civil works contracts require to be reviewed by the Ministry of Justice prior to award.
(ii) Inadequate counterpart funds	The Bank should urge the Government to disburse its counterpart funds.
(ii) Inadequate resources for preventive maintenance	“ “ “

IV MULTISECTOR

2.2.53 **Overview:** Zambia has experienced a strong macroeconomic performance over the recent years with an average annual growth rate of 4.5% of GDP between 2000 and 2004. This has been coupled with prudent macroeconomic management, particularly in 2004, as manifested by the reaching of HIPC Completion Point in April 2005. Measures have also been introduced to improve transparency and accountability in management of public resources, namely, introduction of the Medium Term Expenditure Framework (MTEF) 2005 – 2007, the introduction of Activity Based Budgeting (ABB) in 2004, and introduction of performance monitoring indicators under the Public Expenditure Management and Financial Accountability (PEMFA) programme aimed at further consolidate gains in the fiscal management.

Support to Fiscal Transparency and Accountability Programme

Basic Data and Project Objectives

<u>Approved amount:</u> UA 16.73 million <u>Cancelled Amount:</u> N/A <u>Net commitment:</u> UA 16.73 million	<u>Source:</u> ADF	<u>Disbursed amount:</u> ADF: UA 9.92 million TAF: UA 0.29 million
<u>Date approved:</u> 28.06.01 <u>Date signed:</u> 17.07.01 <u>Entry into force:</u> 01.10.01	<u>Accounts audits (years):</u> No audited accounts submitted since inception. The Bank approved appointment of auditors in June 2005. <u>Progress reports:</u> Quarterly progress reports submitted regularly until March 2004.	<u>Last disbursement deadline:</u> 31. 12.05
<u>Date of last supervision:</u> August 2005.		
<u>Project Objectives/Components:</u> The programme is a policy-based operation supporting fiscal reforms to ensure transparency in Government procurement and management of expenditures. The main components of the programme include budget reforms, domestic debt management, public procurement reform, public audits, combating corruption, decentralisation and institutional capacity building		

2.2.54 **Project Progress:** The programme was originally anticipated to end in December 2003, but four extensions have been granted to date and it is now expected to end in June 2006. The main causes of the extensions have been delays in fulfilment of the conditions precedent to the disbursement of the second tranche owing to the outstanding activities related to procurement of consultancy services, which form the core activities of the

programme. They include consultancy services for (i) preparation of audit manuals, hand books and guidelines, (ii) revision of procurement guidelines and preparation of standard bidding documents (iii) review of the legal framework for public procurement and (iv) management of domestic debt. The Government has however provided US\$ 90 000 additional funding for these outstanding consultancies which were under funded at the time of approval of the project.

2.2.55 Procurement performance: There has been certainly delays in providing the Bank's no objections to Government's procurement requests. Furthermore there has been no Bank supervision mission for the programme before 2005, which could have added to the delays in approving the no objections of various components. The Bank for example approved, in September 2003, a short list of five firms selected for undertaking the consultancy for public procurement, but the award of the contract approval was only provided in October 2004.

2.2.56 Financial performance: The first loan disbursement of UA 10 million was released in December 2002, 18 months after approval of the project, while the second disbursement of UA 6.2 million is outstanding, owing to non-fulfilment of conditions precedent to the release of the second tranche. 61% and 55% of the loan and grant, respectively, had been disbursed as at November 2005.

2.2.57 Activities and Output: Completed activities include the capacity building for the five key institutions, namely the Anti Corruption Commission, Office of the Auditor General, Zambia National Tender Board, Governance Development Unit and the Ministry of Finance and National Planning. The operations of the Anti Corruption Commission and the Zambia National Tender Board have been decentralised and equipped with furniture, office equipment and purchase of vehicles as envisaged in the project design. Sensitisation workshops for Parliamentarians on anti corruption activities were held, while seminars were conducted by the Governance Development Unit and Anti Corruption Commissions on good governance and corrupt practices relating to public procurement. Five Commissioners for the Anti Corruption Commission were appointed and their appointment ratified by Parliament, while Cabinet has approved the autonomy of Office of the Auditor General as agreed in the programme. However, the outstanding output is the domestic debt management reforms which is now expected to be completed in the first quarter of 2006.

2.2.58 Impact on Development: The three key challenges in ensuring a transparent and accountable public sector in Zambia include the system's lack of transparency and effectiveness, the inefficient public procurement system and inadequate accountability in the use of public funds. The Bank's programme, in supporting reforms under the budget, domestic debt management, public procurement, public audits, combating corruption, decentralisation and institutional capacity building, has facilitated endeavours to improve effective management of public resources.

2.2.59 *Overall Performance*: Following the additional allocation of funds to the programme by the Government in 2004, implementation is now progressing satisfactorily with an overall rating of 2.50.

Project Performance Rating Summary in 2005

Project Implementation	Procurement Performance	Financial Performance	Activities and Works	Impact on Development	Overall Assessment
2.5	2.0	2.5	2.3	2.5	2.50

Summary of Problems and Recommended Actions.

Problems	Recommended Actions
Delays in fulfilling conditions precedent to disbursement of second tranche	Government expedite completion of debt management reforms.
Outstanding audit	Government expedites the finalisation of the audits following the award of the auditing contract in July 2005.

2.3 Ageing, Potentially Problematic and Problem Projects.

2.3.1 The definition of Ageing, Potentially Problematic and Problem Projects in the review follows the standard definition used by the Bank¹. Ageing projects are projects that have not been completed after eight years from the date of approval or technical assistance operations that are 5 years or older. Potentially problematic projects are operations, (i) with less than 10% of the loan disbursed two years after loan effectiveness or if less than 50% of the loan has been disbursed 5 years after loan effectiveness (ii) projects not completed after 8 year (5 years for TAF/Grants) from date of approval and a loan or grant operation not yet declared effective 12 months after signature. Problem projects are those whose average score of development objectives (DO) rating or the average score of implementation progress (IP) is less than one.

2.3.2 In the context of these definitions, the Agricultural Sector Investment Programme, the Small Scale Irrigation project, Victoria Fall – Katima Mulilo Interconnection project and the two Health projects have each at least two of the attributes of the potentially problematic projects. The Small Scale Irrigation project has both the IP and DO of less than 1.5 and is therefore a Problem project. Although the implementation of the projects in social sectors, water and sanitation and multisector was satisfactory at the time of the review, the historic implementation progress of the whole portfolio has been slow. The average age of the portfolio is 4.8 years, compared to the Bank wide which is 4.2, while the average duration between loan approval and effectiveness is 16 months, which is relatively

¹ Document ADF/BD/WP/2005/66

lengthy. More projects could age in the near future if both the Bank Group and the Government do not enforce remedial measures and strong supervision.

2.4 Assessment of Supervision Frequency and Quality.

2.4.1 In the agriculture sector, only two supervision missions were undertaken for the Small Scale Irrigation Project since its launch in 2001. The Agricultural Sector Investment Programme was supervised in 2004 and 2005. All the supervision missions consisted of the agriculture economist and irrigation specialist. There is, however, relatively unsatisfactory performance on implementation of the two projects and hence the need to strengthen project supervision in the sector.

2.4.2 In the social sector, the supervision missions for the health and education projects were consistently maintained at two missions per year and consisting of health or education specialists together with architects. The issues that have been raised with Government during the missions include (i) long delays of getting approval of project documents from the Government (ii) inadequate counterpart funds (iii) delays in awarding civil works (iv) inadequate resources for preventive maintenance and (iv) lack of monitoring training activities and accountability of the resources allocated to district level. Project implementation in the sector is relatively satisfactory.

2.4.3 Similarly, in the water and sanitation sector there has been an average of two supervision missions every year consisting of the Financial Analyst and the Water Engineer, with satisfactory outcomes.

2.4.4 The Support for Fiscal Transparency and Accountability Programme had not been supervised until February 2005. The mid term review of the programme was conducted in August 2005. As a result of the inadequate supervision, the processing of procurement request for consultancies has been delayed, thereby delaying the process of meeting the key conditionalities precedent to the disbursement of the second tranche.

2.4.5 In general the supervision missions for the ongoing portfolio have been mixed in terms of frequency. The agriculture and multisector projects have been characterised by inadequate supervision, while supervision in water and sanitation and social sectors has been satisfactory. However, the skills mix of the supervision missions has also been generally satisfactory. There is, therefore, a need to sustain supervision missions in the sectors where this has been conducted satisfactory, while increasing frequency for the unsatisfactory projects.

2.5 Cross Cutting Issues

2.5.1 **Poverty Reduction:** According the country's PRSP 2002 – 2004, the incidence of poverty in Zambia is about 73% of the population. In terms of categories of the poor, the small scale farmers remain the poorest group while in terms of gender disparities, the female headed households are poorer than male headed households with incidence of 60% and 52% respectively. The Bank Group portfolio's contribution to poverty reduction

can only be assessed by progress that has been made in implementation of project components specifically directed at addressing poverty reduction in each sector. Under the Agriculture Sector Investment Programme, although most of the project components had not been implemented, the target set for provision of rural credit to small holder farmers had been achieved. The Central Province Rural Water Supply and Sanitation project has assisted in providing sustainable water supply and sanitation services to the people living in the five rural districts in the Central Province. A total of 756 water points have been identified, of which 30% have been rehabilitated. Under the Health II project, the programme of community sensitisation, participation and involvement in the construction of VIP latrines had been satisfactorily implemented in all the 20 sites. As a prerequisite for the improvement of the health status of the target communities, the selected 20 health centres and surrounding communities will be provided with boreholes, storage tank, water reticulation, communal water collection point and safe drainage system

2.5.2 HIV/AIDS: The Support to the National Aids Council Programme focuses on strengthening the capacity of the Secretariat, the main institution in the country coordinating HIV/AIDS intervention by Government and various development partners. The project provided office equipment and computers, vehicles and trained 359 staff of the NAC in various HIV/AIDS related activities. Four consultancies have also been carried out for monitoring and evaluation and co-ordination of HIV/AIDS related activities. Under the Education III project, teacher training on HIV/AIDS has also been conducted while under the Central Province Rural Water Supply and Sanitation project, training of malaria and HIV/AIDS control agents and sensitisation of the beneficiary communities on malaria and HIV/AIDS prevention and control was in progress. The prevention of HIV/AIDS is one of the four main outputs of the Education Strategic Plan, through increased information to all pupils, teachers, college/university students, lecturers and education officials. Support and protection measures are encouraged in every school, college, university and education offices.

2.5.3 Gender: The Central Province Rural Water Supply and Sanitation project addresses critical constraints regarding community mobilisation and gender mainstreaming in the water and sanitation sector. Through the community mobilization component of the project, the communities are trained in the participatory development planning approach, which strengthens their capacity to identify development constraints on a regular basis and provide local solutions. Communities are also taught gender sensitisation and mainstreaming issues. This has facilitated the participation of women at all decision making levels with respect to water and sanitation activities in the communities. Women are thus key participants in development planning, enhancing sustainability of water and sanitation service delivery. Consequently, at least 50% of the members of the water users communities are women. Women are also being encouraged to hold executive positions, i.e chairperson or treasurer in the project area. In agriculture, most women in the programme area, covered by the Agriculture Investment Programme are subsistence farmers producing mainly for household consumption. A few are involved in the production of cash crops such as cotton, sunflower and tobacco. Women's income generation activities in the project area, in general, include vegetable gardening,

fish farming, poultry, piggery, sewing and handcraft, sisal and citrus production. The programme's credit component envisaged providing financial assistance to 50 women's groups in five districts, namely Chadiza, Chipata North and south, Katete and Mabwe. To date the Rural Credit Facility component had provided financial support to over 15,470 households in the nine districts comprising of 56% women beneficiaries.

2.5.4 Governance The last Bank Group Country Governance profile for Zambia was conducted in October 2002. The analysis concluded that although some important results have been achieved notably in the areas of combating corruption, protecting human rights, promotion of gender equity, constitutionalism, and public procurement reform, the country still faces some problems of governance. These are especially noticeable in the weakness of parliamentary oversight, the underdevelopment of corporate governance, and the inefficiencies in the budgetary process and public expenditure management. There are also problems of slow pace of public sector reforms, and implementation of the national policy on decentralization, as well as the ineffectiveness of crucial governance institutions like the Office of the Auditor-General and the Anti-Corruption Commission. The Bank Group through the Support for Fiscal Transparency and Accountability Programme has to date supported programmes that include (i) strengthening of the Office of the Auditor General and establishment of its full autonomy. (ii) development of new audits manuals and (iii) the strengthening the Zambia National Tender Board. The programme also provided capacity building and assisted in decentralisation of the Anti Corruption Commission and the Governance Development Unit.

2.5.5 Regional Integration: The ongoing projects financed by the Bank that promote regional integration, from which Zambia has directly benefited include, Victoria Falls-Katima-Mulimo Transmission Project and the two projects under the Common Market for Eastern and Southern Africa (COMESA)², namely, the Public Procurement Reform Project and the Agricultural Marketing Promotion and Regional Integration Project. The Victoria Falls-Katima-Mulimo Transmission Project that would provide adequate and reliable electricity to the border town (Katima Mulilo) in Namibia and the towns in the western region of Zambia, would be completed in June 2006. The Public Procurement Reform project, approved, in May 2001, was completed in May 2005. The impact of the project on member countries included (a) Enhancing governance and transparency in procurement (b) Harmonisation of public procurement policies and procedures among the member countries; (c) Improved accountability of public funds and (d) Development of public procurement personnel. Due to the success of the project, COMESA has requested the Bank to finance a second phase of the project, which has since been accepted in the Bank's pipeline projects. The Agricultural Marketing Promotion and Regional Integration project, approved in March 2004, is focusing on enhancing safe intra-and extra-COMESA agricultural marketing. At the time of the launch of the project in April 2005, all conditions precedent to the first disbursement of the grant had been met and the grant protocol declared effective in February 2005, while the first tranche of the project funds was released in March 2005.

² COMESA Member States include: Angola, Burundi, Comoros, Democratic Republic of Congo, Eritrea, Ethiopia, Kenya, Madagascar; Malawi, Rwanda, Sudan, Uganda, Zambia, Zimbabwe; Djibouti, Egypt, Namibia, Swaziland, Mauritius, Seychelles and Libya.

2.6 General Assessment of Portfolio Performance

2.6.1 **Overall Assessment:** There has been a sustained improvement in the implementation of the nine ongoing projects since 2004. A Bank audit mission to Zambia in March 2004 recommended that a workshop on procurement and disbursement procedures should be conducted to improve capacity in the executing and implementing agencies. Upon the request of the Government, the Bank subsequently organised the national project implementation workshop in February 2005 to address issues affecting project implementation. The initiative reflects a strong collaboration between the Government and the Bank in improving the implementation of the portfolio.

2.6.2 The Child Welfare Project, whose signing has been delayed owing to sustainability concerns, location, institutional capacity of the implementing agencies, inadequate safeguards against misuse of project funds and inadequate monitoring and evaluation systems, should have been cancelled in April 2005, in accordance with the Bank's regulations. Consequently, the Bank has redesigned components of the programme that were of concern and submitted the new proposal for Government consideration, after which a decision will be made to either sign or cancel the project

2.6.3 Overall, implementation of 88% of the portfolio is satisfactory with the high probability of attaining their development objectives.

2.6.4 **Compliance with loan/grant conditions:** There have been general delays in meeting conditions precedent to entry into force of loans and grants. The loan effectiveness after Board approvals, for example, ranged from about 3 months for the Support to Fiscal Transparency and Accountability Programme to 28 months for the Victoria Falls-Katima Mulilo Interconnection Project. The average duration for loan effectiveness after approval on all the projects is about 16 months. These delays do not compare favourably with other sister institution's portfolio in Zambia. The World Bank's ongoing portfolio, for example, does not face this problem significantly. The average duration of loan effectiveness after Board approval is one month, while nine out of their fifteen ongoing projects did not experience the problem at all. Their 2004 portfolio review concludes that where the delays occurred, they were associated with the number of conditions of loan or grant effectiveness. The more conditions, the more likely the effectiveness would be delayed. The shortening of the duration of loan effectiveness of the World Bank has also been helped by the decentralisation of project management to the Country Office and supported by appropriate staff levels. Their Country Office also played a strong role in the implementation of the agreed proactive action plan addressing the portfolio problems. There is therefore need for the Bank to strengthen preparatory work and ensuring that the conditions precedent to loan effectiveness are kept minimal, realistic and achievable within the anticipated timeframe. The Country Office will also play a key role in implementation of the agreed portfolio improvement plan.

2.6.5 **Procurement Performance:** The average rating for procurement performance for each of the sectors includes 1.5 for agriculture, 2.0 for Water Supply and Sanitation, 2.5 each for education and health and 1.5 for multisector. The overall rating for the portfolio

is 2.0, which is satisfactory but requiring close monitoring. Inadequate familiarity with Bank procurement rules by PIUs, staff movement and turnover within Government explains the occasional procurement problems and hence regular procurement training programmes for PIUs staff becomes imperative. Procurement delays are exacerbated by a new requirement by Government that all civil works contracts require to be reviewed by the Ministry of Justice prior to award. A waiver of this requirement on Bank funded projects has been suggested to the Ministry of Finance and National Planning since the Bank funded the Government procurement reforms under the Support for Fiscal Transparency and Accountability programme.

2.6.6 Financial Performance: The disbursement level of the ongoing portfolio is less satisfactory given the average age of the portfolio. There were disbursement problems in agriculture with the Agricultural Sector Investment Programme affected by two disbursement suspensions in 2002 and 2004. The issue has since been resolved. However, the cumulative disbursement rate of the portfolio is satisfactory at UA 500.24 million (83%).

2.6.7 Activities and Output: The average performance rating in all sectors is 2.1, which is satisfactory, with civil works component lagging behind in all projects. Concern on the slow implementation progress of the Agriculture Sector Investment Programme and the Small Scale Irrigation project has already been expressed to Government. Civil works have also been delayed in the Education III and Health II projects owing to lengthy contract award processes. Very close supervision is required to ensure that the momentum gained in the implementation of most projects to date is sustained.

2.6.8 Impact on Development: The average performance rating for impact on development is 2.06, with a high satisfactory rating of 3.0 for Education III, Health II and the HIV/AIDS Support projects. The satisfactory rating indicates a high probability of meeting development objectives in most of the sectors in the medium to long term.

2.6.9 Comparison with the previous Portfolio Review: The last portfolio review was undertaken in 1998. The portfolio then consisted of 14 ongoing public sector operations valued UA 185.43 million. It has since declined in both number of operations and value to nine and UA 109.15 million respectively. The portfolio was at that time predominantly project lending with 12 projects and 2 policy based operations, managed, like the present through PIUs. There has been no shift in either lending instruments or the structure of project management since the last review. The general performance was satisfactory with no problematic projects identified. The main problem then was also the delays in loan effectiveness after Board approval. The average duration of loan effectiveness then was 19 months, which has gone down slightly to about 16 months in the present portfolio. The cumulative disbursement has also improved from 77.% in the last review to 83% in the present review. The overall performance rating has also improved from 1.98 in the last review to 2.17 in the present portfolio largely due to efforts by both the Government and the Bank to improve project implementation over the period.

2.7 Generic problems

2.7.1 Despite the general satisfactory implementation, there are generic problems that affect the expeditious implementation of the portfolio in Zambia that require constant monitoring. They include delays in fulfilment of conditions precedent to grant and loan effectiveness, inadequate or unavailability of counterpart funding, lengthy procedures for processing contracts resulting in delays in project implementation and absorptive capacity problem manifesting itself through low disbursement.

2.7.2 The problem of availability of counterpart funds does not affect Bank funded projects only, but other development partners as well. The World Bank, for example, in its 2004 portfolio review, expresses similar concerns on its portfolio in Zambia. About 90% of the development budget in Zambia is funded by development partners, which reflects strong competition that the Bank faces in trying to attract Government contribution to its own projects. Therefore a common approach among the development partners is required to address the problem. It has been agreed between Government and development partners under harmonisation, that the Medium Term Expenditure Framework will be used as the main planning and budgeting tool to project commitments. This should include reporting on releases as they happen in the various sectors. The Bank should therefore ensure that project coordinators of its portfolio consistently integrate the counterpart funds in the Medium Term Expenditure Framework. It also requires the Bank to move towards convergence of instrument with other development partners by increasing use of SWAPs and the Budget Support, within the limits of the Bank's rules. Although Article 15(4) of the African Development Fund limits Bank's participation in pooled funding. Bank participation in SWAPs requires ring fencing or segregating its resources to comply with Bank procurement rules, or providing parallel financing to augment the resources of other development partners.³

2.7.3 The lengthy procedures for processing contract awards does not require improvement of the structure of delivery system for Bank funded projects, but an overhaul of the whole Government procurement system. It is in this regard that the Bank Group is supporting the procurement reforms under the Support for Fiscal Transparent and Accountability Programme, in collaboration with the other development partners that are supporting Public Expenditure Management and Financial Accountability (PEMFA) project. The latter aims at, among other things, improving accountability and strengthening overall financial accountability system in the management of public resources.

2.7.4 The problem of delays in fulfilment of conditions precedent to grant and loan effectiveness or disbursements arise from generic problems, for example limited familiarity with Bank rules and procedures and too many precedent conditions. Some are project specific; for example, the case for Katima Mulio Interconnection project where the delays were mainly due to delays in finalising the on lending agreement, and firming up the Power Purchase Agreement between ZESCO (Zambian Power Utility) and NamPower

³ GECL/AAA/memo/128-05

(Namibian Power Utility); and the Agriculture Sector Investment Project whose delay was caused by slow progress in restructuring of the Ministry of Agriculture Food and Fisheries.

2.8 Disbursements

2.8.1 Table III shows the disbursement /commitment ratio on all operations, as at November 2005. The total commitment amounted to UA 602.28 million against a disbursement amount of UA 500.24 million, which represents a disbursement ratio of 83.06%.

Table III Status of Cumulative Disbursement by Sector (as at November 2005)

Sector	Commitment (UA million)	Disbursement (UA million)	Disb./Commitment Ratio
Agriculture	91.03	55.83	61.33
Industry	149.11	149.11	100
Transport	46.07	41.07	89.15
Water Supply and Sanitation	103.98	74.93	72.06
Power	11.44	9.01	78.75
Communication	37.62	37.62	100
Finance	51.47	51.47	100
Social	59.36	35.52	59.84
Multisector	52.20	45.68	87.51
Total	602.28	500.24	83.06

2.8.2 Table IV shows the disbursement /commitment ratio on ongoing operations as November 2005. The relatively low rate of disbursement has also been affected by the inclusion of the Child Welfare project, which was approved in October 2004, but has not been signed.

Table IV Disbursement/Commitment Ratio on Ongoing Portfolio by project (as at November 2005)

Project	Commitment (UA million)	Disbursement (UA million)	Disb/Commitment Ratio (%)
Agriculture Sector Investment Programme	21.02	5.98	28.45
Small Scale Irrigation Project	6.05	0.91	15.04
Central Province Rural Water Supply and Sanitation Project	12.41	5.22	42.06
Central Province Eight Centres Water Supply and Sanitation Project	22.03	0.52	2.36
Victoria Falls-Katima-Mulimo Transmission	4.85	2.94	60.62
Education III	8.50	4.78	54.35
Health II	8.92	3.00	33.63
Support to the National	1.00	0.73	73.00

Aids Council Programme			
Child Welfare Support Project	13.66	0	0
Support to Fiscal Transparency and Accountability Programme	16.73	10.42	62.28
	0	0	
TOTAL	115.17	34.50	29.96

3.0 ASSESSMENT OF MANAGEMENT CAPACITY

3.1 Government Performance:

3.1.1 Although the overall Government performance was satisfactory, there are general and specific concerns confined to sectoral management of the portfolio. With regards to general issues, the main problem is the delays in meeting conditions precedent to loan effectiveness that has already been alluded to elsewhere in the review. Secondly, current Government procurement processes are cumbersome resulting in delays particularly in civil works of most projects. The Bank audit mission in March 2004 also identified capacity problems of the Office of the Auditor General with a result that the Bank funded projects were not audited on time. It also identified the need for development of comprehensive audit manuals for the Office of the Auditor General, which is being addressed under the Support for Fiscal Transparency and Accountability Programme. The Government has also been submitting audits and progress reports in all but one project. The Bank has thus approved the engagement of consultants to augment the capacity problems at the Office of the Auditor General.

3.1.2 The PIUs have performed satisfactory except in the case of the Central Province Rural Water Supply and Sanitation project and the Support to the National AIDS Council programme. The performance of the PIU for the former recently improved from unsatisfactory to satisfactory performance..

3.1.3 At the policy level, Government made a policy decision in 2004 that all future support to social sectors by development partners should be in the form of grants, while loans would only be used for infrastructure development and productive sectors. This policy decision has partly contributed to the delays in signing of the Child Welfare Project.

3.1.4 While in almost all the projects there has been general inadequate provision of counterpart funding from Government, additional funding was provided for the procurement reforms and domestic debt management components of the Support for Fiscal Transparency and Accountability programme that were under budgeted for at appraisal. The two components form the core activities of the programme, and are the main outstanding conditions for the fulfilment of the conditions precedent to release of the outstanding tranche of the project.

3.1.5 Although overall coordination of the Bank portfolio has improved, largely due to the establishment of a separate unit under the Ministry of Finance and National Planning, specifically focusing on coordination and management of the Bank portfolio, there is no comprehensive national monitoring and evaluation framework for ongoing projects.

3.2 Bank Performance:

3.2.1 As part of efforts to improve portfolio management, a Bank audit mission to Zambia in March 2004, as indicated earlier, was followed up by the national project implementation workshop in February 2005. The workshop familiarised implementing agencies and other stakeholders on Bank policies and procedures project implementation, procurement and disbursement procedures, accounting and auditing. 40 key project staff from the nine ongoing projects participated in the workshop.

3.2.2 Periodic supervision missions from head office have characterised the Bank's implementation support to the management of the ongoing portfolio. The frequency of the missions has been mixed with inadequate supervision in agriculture and multisector projects, but satisfactory supervision in water and sanitation and social sector. While these missions would continue to be prevalent, their frequency is anticipated to be diminished with the opening of the Country Office in 2006. The latter would enable more frequent interaction with Government leading to better appreciation of the constraints affecting project implementation and formulation of more country-based solutions to the problems.

3.2.3 There have also been long delays in providing no objection and processing of disbursement requested. This has contributed particularly to delays in meeting of conditions precedence to the disbursement of the second tranche under the Support for fiscal Support to Fiscal Transparency and Accountability Programme. Also affected by these no objections delays are the agriculture and social sector projects.

3.2.4 The Bank has also been slow in espousing new initiatives under the harmonisation process that has been developing in Zambia over the recent years, The Bank, for example, is neither participating in the successful SWAPs in the health and education sectors in which 11 other development partners are signatory, nor a member of the Sectors Advisory Groups that provides a forum for coordinating Government, the private and development partners in Zambia. Its participation in all these initiatives has been constrained by absence of the Country Office.

4.0 COORDINATION WITH OTHER DONORS

4.1 The Bank's coordination with other development partners has been reflected in various activities under the existing portfolio. In the case of the Education III, the support given was within the Basic Education Sub-Sector Investment Programme (BESSIP) jointly developed and financed by the Government and development partners. Specific

capacity building activities in deployment of Educational Management Information Systems (EMIS) were co financed with the USAID. In the case of the Support to National AIDS Programme the Bank financed the study that made an inventory of all HIV/AIDS programme funded by development partners with the objective of better coordination of efforts by various stakeholders in the sub sector. The Bank is also financing procurement reforms under the PEMFA programme that is supported by 11 development partners. In the Water Supply and Sanitation sector, the outcome of the rapid rural water and sanitation assessment conducted by the Bank in January 2005 is being used as the main input for the development of the sub-sector investment plan.

4.2 There is also an emerging comprehensive donor coordination framework that operates at national and sector level that has been developed and agreed upon by the Government and development partners in recent years. At national level, the coordination process is articulated in the Wider Harmonisation Initiative (WHI), which involves a Memorandum of Understanding that was signed by the Government and 15 development partners, namely, Sweden, UK, Netherlands, Finland, Ireland, Denmark, Norway, UN system, World Bank, Germany and the European Union. The MOU provides the platform for developing in practice, harmonisation of cooperation by development partners and alignment to Government procedures and processes. Harmonisation framework is addressing issues of common procurement and disbursement guidelines, pooled funding, common monitoring and evaluation indicators of programmes, timely disbursement of donor commitments and reduction of bank accounts used to manage donor funds, among other things. It has been agreed that this framework should guide any future intervention in Zambia. In addition to the framework of coordination, the signatories to the MOU have committed themselves to prepare a Joint Assistance Strategy that would form the basis of joint strategic planning exercise leading to a common multi year strategic plan.

4.3 At sector level, there are existing Sector Wide Approaches (SWAPs) in Education and Health sector that have been considered successful by development partners. The development partners signatory to the SWAPs include Sweden, Norway, Finland UK, Netherlands, Ireland, Denmark, Germany, Belgium, UNICEF, UNDP, UNFPA, WFP, WHO, United Nations Joint Programme on HIV/AIDS, World Bank, Germany, the European Union and USAID. The Government is also encouraging convergence of intervention instrument with the merging of stand alone projects into Sector-Wide programmes and increase use of budget support under the harmonisation initiative. Most development partners support the principle although some have expressed constraints with respect to a full-fledged implementation and integration of bilateral and multi-lateral projects. This is due to specific procedures and restrictions, like procurement, that some organizations are obliged to follow, e.g. the Bank Group, USAID and JICA.

4.4 There are also 13 Sector Advisory Groups (SAGs) which were established initially to review sector performance and report on the implementation of the PRSP, but are now playing an increasing role in setting sector priorities, planning, monitoring and evaluation, and reporting on development programmes. They consist of Government, development partners, private sector associations, NGOs and civil society that form a strong consultation forum among stakeholders in the country.

4.5 The Bank's participation in most of the activities under the harmonisation taking place has been constrained by the lack of the Country Office, which is scheduled to be opened in 2006. Continued intervention outside this framework could reduce the development and operational effectiveness of the Bank's assistance to Zambia, increase transaction costs and also be inconsistent with the Bank's policy of strengthening partnership with other development partners. In view of this consideration, the Bank formally joined the other development partners in preparation of the Joint Assistance Strategy in June 2005.

5.0 LOAN REPAYMENTS AND ARREARS

5.1 The Government of Zambia does not have arrears on capital subscriptions or loan repayment with any other multilateral or bilateral donor. The prudence in external debt management was given a further impetus by the country's attainment of the HIPC Completion Point in April 2005 that resulted in a debt forgiveness of about US\$3.8 billion. The Bank Group's share of the debt relief accounted for about 5.8% and 11% of the assistance from multilateral creditors and global assistance respectively. Following the Completion Point the subsequent Grant Agreement for funding the debt relief from the HIPC Trust Fund was signed at the end of September 2005 which then completed the Bank's obligation to Zambia under HIPC programme. Loan repayments would therefore be sustainable and there are no expectations of accumulation of arrears in the medium to long term.

6.0 PROACTIVE MANAGEMENT OF THE PORTFOLIO

6.1 Lessons learnt for the future CSP and Portfolio Management

6.1.1 The lessons learnt from the portfolio review addresses issues of portfolio management and future Bank interventions in Zambia. The successful use of Ministry of Education structures in management of the Education III project imply that the Bank should move towards integrating the existing stand alone PIUs into the respective line Ministries. This is also consistent with harmonisation initiatives currently taking place. For the integration of PIUs to be effective, it should be carried out concurrently with improvement of the incentive structure for civil servants specifically responsible for various programmes.

6.1.2 Regarding the delays in fulfilment of conditions precedent to grant and loan effectiveness or disbursements, periodic training workshops are required to constantly familiarise PIUs with Bank rules and procedures, given staff turn over and movement within Government. Coupled with this is the need to strengthen preparatory work and reduce the number of conditionalities precedent to loan effectiveness or disbursements.

6.1.3 The frequency of periodic supervision missions from head office that have characterised the Bank's management of the portfolio, while still relevant, would be diminished as the Bank opens the Country Office in 2006. The latter would enable better

appreciation of the constraints affecting project implementation and formulation of more country-based solutions to the problems

6.1.4 Regarding the problem of counterpart funding, a common approach among the development partners is required to address the problem. The Bank should take the opportunity provided by the Medium Term Expenditure Framework that is becoming increasingly used as the main planning and budgeting tool to project commitments, to ensure that its project coordinators consistently integrate the counterpart funds for its projects in the framework. It also requires the Bank to move towards convergence of intervention instrument with other development partners by increasing use of SWAPs and the Budget Support, particularly in health and education sectors, to avoid being crowded out in attempts to access limited Government contribution. This should obviously be within the limits of the Bank’s rules with regards to participation in pooled funding.

6.1.5 The lengthy procedures for processing contract award does not require improvement of the structure of delivery system for Bank Group funded projects, but an overhaul of the whole Government procurement system as indicated earlier.

6.1.6 A lesson learnt from the Child Welfare Project that is experiencing delays in loan signing is that the Bank Group should be more introspective and pay closer attention to quality at entry ensuring ownership and adequate consultation among key stakeholders, prior to Board approval. This should facilitate fulfilment of conditions precedent during implementation.

6.1.7 Although overall coordination of the Bank portfolio has improved, largely due to the establishment of a separate unit under the Ministry of Finance and National Planning, specifically focusing on coordination and management of the Bank portfolio, there is no comprehensive national monitoring and evaluation framework for ongoing projects.

6.1.8 The average age of the portfolio is 4.8 years, compared with the Bank wide average of 4.2 years. More projects could age in the medium term if both the Bank Group and the Government do not enforce remedial measures and strong supervision. The size of the portfolio does not compare favourably, either, with other countries of almost similar size.

6.2 Summary of Country Portfolio Improvement Plan

6.2.1 Following the lessons emerging from the Portfolio Review, Table V below summarises the portfolio improvement plan, which defines specific actions required for the Government and the Bank Group to improve portfolio management.

Table V: Country Portfolio Improvement Plan

ISSUES	ACTIONS REQUIRED FOR THE GOVERNMENT	ACTIONS REQUIRED FOR THE BANK
Delays in fulfilment of conditions precedent to grant and loan effectiveness or disbursements	Establish guidelines and monitoring framework for ensuring fulfilment of loan/grant conditions by the Executing Agencies.	Reduce the number of conditions precedent to loan/grant disbursement.

	<p>Quarterly meetings with line Ministries on project/programme implementation</p> <p>.</p>	<p>Maintain the recommended target average of 1.5 supervision missions per year for each project and also increasing use of project launching missions</p> <p>Expedite the opening of the Country Office in 2006, with the office subsequently playing key role of implementation of the CPIP</p>
No comprehensive national monitoring and evaluation framework for ongoing projects	Establish a national monitoring and evaluation system under the PEMFA programme.	Identify development partners in each sector that the Bank is intervening and proposing a common assessment/supervision framework with the respective partners
Weak Procurement	Government expedite the completion of the on going procurement reforms	<p>Adopt and use the procurement plans of ongoing projects as a monitoring and evaluation tool</p> <p>Regular training workshops on Bank rules and procedures.</p> <p>Country Office to form regular procurement forums with project coordinators addressing procurement related issues.</p>
Inadequate counterpart funding	Incorporate adequate provisions for counterpart funds in the Medium Expenditure Term Expenditure Framework (2006 – 2008)	<p>Continued dialogue with the Government to meet its obligation of counterpart funding on the existing portfolio.</p> <p>Ensure that project coordinators of Bank funded projects consistently integrate the counterpart funds in the Medium Term Expenditure Framework.</p>
Lengthy procedures for processing contract award	<p>The Government and the Bank should agree on an acceptable turn around period for processing contract awards</p> <p>Government expedites implementation of procurement reforms currently supported by the Bank</p> <p>Waiver on Bank funded projects the requirement by Government that all civil works contracts require to be reviewed by the Ministry of Justice prior to award.</p>	<p>Continued support to procurement and other governance related reforms.</p> <p>Improve the response to Government, particularly on procurement issues</p>

7.0 CONCLUSION AND RECOMMENDATIONS

7.1 The overall portfolio performance is satisfactory with a rating of 2.17, and with high probability of individual projects meeting the development objectives at completion. Performance of the portfolio in the agriculture sector, though, was less satisfactory mainly due to less satisfactory financial performance and delays in implementation of the core activities, i.e. civil works. Although the implementation of the projects in social sectors, water and sanitation and multisector was satisfactory at the time of the review, the historic implementation progress of the whole portfolio has been slow. With an average age of the portfolio being 4.8 years, strong supervision is required to avoid more projects falling into this category in the medium to long term.

7.2 The problems of delays in civil works components of all projects requires sustained supervision, although the frequency of periodic supervision missions from head office, while still relevant, would be diminished as the Bank opens the Country Office in 2006.

7.3 The successful use of Ministry of Education structures in management of the Education III project and the movement towards joint management of programmes under harmonisation imply that the Bank should move towards integrating the existing stand alone PIUs into the respective line Ministries.

7.4 The generic problems facing the portfolio require a paradigm shift of the Bank's intervention in Zambia in future. It requires a strong participation in joint instruments with other development partners within the context of existing Bank rules. Interventions through stand alone programmes/projects are no longer consistent with harmonisation initiatives in Zambia, with more emphasis now shifting towards convergence of intervention instruments, such as, SWAPs and Direct Budget Support. The PEMFA programme, for example, entails that any support to improving public procurement procedures or management of public expenditure can only be accepted by the Government through PEMFA framework, which is moving predominantly towards pooled funding. Nor would it be prudent for the Bank to intervene in the Health and Education sectors outside the existing SWAPs which have been deemed successful by other development partners currently participating in these instruments. Most of these issues have implications on existing Bank rules that cannot be ignored as the Bank meets its commitments under the Paris and Rome Declaration on harmonisation.

7.5 The following measures are therefore recommended to further improve the performance of the Bank Group Portfolio in Zambia.

Government:

(i) The Ministry of Finance and National Planning should establish clear guidelines and monitoring framework for ensuring fulfilment of loan and grant conditions by the Executing Agencies;

- (ii) Establish a national project monitoring and evaluation system under the PEMFA programme that incorporates all Ministries;
- (iii) Incorporate adequate provisions for counterpart funds in the Medium Expenditure Term Expenditure Framework (2006 – 2008);
- (iv) Hold quarterly meetings with executing agents on project/programme implementation;
- (v) Integrate the existing stand alone PIUs into the respective line Ministries
- (vi) Provide a waiver on Bank funded projects the requirement that all civil works contracts require to be reviewed by the Ministry of Justice prior to award;

Bank Group:

- (vii) Adopt and use the procurement plans of ongoing projects as a monitoring and evaluation tool
- (viii) Maintain the recommended target average of 1.5 supervision missions per year to enable a close monitoring of ongoing activities particularly projects with civil works components. Coupled with this is the need for regular training workshops on Bank rules and procedures for Executing Agencies;
- (x) Agree with the Government on an acceptable turn around period for processing contract awards for various Bank Group funded on going projects;
- (xi) Expedite the opening of the Country Office in 2006;
- (xii) Enhance efforts to support the strengthening of the Office of the Auditor General and procurement reforms in partnership with other development partners addressing other fiduciary risks under the Public Expenditure Management and Financial Accountability Programme;
- (xiii) Ensure that project coordinators of Bank funded projects consistently integrate the counterpart funds in the Medium Term Expenditure Framework;
- (xiv) Reduce the number of conditionalities precedent to loan effectiveness or disbursement ensuring that they are kept minimal, realistic and achievable within the stated timeframe;
- (xv) Harmonise future intervention instruments with the existing donor coordination framework that has been developed in Zambia i.e. increasingly use of SWAPs and Direct Budget Support;

(xvi) Ensure adequate consultation among key stakeholders during project preparation and to ensure local ownership of these projects;

7.6 The Boards are invited to take note of the findings of the Portfolio Review.

ANNEXES

ANNEX I

ZAMBIA: SUMMARY OF ON GOING BANK GROUP OPERATIONS: As at November 2005
UA 'millions

	PROJECT	APPROVED	SIGNED	EFFECTIVE	SOURCE	AMOUNT	DISBURSED	UNDISBURSED	DISBURSEMENT Ratio(%)	DISBURSEMENT DEADLINE
	AGRICULTURE SECTOR									
1	Agricultural Sector Investment Program	17/12/1996	24/04/97	22/04/1998	ADF	15.000	5.98	9.02	39.87	30/12/2005
2	Small-Scale Irrigation Project	07/09/2000	06/02/2001	15/03/2002	ADF	5.290	0.74	4.55	13.99	31/12/2007
	Small-Scale Irrigation Project	07/09/2000	06/02/2001	15/03/2002	TAF	0.760	0.18	0.58	23.68	31/12/2007
	Multi-Sector									
3	Support for Fiscal Transp & Accountability	28/06/2001	17/07/2001	2/10/2001	ADF	16.200	9.92	6.28	61.23	30/06/06
	Support for Fiscal Transp & Accountability	28/06/2001	17/07/2001	2/10/2001	TAF	0.530	0.50	0.03	94.36	30/06/06
	PUBLIC UTILITIES SECTOR									
4	Central Province 8 Centres Water Supply & Sanitation	17/12./2003	22/04/2004	16.12.2004	ADF	16.25	0.43	15.82	6.65	31/12/2010
	Central Province 8 Centres Water Supply & Sanitation	17/12./2003	22/04/2004	16.12.2004	TAF	5.78	0.09	5.69	1.56	31/12./2010
5	Victoria Falls Katima-Mulimo Project	01/12/1999	17/02/2000	01/12/1999	ADF	4.85	2.94	1.91	60.62	31/12/06
	Central Province Rural Water Supply	13/12/2000	20/06/2001	12/11/2001	ADF	12.41	5.22	7.19	42.06	31/12/06
	SOCIAL SECTOR									
6	Health II (Health Sector Support Project)	14/07/1999	01/10/1999/	01 /02 /2001	ADF	8.92	3.00	5.92	33.63	31/12/06
7	Education III	01/12/1999	17/02/2000	09/02/2001	ADF	8.50	4.78	3.72	56.24	31/12/06
8	Support to HIV/AIDS Control Program	25/04/2001	20/06/2002	20/06/2002	TAF	1.000	0.73	0.27	73.00	31/12/2005
9	Child Welfare Support project	13/10/04	-	-	ADF/TAF	13.66	0	0	0	-

NOTES:

- (i) ADF - African Development Fund (Loan)
- (ii) TAF – Technical Assistance Fund (Grant)
- (iii) UA – Units of Account equivalent to the IMF's SDR

ANNEX II

ZAMBIA: SUMMARY OF BANK GROUP OVERALL PORTFOLIO										
UA 'millions										
	PROJECT	APPROVED	SIGNED	EFFECTIVE	SOURCE	AMOUNT	DISBURSED	UNDISBURSED	DISBURSEMENT	DISBURSEMENT DEADLINE
									Ratio(%)	
	AGRICULTURE SECTOR									
1.	COMPLETED PROJECTS									
2.	Agricultural Research and Extension (ZAREP)	27/11/86	30/09/87	25/03/89	ADF	9.46	9.46	0	100	30/06/99
3.	Rehabilitation of Agriculture Sector	19/11/84	29/04/85	05/09/85	ADF	22.47	22.47	0	100	30/06/94
4.	Nakambala Sugar Project	27/03/80	05/06/80	04/08/81	ADF	7.37	0	0	100	30/06/94
5.	Commercial Farm Project	22/03/71	02/12/71	31/10/72	ADF	0.27	0.27	0	100	31/12/83
6.	Luapula Province Farming	27/08/82	29/12/82	18/09/84	ADF	0.33	0.33	0	100	30/06/87
7.	Agriculture Sector Rehabilitation Project	19/11/84	29/04/85	05/09/85	ADF	22.47	22.47	0	100	30/06/94
8.	Study on Agricultural Credit	19/05/93	29/06/93	25/07/94	ADF	0.38	0.38	0	100	31/12/97
9.	Agriculture Marketing and Processing project	24/08/92	28/11/92	10/11/94	ADF	9.21	6.63	2.58		
10	Luapula Province Farming Study	27/08/82	29/12/82	18/09/84	ADF	0.33	0.33	0	100	30/06/87
11	Masabuka Resettlement Scheme	28/06/73	-	18/09/84	ADB	0.80	0	0	0	-
12	Western Province Agricultural Development	28/08/80	-	18/09/84	ADF/TAF	12.00	0	0	0	-
	CANCELLED PROJECTS									
1	Village Based-Woodlands Management Project	14/11/2000	20/06/2001	12/11/2001	ADF	4.130	0.000	4.1300	0.00	31/12/2007
2	Village Based-Woodlands Management Project	14/11/2000	20/06/2001	12/11/2001	TAF	0.30	0.000	0.3000	0.00	31/12/2007
3	Kariba/Kafue Irrigation Scheme	29/01/91	08/05/91	04/08/91	ADF	1.94	0	0	0	31/12/93
4	Oil Seeds Development	13/11/84	25/06/86	18/09/84	ADF	22.59	0	0	0	31/12/91
	ON-GOING:AS AT November 2005									
1	Agricultural Sector Investment Program	17/12/1996	24/04/97	22/04/1998	ADF	15.000	5.98	9.02	39.87	30/12/2005
2	Small-Scale Irrigation Project	07/09/2000	06/02/2001	15/03/2002	ADF	5.290	0.74	4.55	13.99	31/12/2007
	Small-Scale Irrigation Project	07/09/2000	06/02/2001	15/03/2002	TAF	0.760	0.18	0.58	23.68	31/12/2007

3	Agricultural Marketing and Processing project	24/08/1992	28/11/1992	03/03/1995	ADF	9.21	6.58	2.63	71.44	30/12/2005
Multi-Sector										
COMPLETED										
1	Economic Recovery Loan	18/06/91	01/07/91	28/08/91	ADF	18.421	18.42	0	100	30.06.94
2	HIPC Debt Relief				ADF	141.00				
3	Economic Recovery Loan II	24/03/99	09/04/99	26/08/99	ADF	11.50	11.50	0	100	30/06/01
4	Supplementary Financing Mechanism	23/06/00	27/07/00	14/12/00	ADF	4.87	4.87	0	100	30/06/01
5	Institutional Support Project	19/05/93	29/06/93	09/09/94	ADF	0.69	0.69	0	100	31/05/02
6	Line of Credit II	22/05/80	26/06/80	12/09/80	ADB	7.99	7.99	0	100	31/12/85
7	Line of Credit I	28/06/73	23/07/73	31/12/75	ADB	1.65	1.65	0	100	31/03/81
8	Line of Credit III	16/03/82	05/05/82	02/11/82	ADB	8.93	8.93	0	100	31/12/87
9	Line of Credit IV	25/06/87	16/03/88	20/06/88	ADB	14.81	14.81	0	100	30/06/94
10	Small Medium Scale Enterprise Development	23/09/91	14/05/92	27/12/93	ADB/ADF	18.09	18.09	0	100	31/12/98
ON-GOING AS AT November 2005										
1	Support for Fiscal Transp & Accountability	28/06/2001	17/07/2001	2/10/2001	ADF	16.20	9.92	6.28	61.23	30/06/06
	Support for Fiscal Transp & Accountability	28/06/2001	17/07/2001	2/10/2001	TAF	0.53	0.50	0.03	94.34	30/06/06
PUBLIC UTILITIES SECTOR										
COMPLETED										
1	Central Province 6 Urban Centres Water Supply & Sanitation	26/11/98	09/04/99	26/04/99	ADF	1.79	1.79	0	100	30/06/03
2	Rehabilitation for Kitwe	22/11/89	06/12/89	12/11/91	TAF	1.34	1.34	0	100	30/11/00
3	Ndola Water Supply	23/06/81	08/09/81	28/08/82	ADF	3.68	3.68	0	100	30/06/94
4	District Centre Water Supply and Sewerage	20/11/90	08/05/91	14/01/92	ADF/TAF	7.41	7.41	0	100	31/12/98
5	Lus Water Supply Rehabilitation	23/08/88	13/07/89	19/02/90	ADF/TAF	24.32	24.32	0	100	31/03/03
6	Kitwe water Supply Rehabilitation Phase I	14/05/97	27/05/97	05/03/99	ADF	17.78	17.78	0	100	30/06/03
7	Water Supply Project	28/02/79	17/05/79	24/05/82	ADF	7.22	7.22	0	100	30/06/94
8	Ndola Sewerage Disposal	25/06/81	08/09/81	28/08/82	ADF	6.00	6.00	0	100	30/09/98
9	Kafue Gorge Restoration	14/06/89	13/07/89	03/01/90	ADF	6.59	6.59	0	100	31/12/03
10	Telecommunications link	13/09/74	08/11/74	22/12/75	ADB	4.16	4.16	0	100	31/12/81
11	Telecommunications Network II	10/12/85	25/06/86	25/03/87	ADB	33.46	33.46	0	100	31/12/96

ON-GOING AS AT November 2005										
1	Central Province 8 Centres Water Supply & Sanitation	17/12./2003	22/04/2004	16.12.2004	ADF	16.25	0.43	15.82	6.65	31/12/2010
2	Central Province 8 Centres Water Supply & Sanitation	17/12./2003	22/04/2004	16.12.2004	TAF	5.78	0.09	5.69	1.56	31/12./2010
3	Victoria Falls Katima-Mulimo Project	01/12/1999	17/02/2000	01/12/1999	ADF	4.85	2.94	1.91	60.62	31/12/06
4	Central Province Rural Water Supply	13/12/2000	20/06/2001	12/11/2001	ADF	12.41	5.22	7.19	42.06	31/12/2006
TRANSPORT SECTOR										
COMPLETED										
1	First Road Project	15/02/90	29/05/90	20/06/91	ADF	11.65	11.65	0	100	31/03/00
2	Ndola Kitwe Road	18/11/75	-	20/06/91	ADB	5.00	-	-	-	-
3	Civil Aviation Study	02/05/91	08/05/91	25/09/91	ADF/TAF	1.35	1.35	0	100	31/12/98
4	Zambia Railways	27/11/79	28/02/80	26/06/81	ADB	7.98	7.98	0	100	28/02/96
5	Railways II	11/12/85	25/06/86	24/03/87	ADB	19.99	19.99	0	100	31/12/00
INDUSTRY/MINING/QUARRYING										
COMPLETED										
1	Kapiri Glass Factory	18/07/78	11/08/78	19/04/79	ADB	4.62	4.62	0	100	31/12/83
2	Mamba Coal Mining Project	20/09/78	09/02/79	04/10/79	ADB	4.99	4.99	0	100	31/12/86
3	Rehabilitation of Copper Mining Industry	23/08/83	21/09/83	26/03/84	ADB	26.02	26.02	0	100	31/12/91
4	Rehabilitation of Copper Mining Industry	13/11/84	28/12/84	02/08/85	ADB	22.67	22.67	0	100	30/06/94
5	Rehabilitation of Copper Mining Industry	19/11/84	28/12/84	01/08/85	ADF	1.49	1.49	0	100	31/12/94
6	Industrial Reorientation Programme	27/11/86	30/09/87	05/09/88	ADB/ADF	32.37	32.37	0	100	30/06/84
7	Rehabilitation of Copper mining Industry	15/05/90	29/05/90	25/07/91	ADB	34.56	34.56	0	100	31/12/97
8	Swap Spinning Mills Ltd	22/09/95	09/02/96	05/07/96	ADB	7.48	7.48	0	100	01/01/97
9	Hotel Intercontinental Lusaka	03/05/00	13/04/01	10/07/01	ADB	3.45	3.45	0	100	13/04/03
10	Tazama Pipeline Rehabilitation project	22/05/89	02/11/89	31/01/91	ADB/ADF	11.29	11.29	0	100	31/12/96
SOCIAL SECTOR										
1	Poverty Alleviation Project	15/12/92	13/05/93	26/12/96	ADF	0.36	0.36	0	100	31/12/00
2	Education Project II	24/08/92	28/11/92	16/07/96	ADF	13.72	13.72	0	100	31/12/03
3	Zambia Education I Study	26/10/87	22/11/88	24/04/90	TAF	0.61	0.61	0	100	31/07/99

4	Junior Secondary School	27/08/82	29/12/82	17/04/84	ADF	5.80	5.80	0	100	31/12/92
5	Rural Health Service	23/08/89	02/11/89	08/06/90	ADF/TAF	6.78	6.78	0	100	31/12/95
	ON-GOING AS AT November 2005									
1	Health II (Health Sector Support Project)	14/07/1999	01/10/1999/	01 /02 /2001	ADF	8.92	3.00	5.92	33.63	31/12/06
2	Education III	01/12/1999	17/02/2000	09/02/2001	ADF	8.50	4.78	3.72	56.24	31/12/06
3	Support to HIV/AIDS Control Program	25/04/2001	20/06/2002	20/06/2002	TAF	1.00	0.73	0.27	73.00	31/12/05
4	Child Welfare Support project	13/10/04	-	-	ADF/TAF	13.66	0	0	0	-

NOTES:

- (iv) ADF - African Development Fund (Loan)
- (v) TAF – Technical Assistance Fund (Grant)
- (vi) UA – Units of Account equivalent to the IMF's SDR
- (vii) The Support for Fiscal Transparency and Accountability project is a policy based loan.

ANNEX: III:**Summary of Performance Rating by Project and Sector**

Projects	Project Progress	Procurement Performance	Financial Performance	Activities and Outputs	Impact on Development	Overall Assessment
Agriculture Sector Investment Programme	1.60	1.50	2.5	2.30	2.3	2.00
Small Scale Irrigation Project	2.00	1.00	1.10	1.00	1.00	1.12
Central Province Rural Water Supply and Sanitation Project	2.00	2.00	1.75	2.25	2.25	2.25
Central Province Eight Centres Water Supply and Sanitation Project	2.00	2.00	1.50	2.00	2.00	1.75
Victoria Falls-Katima-Mulimo Transmission	2.00	2.00	2.00	2.00	2.00	2.00
Education III	2.00	2.50	2.00	2.00	3.00	2.30
Health II	1.83	2.00	2.25	2.00	3.00	2.25
Support to the National Aids Council Programme	2.00	2.50	2.00	2.00	3.00	2.30
Support to Fiscal Transparency and Accountability Programme	2.50	2.00	2.50	2.30	2.50	2.50
Sector						
Agriculture	1.80	1.25	1.80	1.65	1.65	1.60
Water and Sanitation	2.00	2.00	1.62	2.13	2.13	2.00
Energy	2.00	2.00	2.00	2.00	2.00	2.00
Social	1.94	2.33	2.08	2.00	3.00	2.28
Multisector	2.50	2.00	2.50	2.30	2.50	2.50

ZAMBIA: Matrix of Cross Cutting Issues On Going Portfolio

Cross Cutting Issues	Agriculture Sector Investment Programme	Central Province Rural Water Supply and Sanitation Project	Central Province Eight Centres Water Supply and Sanitation Project	Victoria Falls-Katima-Mulimo Transmission	Education III	Support to the National Aids Council Programme	Support to Fiscal Transparency and Accountability Programme	Health II
Poverty Reduction	X	X	X	X	X	X		X
Gender	X	X	X		X	X		X
Environment	X	X	X	X				X
HIV/AIDS	X	X	X		X	X		X
Core labour Standards								
Governance					X		X	X
Regional Integration				X				

PROJECT RATING SUMMARIES

Agricultural Sector Investment Programme

PERFORMANCE INDICATORS		RATINGS	
Indicators		17.10.2004	15.07.2005
A.	Project Implementation		
1	Compliance with Conditions Precedent to Entry into Force	1	1
2	Compliance with General Conditions	2	2
3	Compliance with other Conditions	2	2
B	Procurement Performance		
1	Procurement of Consultancy Services	1	1
2	Procurement of Goods and Works	1	2
C.	Financial Performance		
1	Availability of Foreign Exchange	1	3
2	Availability of Local Currency	1	2
3	Disbursement Flows	1	3
4	Cost Management	2	2
5	Performance of Co-financier (s)	2	
D	Activities and Works		
1	Adherence to Implementation Schedule	1	1
2	Performance of Consultants and Technical Assistants	2	3
3	Performances of Contractors	3	3
4	Performance of Project Management	2	2
E	Impact on Development		
1	Likelihood of Achieving Development Objectives	2	2
2	Likelihood that Benefits will be Realized and Sustained Beyond the Investment phase of the Project	2	3
3	Likely Contribution of the Project towards an Increase in Institutional Capacity	2	2
4	Current Rate of Return		0
F	Overall Assessment		
1	Current Supervision Average	1.65	2.00
2	Current Trend over time		
Legend:			
3 =	Highly satisfactory.		
2 =	Satisfactory. Occasional problems, Bank should monitor.		
1 =	Unsatisfactory. Problems. Bank should monitor closely, but no immediate action is required.		
0 =	Highly unsatisfactory. Serious problems. Action required.		

Central Province Rural Water Supply and Sanitation Project

PERFORMANCE INDICATORS		RATINGS	
Indicators		28.06.2005	17.11.2005
A. Project Implementation			
1	Compliance with Conditions Precedent to Entry into Force	3	323
2	Compliance with General Conditions	2	
3	Compliance with other Conditions	3	
B Procurement Performance			
1	Procurement of Consultancy Services	2	2
3	Procurement of Goods and Works	3	3
C. Financial Performance			
1	Availability of Foreign Exchange	3	3
2	Availability of Local Currency	2	2
3	Disbursement Flows	2	2
4	Cost Management	1	2
5	Performance of Co-financier (s)		
D Activities and Works			
1	Adherence to Implementation Schedule	2	2
2	Performance of Consultants and Technical Assistants	-	2
3	Performances of Contractors	3	3
4	Performance of Project Management	2	2
E Impact on Development			
1	Likelihood of Achieving Development Objectives	3	3
2	Likelihood that Benefits will be Realized and Sustained Beyond the Investment phase of the Project	2	2
3	Likely Contribution of the Project towards an Increase in Institutional Capacity	3	3
4	Current Rate of Return	-	
F Overall Assessment			
1	Current Supervision Average	2.4	
3	Current Trend over time	2.14	
Legend:			
3 = Highly satisfactory.			
2 = Satisfactory. Occasional problems, Bank should monitor.			
1 = Unsatisfactory. Problems. Bank should monitor closely, but no immediate action is required.			
0 = Highly unsatisfactory. Serious problems. Action required.			

Central Province Eight Centres Water Supply and Sanitation Project

PERFORMANCE INDICATORS		RATINGS	
Indicators		28.06.2005	17.11.2005
A. Project Implementation			
1	Compliance with Conditions Precedent to Entry into Force	3	3
2	Compliance with General Conditions	2	2
3	Compliance with other Conditions	2	2
B Procurement Performance			
1	Procurement of Consultancy Services	2	3
4	Procurement of Goods and Works	2	2
C. Financial Performance			
1	Availability of Foreign Exchange		
2	Availability of Local Currency	1	2
3	Disbursement Flows	2	2
4	Cost Management	2	2
5	Performance of Co-financier (s)	2	2
D Activities and Works			
1	Adherence to Implementation Schedule	2	2
2	Performance of Consultants and Technical Assistants	2	2
3	Performances of Contractors	2	2
4	Performance of Project Management		
E Impact on Development			
1	Likelihood of Achieving Development Objectives	2	2
2	Likelihood that Benefits will be Realized and Sustained Beyond the Investment phase of the Project	2	2
3	Likely Contribution of the Project towards an Increase in Institutional Capacity	2	2
4	Current Rate of Return		
F Overall Assessment			
1	Current Supervision Average	2.07	
4	Current Trend over time	2.00	
Legend:			
3 =	Highly satisfactory.		
2 =	Satisfactory. Occasional problems, Bank should monitor.		
1 =	Unsatisfactory. Problems. Bank should monitor closely, but no immediate action is required.		
0 =	Highly unsatisfactory. Serious problems. Action required.		

Victoria Falls-Katima-Mulimo Transmission

PERFORMANCE INDICATORS		RATINGS	
Indicators		12.11.2004	28.06.2005
A. Project Implementation			
1	Compliance with Conditions Precedent to Entry into Force	0	2
2	Compliance with General Conditions	2	1
3	Compliance with other Conditions	1	
B Procurement Performance			
1	Procurement of Consultancy Services	0	-
5	Procurement of Goods and Works	2	-
C. Financial Performance			
1	Availability of Foreign Exchange	2	1
2	Availability of Local Currency	2	1
3	Disbursement Flows	2	2
4	Cost Management	2	1
5	Performance of Co-financier (s)	2	2
D Activities and Works			
1	Adherence to Implementation Schedule	2	2
2	Performance of Consultants and Technical Assistants	2	2
3	Performances of Contractors	2	2
4	Performance of Project Management	0	2
E Impact on Development			
1	Likelihood of Achieving Development Objectives	2	2
2	Likelihood that Benefits will be Realized and Sustained Beyond the Investment phase of the Project	2	2
3	Likely Contribution of the Project towards an Increase in Institutional Capacity	2	2
4	Current Rate of Return	-	2
F Overall Assessment			
1	Current Supervision Average	2.08	1.71
5	Current Trend over time		1.68
Legend:			
3 =	Highly satisfactory.		
2 =	Satisfactory. Occasional problems, Bank should monitor.		
1 =	Unsatisfactory. Problems. Bank should monitor closely, but no immediate action is required.		
0 =	Highly unsatisfactory. Serious problems. Action required.		

Education III

PERFORMANCE INDICATORS		RATINGS	
Indicators		08.04.2004	21.10.2005
A. Project Implementation			
1	Compliance with Conditions Precedent to Entry into Force	2	2
2	Compliance with General Conditions	2	2
3	Compliance with other Conditions	2	2
B Procurement Performance			
1	Procurement of Consultancy Services	2	2
6	Procurement of Goods and Works	2	2
C. Financial Performance			
1	Availability of Foreign Exchange	3	3
2	Availability of Local Currency	1	2
3	Disbursement Flows	2	2
4	Cost Management	3	3
5	Performance of Co-financier (s)	-	-
D Activities and Works			
1	Adherence to Implementation Schedule	2	2
2	Performance of Consultants and Technical Assistants	2	2
3	Performances of Contractors	2	2
4	Performance of Project Management	2	2
E Impact on Development			
1	Likelihood of Achieving Development Objectives	3	3
2	Likelihood that Benefits will be Realized and Sustained Beyond the Investment phase of the Project	3	3
3	Likely Contribution of the Project towards an Increase in Institutional Capacity	3	3
4	Current Rate of Return	-	-
F Overall Assessment			
1	Current Supervision Average	2	2
6	Current Trend over time	-	2
Legend:			
3 = Highly satisfactory.			
2 = Satisfactory. Occasional problems, Bank should monitor.			
1 = Unsatisfactory. Problems. Bank should monitor closely, but no immediate action is required.			
0 = Highly unsatisfactory. Serious problems. Action required.			

Health II

PERFORMANCE INDICATORS		RATINGS	
Indicators		17.11.2004	10.08.2005
A. Project Implementation			
1	Compliance with Conditions Precedent to Entry into Force	1	1
2	Compliance with General Conditions	1	1
3	Compliance with other Conditions	1	1
B Procurement Performance			
1	Procurement of Consultancy Services	2	2
7	Procurement of Goods and Works	2	2
C. Financial Performance			
1	Availability of Foreign Exchange	3	3
2	Availability of Local Currency	2	2
3	Disbursement Flows	2	2
4	Cost Management	2	2
5	Performance of Co-financier (s)	-	-
D Activities and Works			
1	Adherence to Implementation Schedule	2	2
2	Performance of Consultants and Technical Assistants	2	2
3	Performances of Contractors	2	2
4	Performance of Project Management	2	2
E Impact on Development			
1	Likelihood of Achieving Development Objectives	3	3
2	Likelihood that Benefits will be Realized and Sustained Beyond the Investment phase of the Project	3	3
3	Likely Contribution of the Project towards an Increase in Institutional Capacity	3	3
4	Current Rate of Return	-	-
F Overall Assessment			
1	Current Supervision Average	2.13	2.07
7	Current Trend over time		2.09
Legend:			
3 = Highly satisfactory.			
2 = Satisfactory. Occasional problems, Bank should monitor.			
1 = Unsatisfactory. Problems. Bank should monitor closely, but no immediate action is required.			
0 = Highly unsatisfactory. Serious problems. Action required.			

Support to the National Aids Council Programme

PERFORMANCE INDICATORS		RATINGS	
Indicators		17.11.2004	10.08.2005
A. Project Implementation			
1	Compliance with Conditions Precedent to Entry into Force	2	2
2	Compliance with General Conditions	2	2
3	Compliance with other Conditions	1	1
B Procurement Performance			
1	Procurement of Consultancy Services	2	2
8	Procurement of Goods and Works	2	3
C. Financial Performance			
1	Availability of Foreign Exchange	3	3
2	Availability of Local Currency	2	2
3	Disbursement Flows	2	2
4	Cost Management	2	1
5	Performance of Co-financier (s)	-	-
D Activities and Works			
1	Adherence to Implementation Schedule	1	1
2	Performance of Consultants and Technical Assistants	2	3
3	Performances of Contractors	-	-
4	Performance of Project Management	2	2
E Impact on Development			
1	Likelihood of Achieving Development Objectives	3	3
2	Likelihood that Benefits will be Realized and Sustained Beyond the Investment phase of the Project	3	3
3	Likely Contribution of the Project towards an Increase in Institutional Capacity	3	3
4	Current Rate of Return	-	-
F Overall Assessment			
1	Current Supervision Average	2.06	2.20
8	Current Trend over time		2.12
Legend:			
3 =	Highly satisfactory.		
2 =	Satisfactory. Occasional problems, Bank should monitor.		
1 =	Unsatisfactory. Problems. Bank should monitor closely, but no immediate action is required.		
0 =	Highly unsatisfactory. Serious problems. Action required.		

Support to Fiscal Transparency and Accountability Programme

PERFORMANCE INDICATORS		RATINGS
Indicators		15.07.2005
A.	Project Implementation	
1	Compliance with Conditions Precedent to Entry into Force	3.0
2	Compliance with General Conditions	2.5
3	Compliance with other Conditions	2.5
B.	Procurement Performance	
1	Procurement of Consultancy Services	2
9	Procurement of Goods and Works	2
C.	Financial Performance	
1	Availability of Foreign Exchange	3
2	Availability of Local Currency	3
3	Disbursement Flows	2
4	Cost Management	2
5	Performance of Co-financier (s)	
D.	Activities and Works	
1	Adherence to Implementation Schedule	1.6
2	Performance of Consultants and Technical Assistants	2.3
3	Performances of Contractors	
4	Performance of Project Management	3
E.	Impact on Development	
1	Likelihood of Achieving Development Objectives	2.5
2	Likelihood that Benefits will be Realized and Sustained Beyond the Investment phase of the Project	2
3	Likely Contribution of the Project towards an Increase in Institutional Capacity	3
4	Current Rate of Return	
F.	Overall Assessment	
1	Current Supervision Average	2
9	Current Trend over time	
Legend:		
3 =	Highly satisfactory.	
2 =	Satisfactory. Occasional problems, Bank should monitor.	
1 =	Unsatisfactory. Problems. Bank should monitor closely, but no immediate action is required.	
0 =	Highly unsatisfactory. Serious problems. Action required.	

Small Scale Irrigation Project

PERFORMANCE INDICATORS		RATINGS	
Indicators		15/02/03	15/07/05
A.	Project Implementation		
1	Compliance with Conditions Precedent to Entry into Force	2	2
2	Compliance with General Conditions	2	2
3	Compliance with other Conditions	2	2
B	Procurement Performance		
1	Procurement of Consultancy Services	1	1
10	Procurement of Goods and Works	2	1
C.	Financial Performance		
1	Availability of Foreign Exchange	2	2
2	Availability of Local Currency	1	1
3	Disbursement Flows	2	1
4	Cost Management	2	1
5	Performance of Co-financier (s)	2	
D	Activities and Works		
1	Adherence to Implementation Schedule	1	1
2	Performance of Consultants and Technical Assistants		
3	Performances of Contractors		
4	Performance of Project Management	2	2
E	Impact on Development		
1	Likelihood of Achieving Development Objectives	2	1
2	Likelihood that Benefits will be Realized and Sustained Beyond the Investment phase of the Project	2	1
3	Likely Contribution of the Project towards an Increase in Institutional Capacity	2	1
4	Current Rate of Return		
F	Overall Assessment		
1	Current Supervision Average		
10	Current Trend over time		
Legend:			
3 =	Highly satisfactory.		
2 =	Satisfactory. Occasional problems, Bank should monitor.		
1 =	Unsatisfactory. Problems. Bank should monitor closely, but no immediate action is required.		
0 =	Highly unsatisfactory. Serious problems. Action required.		