

PROJECT COMPLETION REPORT of POLICY BASED P-ZM-K00-LENDING OPERATION 003

A. PROGRAMME DATA AND KEY DATES

I. BASIC INFORMATION

Project Number	Project Name	Country (ies)	
P-ZM-K00-003	ZAMBIA-SECOND POVERTY REDUCTION BUDGET SUPPORT PROGRAM-PRBSII	ZAMBIA	
ID Number of all Lending Instrument(s)		Department	Environmental Classification
210015		OSGE	CATEGORY 3,ENVIRONMENTAL ANALYSIS NOT REQUIRED
Original Commitment Amount	Amount Cancelled	Amount Disbursed	Percent Disbursed
UA 15,000,000.00	UA 0.00	UA15,000,000.00	100
Borrower			
GOVERNMENT OF THE REPUBLIC OF ZAMBIA			
Executing Agency(ies) [List the main Ministries, Project Implementation Units, Agencies and civil society organizations responsible for implementing project activities.]			
MINISTRY OF FINANCE AND NATIONAL PLANNING (MOFNP)			
Co-financers and other External Partners [List all other sources and amounts of financing, technical assistance or other resources used in this project]			
PRBS PARTNERS disbursements for 2009 in millions of USD: DfID-USD48.6, EUROPEAN COMMISSION-USD38.7, EUROPEAN COMMISSION (V-FLEX)-USD38.70, FINLAND-USD6.5, GERMANY-USD12.9, NETHERLANDS-USD12.90, NORWAY-USD25.1, SWEDENUSD18.29; WORLD BANK USD19.20 (CREDIT),AfDB-USD11.5 (CREDIT)			

II. KEY DATES

Project Concept Note Cleared by Ops. Com.	Appraisal Report Cleared	Board Approval	
18-juin-08	sept-08	29/10/2008	
Restructuring(s) NONE			
	Original Date (MM/DD/YY)	Actual Date (MM/DD/YY)	Difference in months (auto-calculated)
EFFECTIVENESS	12/01/08	12/02/08	1,0
MID-TERM REVIEW	N/A	N/A	
CLOSING	12/31/11	Please enter currently expected closing date	
		12/31/2009	
	Expected Disbursement Date (MM/DD/YY)	Actual Disbursement Date (MM/DD/YY)	Waivers
TRANCHE 1:	1-Mar-09	15-May-09	None
TRANCHE 2	2-Mar-10	5-Nov-09	None
TRANCHE 3			

III. RATINGS SUMMARY

All summary ratings are auto-generated by the computer from the relevant section in the PCR.

CRITERIA	SUB-CRITERIA	RATING
PROGRAMME OUTCOME	Achievement of Outputs	3
	Achievement of Outcomes	2
	Timeliness	4
	OVERALL PROGRAMME OUTCOME	4
BANK PERFORMANCE	Design and Readiness	3
	Supervision	4
	OVERALL BANK PERFORMANCE	4
BORROWER PERFORMANCE	Design and Readiness	3
	Implementation	3
	OVERALL BORROWER PERFORMANCE	3

IV. RESPONSIBLE BANK STAFF

POSITIONS	AT APPROVAL	AT COMPLETION
Regional Director	FRANK BLACK, ORSB	FRANK BLACK, ORSB
Sector Director	GABRIEL NEGATU, OSGE	GABRIEL NEGATU, OSGE
Sector Manager	MARLENE KANGA, OSGE	MARLENE KANGA, OSGE
Task Manager	TASK MANAGER, MOTHABI P.S. MATILA, OSGE2	TASK MANAGER, MOTHABI P.S. MATILA, OSGE2
PCR Team Leader		ASHIE MUKUNGU, CHIEF COUNTRY ECONOMIST
PCR Team Members		ASHIE MUKUNGU, MWILA CHIKWEKWE- CONSULTANT

B. PROGRAMME CONTEXT

Summarize the Bank-supported programme of which this project forms a part. State:

- the macroeconomic rationale for fast -disbursing assistance to the country,
- the policy or reform focus of the programme and its relationship to the PRSP or other relevant government strategies,
- the outcomes of earlier PBLs, in particular earlier operations within the same programme, if any,
- any technical assistance or institutional support project intended to complement this operation.

Please cite relevant sources. Comment on the strength and coherence of the rationale for Bank assistance. Highlight any changes in the programme context that have favourably or unfavorably affected results.

[300 words maximum. Any additional narrative about the programme's origin, if needed, must be placed in Annex 5: Programme Narrative]

The Poverty Reduction Budget Support (PRBSII) sought to increase the government of Zambia's capacity to deliver against its priorities which aim at fostering economic growth and poverty reduction as set out in the Fifth National Development Plan (FNDP) and the Vision 2030 by augmenting the financial resources available to the 2009 and 2010 national budget. Fast disbursing budget support to the country would enable it to maintain fiscal balance and minimize domestic borrowing thereby promoting private sector access to credit, investment and economic growth. PRBS II also complemented other joint frameworks funded by cooperating partners such as Public Expenditure Management and Financial Accountability (PEMFA). PEMFA is supported by eleven donors and its main objective is to improve government's capacity to effectively and efficiently mobilize and utilize public resources and strengthen financial accountability. No institutional support was provided by the Bank in the form of technical assistance because of the ongoing complementary PEMFA programme. PRBS II for Zambia was a two year program aimed at assisting the

country to implement the Fifth National Development Plan (FNDP). The expected outcomes were: a conducive and cost effective business environment and improved efficiency, and effectiveness and accountability in the management and use of public financial resources.

PRBS II focus areas were: (i) creating an enabling business environment; and (ii) improving public financial and expenditure management. An enabling business environment is aimed at ensuring that the private sector takes the lead as an engine of economic growth. On the other hand, Financial Management reforms in the areas of budget execution will assist in consolidating the efforts of the PRBS I program and improve capacity in budget preparation and execution across government. This programme was prepared in line with the Bank's Assistance Strategy which has two pillars namely Infrastructure Development and Economic Governance. While the PRBS II programme was fully aligned to the overall PRBS framework and used the annual Performance Assessment Framework (PAF), a few areas listed above were selected by the Bank based on its areas of focus and the need to ensure capacity to monitor progress. All indicators selected in the overall PAF were closely related to the Key Performance Indicators of the Fifth National Development Plan (FNDP), ensuring that PRBS was fully harmonized and aligned with Government's Fifth National Development Plan. No technical assistance was specifically intended to complement the PRBSII, it was felt that capacity development is well undertaken under the PEMFA programme.

C. PROGRAMME OBJECTIVES AND LOGICAL FRAMEWORK

1. State the specific Development Objective(s) of this operation (as set out in the appraisal report)			
To contribute to economic growth and poverty reduction through improving public financial management and creating an enabling private sector environment			
2. State how each policy action and/or tranche release condition contributes to achieving the Programme Development Objectives.			
The PRBS II was aimed at deepening reform measures for creating an enabling business environment for private sector development and stronger public finance management through improved budget preparation and execution and capacity reforms in public finance management. The conditions precedent to the disbursement of first and second tranches corresponded to measures aimed at deepening reforms /policy actions in two key areas (wealth creation focusing on private sector development and reform process and financial management focusing on public finance management) were factored into the loan agreement between the GRZ and the Bank group. The conditions for disbursement included prior actions which were satisfactorily fulfilled before presentation of the programme to the Board. Board consideration of this operation was based on the satisfactory assessment of the prior actions by the Fund confirmed in the PRBS Group report of the annual assessment of the 2007 PAF undertaken in June 2008. Conditions precedent to disbursement were (i) evidence of having opened a foreign currency account with the Bank of Zambia to receive budget support resources, including proceeds of this loan and (ii) Satisfactory performance assessment of the Fund's 2008 PAF focus areas, confirmed by the report of the joint assessment undertaken in 2009 by the PRBS group. The 2008 PAF overall focus areas were: reform process and financial management; wealth creation; social equity and cross cutting (HIV/AIDS and Environment) each with several monitorable indicators.			
3. Provide a brief assessment (up to two sentences) of the <u>programme objectives</u> along the following 3 dimensions. Insert a working score, using the scoring scale provided in Appendix 1.			
PROGRAMME OBJECTIVES DIMENSIONS		ASSESSMENT	WORKING SCORE
RELEVANT	a) Relevant to the country's development priorities	Very relevant. It supported the implementation of Zambia's FNDP through the 2009 budget.	4
ACHIEVABLE	b) Objectives could in principle be achieved with the programme inputs and in the expected timeframe	Yes- in terms of widening the fiscal space for the particular financial year. However attribution to PRBS II is imprecise regarding improvements in the two major areas (private sector development and public finance management). This is because the expected timeframe reform outcomes take longer to realize.	3

CONSISTENT	c) Consistent with the Bank's country strategy paper	It was consistent with the second pillar - Support to Good Governance through provision of Budget Support of the Bank group cover note to the Zambia's CSP/JASZ (2007-2010)	4
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4. Lay out the programme logical framework. State the expected outputs and outcomes for each action, and the indicators for measuring progress. Add additional rows if needed.

COMPONENTS	OUTPUTS	OUTCOMES	INDICATORS TO BE MEASURED
Policy Area 1: Create an enabling environment for private sector development.	Output 1: Implementation of the private sector development (PSD) milestones		PSD completion report
	Output 2: Improved regulatory business environment		Policies, Laws and Acts for private sector environment
		Outcome 1: Effective and efficient business management	Reduced cost of managing business
		Outcome 2: Conducive and cost effective business environment.	Private sector investment
	Output 2: Reduced number of days to start a business	Outcome 2: Conducive and cost effective business environment.	Number of days to start a business and increased private sector investment
Policy Area 2: Improve public finance management through improved budget preparation and execution and capacity and reforms in public finance management.	Output 1: Improved capacity in public expenditure management		Quality of financial accounts and procurement reports.
	Output 2: Improved budget preparation and execution		Reduced expenditure deviations from budget outturn (% variance)
	Output 3: Implementation and completion of PRBS II		Programme (PRBS II) PCR
		Outcome 1: Improved public financial management system.	Timely production of accounts and audits
		Outcome 2: Efficient budget execution and public expenditure management.	Expenditure variance
		Outcome 3: Improved service delivery	Access to public utilities

5. For each of the programme matrix's dimensions, provide a brief assessment (up to two sentences) of the extent to which programme matrix's design met the following criteria. Insert a working score, using the scoring scale provided in Appendix 1. If no log. frame exists, score this section as a 1 (one)

PROGRAMME LOG. FRAME DIMENSIONS		ASSESSMENT	WORKING SCORE
LOGICAL	a) Presents a logical causal chain for achieving the development objectives	The programme objective of contributing to economic growth and poverty reduction was coherently linked to the goals of (i) creating a cost effective business environment (ii) contributing to an efficient public budget execution and public expenditure management, and (iii) reinforcing transparency and accountability of the public financial management system.	3
MEASURABLE	b) Expresses objectives and outcomes in a way that is measurable and quantifiable	The objectives and outcomes were expressed in measurable and quantifiable terms.	3
THOROUGH	c) States the risks and key assumptions	(i)Weak implementation capacity ,(ii) Fiduciary risks which could lead to weak accountability ,(iii) Increased public expenditure without corresponding revenue,(iv) increased oil and commodity prices	3

D. OUTPUTS AND OUTCOMES

I. ACHIEVEMENT OF OUTPUTS

In the table below, assess the achievement of actual VS. expected outputs for each major action. Import the expected outputs from the log. frame in Section C. Score the extent to which the expected outputs were achieved. The overall score will be auto-calculated as the average of working scores. Override the auto-calculated score, if desired, and provide justification.

MAJOR POLICY REFORMS		Working Score
Expected Outputs	Actual Outputs	
Implementation and completion of PRBS II	Successful and timely implementation of the programme, last disbursement made before the scheduled date and programme closed a year before original date. PCR done in time and annual programme assessment are that programme implementation was satisfactory.	4
Improved budget preparation and execution	Budget cycle changed to align to the financial year, now presented to Parliament in October to be approved before the financial year starts. Unavoidable expenditures were incurred like funeral of the President and elections and the expenditure variance reached 26.4 including supplementary budget against a targeted 20%, although budge releases were over 97%.	2
Improved capacity in public expenditure management	Through the PEMFA programme capacity was developed for public finance management, 73 procurement staff trained, Sensitisation workshops on Accounting Ethical Standards have been held in four (4) sites country wide. • Legislation on public expenditure management and financial accountability harmonized:	3
Improved regulatory business environment	Business environment laws and Acts enacted. Citizens Empowerment Commission was created; Information Communication Technology Policy; Energy Policy; Public Private Partnership Policy; Micro Small and Medium Enterprise Development Policy; Tourism and Hospitality Act; Small Claims Court Bill; Labour and Industrial Relations Act; Public Private Partnership Act; Electronic Communications Transactions Bill. However, implementation remains a challenge. • Two departments created department of Communications and Public Private Partnership Unit;	3

	<ul style="list-style-type: none"> • Credit guarantee Scheme for Micro and small Enterprises established • The 2009 PAF assessment report indicates that the number of days to register a business reduced from 35 days in 2006 to 3-5 days in 2008. 15 Zambia Revenue Authority (ZRA) border post were computerised and at Chirundu which is modernised, instead of physically checking all trucks, a sample of three trucks were physically checked out 110 and the rest were scanned. 	
Implementation and completion of PSD milestones	<p>PSDRP completed, although milestones have been achieved there is still some work to be done.</p> <p>PSDRP II has also been adopted to continue and consolidate efforts undertaken during PSDRP I implementation.</p>	3
OVERALL OUTPUT SCORE [Score is calculated as the average of working scores]		3

Check here to override the calculated score

Provide justification for over-riding the auto-calculated score	
Insert the new score or re-enter the autocalculated score	3

II. ACHIEVEMENT OF OUTCOMES

1. Using available monitoring data, assess the achievement of expected outcomes. Import the expected outcomes from the log. frame in Section C. Score the extent to which the expected outcomes were achieved or are likely to be achieved. The overall outcome score will be auto-calculated as an average of the working scores. Override the auto-calculated score, if desired, and provide justification.

OUTCOMES		Working Score
Expected	Actual	
(i) Effective and efficient business management	Government implemented a series of programmes to improve business management. Business environment improved in accordance with the targeted outcome indicator of reducing number of days to register a business . According to the WB Doing Business of 2010, the number of days to start a business reduced from 33 days in 2008 to 18 days in 2009. Importing and exporting goods improved due to modernisation of border posts. Business management improved in accordance with the targeted outcome indicator. Ease of doing business ranking for Zambia improved to 90	2
(ii) Efficient budget execution and public expenditure management.	Budget management improved. MTEF aligned to priority policies. Rollout of IFMIS will improve record keeping and reporting hence improved financial management. IFMIS modules do not allow expenditure on unbudgeted items without approval authority which will improve budget management and expenditure.	2
(iii) Conducive and cost effective business environment.	Private investment increased from 15.9% of GDP in 2008 to 17.9% in 2009. National savings increased from 13.9% of GDP in 2008 to 20.3% in 2009.	2
(iv) Improved public financial management system.	The Auditor General submitted the audit report for 2007 to Parliament in time on 7th January 2009, twelve months after end of fiscal year. IFMIS will further improve preparation of accounts due to improved record keeping.	3

(v) Improved service delivery	Overall performance of the PRBS II 2008 PAF was assessed as satisfactory at 65.5%. Although this was lower than the previous pAF performance of 70% for 2006 PAF and 67% for the 2007 PAF.	2
OVERALL OUTCOME SCORE [Score is calculated as the average of working scores]		2

 Check here to override the calculated score

Provide justification for over-riding the auto-calculated score

Insert the new score or re-enter the autocalculated score	2
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2. Poverty and social impact. Comment on the programme’s actual or expected effect on poverty, gender, access to public service, inclusion of vulnerable groups and other key social dimensions.

The Fifth National Development Plan and Vision 2030 for Zambia aimed to reduce poverty levels to 32.2% by 2015 from 51% in 2006. In seeking to transform Zambia into a medium income status, the Vision 2030 targets to raise per capita income to USD 1000 from the USD934 in 2007 which was estimated at USD1 500 in 2008. This did not however translate into poverty reduction because household’s monthly income averaged USD100 in 2006. The last poverty analysis was undertaken in 2003 and no good estimates for poverty levels are available, however it is estimated that rural poverty has worsened since 2005. The objectives of the PRBSII were to support the government’s development agenda in the context of the FNDP. PRBSII focused on (i) business enabling environment to boost the private sector as an engine of economic growth and (ii) public financial and expenditure management. The June 2009 joint annual review by government and cooperating partners concluded that performance on the PAF was satisfactory at 65.6%. DPs however raised concerns on governance issues in the underlying principles, specifically on reported misappropriation of funds in health and roads among others, and produced a roadmap outlining these concerns and presented it to GRZ. GRZ in return produced a timebound action plan aimed at addressing these concerns and was assessed during the PRBS second review in november 2009 (see Annex 5). The overall assessment by cooperating partners was satisfactory. School enrolments increased with only 2 schools failing to achieve a net enrolment of 80% in 2009 from 8 schools in 2006. The ratio of girls to boys(gender parity) in primary schools improved from 0.89 in 2006 to 0.9 in 2008; child immunisation also improved from 63% in 2006 to 73% in 2008. Improved public resource management and transparency as well as private sector growth led to improving peoples' lives through employment creation and service delivery and therefore reduce poverty.

3. Risks to sustained achievement of outcomes. State the factors that affect, or could affect, the long-run or sustained achievement of programme outcomes. Summarize the current macroeconomic framework, which should be described in more detail in Annex 3. Indicate if any new action or follow-up operation is recommended to help sustain outcomes.

The long term sustainability of the programme can be affected by the knock-on effects of the current global financial crisis which affected the prices of copper. Zambia, a copper-rich country, had benefited from high copper prices over the recent years generating high economic growth – averaging 6.1 percent per annum between 2006 and 2008. However, global financial crisis led to the closure of some mines and this drastically reduced projected government revenue as a result of falling copper production volumes and the real GDP growth rate was 5.3% in 2009. There is need for Zambia to diversify its economy as an alternative to mining and increase the participation of Zambians in the economic process (agriculture, tourism and manufacturing) by creating an enabling environment for the private sector to become an engine of economic growth and strengthen its public financial management through prudent ongoing reforms. Real GDP growth averaged 6.1 between 2006-2008, inflation rose to 16.6% end of 2008 from 8.9 in 2007, while interest rates remained high at 26.4% in 2008. International reserves increased from 1.5 months of import cover in 2005 to 2.1 and 4.5 months of import cover in 2008. PRBS II was relevant for the country based on challenges and proposed interventions outlined in the FNDP.

E. PROGRAMME DESIGN AND READINESS FOR IMPLEMENTATION

1. State the extent to which the Bank and the Borrower ensured the programme was commensurate with the Borrower's capacity to implement by designing it appropriately and by putting in place the necessary implementation arrangements. Consider all major design aspects, such as:

- extent to which lessons learned from previous policy-based lending operations in the country were taken into account (please cite key PCRs),
- the extent to which the project was informed by robust analytical work (please cite key documents),
- rationale for the selection of conditionalities (number, theme, prior or post approval conditions),
- how well Bank and Borrower assessed the capacity of the implementing agencies,
- scope of consultations and partnerships, and
- provisions made for technical assistance.

The design of PRBS II was sufficiently informed by lessons from the previous policy based programmes which included the Economic Recovery Loans I and II that were structural adjustment programmes, the Support for Fiscal Transparency and Accountability (SFTA) programme (Institutional Support Project), PRBS I and the Joint Annual Reviews of 2007 and 2008. A Public Financial Management Performance Report (PFM-PR) based on the Public Expenditure and Financial Accountability (PEFA) set of 31 Performance indicators was carried out in 2008 and it concluded that there were weaknesses in the PFM system. The SFTA programme aimed at contributing to good governance in Zambia by undertaking policy measures and creating the institutional capacity to promote transparency and accountability in fiscal management. The lessons learnt are that there is need to adequately assess capacity to implement the programme; monitoring should be continuous and that during negotiations of conditions with governments, it is imperative to define conditions that fall within the competences of government. This however needs further reflection on the objective to be achieved because policy reforms require approval by Cabinet and /or Parliament. For example in PRBS I GRZ was required to submit for Cabinet approval the Debt Strategy which was done but Cabinet rejected it. While the submission was done, the intention was to have a policy document adopted by the government. The conditions for disbursement were assessed to be satisfactory not based on each and every indicator but overall to accommodate situations where good progress has been achieved but not finalised. No technical assistance provision was included under the programme because it was implemented by Government using its own systems and procedures and PFM related capacity building is being undertaken by the PEMFA programme financed by eleven donors excluding the Bank. Consultations with GRZ and DPs were made during identification and appraisal of the operation. All PRBS members were informed and the appraisal report was shared with them before negotiations with GRZ. While there was a budget underspending trend, it was partly due to the budget cycle which was not in line with the financial year. It has now been aligned.

The number of conditions (3) was reasonable and the conditions were relatively simple for the borrower to meet. Efforts were made by the Bank to carefully differentiate political and legislative decisions which Government has no control over from administrative decisions that are implemented by Government with a view to limit conditions to Government authority. The PRBS framework provided an important avenue for consultations between government and budget support partners, consultations between MOFNP and sector ministries and development partners require a systematic and enhanced coordination mechanism.

2. For each dimension of programme design and readiness for implementation, provide a brief assessment (up to two sentences). Insert a working score, using the scoring scale provided in Appendix 1.				
PROGRAMME DESIGN AND READINESS FOR IMPLEMENTATION DIMENSIONS		ASSESSMENT	WORKING SCORE	
REALISM	a) Programme conditionality is matched with country capacity and political commitment.	The Bank used a relatively few conditions for disbursement such that conditionality did not hinder the borrowers implementation of the programme.	3	
RISK ASSESSMENT AND MITIGATION	b) Programme design includes adequate risk analysis and mitigation measures.	The programme design has adequately addressed the potential risks and mitigation measures as clearly outlined in Appraisal report, section VI. Risk Management page.18. It is important that Continued prudent management of public resources and macroeconomic stability, political stability, accountability and transparency as well as implementation of the reforms and peaceful transfer of power will be needed for Zambia to achieve its vision.	3	
USE OF COUNTRY SYSTEMS	c) Financial management, procurement, monitoring and/or other systems are based on those already in use by government and/or other partners.	The Bank's use of country systems for the operation was very good. The Joint Assistance Strategy for Zambia (JASZ) framework has facilitated the design and implementation of the operation. The existence of the PRBS Group which uses a common framework for budget support and encourages use of country systems (procurement, finance, audit, etc) and ownership also aligned and harmonised management of the PRBS II with other DPs.	3	
For the following dimensions, provide separate working scores for Bank performance and Borrower performance:			WORKING SCORE	
			Bank	Borrower
CLARITY	d) Responsibilities for programme implementation were clearly defined.	The role of the MOFNP as the focal point for budget support was clearly defined. MOFNP also houses the PRBS secretariat. There were clear responsibilities for implementation in the Bank, both at HQ and field office. Communication was not always smooth with the PPRBS Secretariat at PFPN and requested information in most cases delayed.	4	3
MONITORING READINESS	e) Monitoring indicators and monitoring plan were agreed upon before project launch.	The monitoring indicators and monitoring plan were fully understood and agreed upon to be the performance Assessment Framework for the PRBS reviews.	4	4
BASELINE DATA	f) Baseline data were available or were collected during project design.	Baseline data was partially available and some were collected during project design. Although for each year targets were set GRZ did not fully meet all the conditions. The 2009 assessment achieved the lowest rate compared to 2008 and 2007.	3	2

F. IMPLEMENTATION

1. State the major characteristics of programme implementation with reference to:

- timing of tranche releases,
- waivers of conditions or triggers, if any,
- effectiveness of Bank supervision,
- participation of field office in continuous supervision/ in donor coordination arrangements/ and in ensuring effective policy dialogue, and
- effectiveness of Borrower oversight.

Comment on the rationale for any waivers of tranche release conditions. [200 words maximum. [Any additional narrative about implementation should be included at Annex 5: Project Narrative.]

The UA15 million PRBS II operation was disbursed in two equal tranches in support of the 2009 budget. The disbursement of the first tranche was delayed by two months due to delayed submission of disbursement request by the government. Whilst, the second tranche, initially planned for 2010 was front loaded to 2009 in response to the governments request to the Bank to assist in cushioning the budget deficit that was associated with the impact of the global financial crisis. The Bank's supervision missions corresponded with the Joint annual review of government and cooperation partners; June , September, November 2009. During the reviews programme implementation issues relating to the progress against key benchmarks were assessed. The June 2009 review concluded that the PRBS implementation progress was satisfactory at 65.5%, while the November 2009 second review concluded that GRZ implemented road map actions on governance and underlying principles satisfactorily (See Annex 5). CPs provided an overall commitment for the 2010 budget of USD240 million. The Banks participation in overseeing the implementation of PRBSII was coordinated jointly between OSGE and the Zambia field office.

The government's oversight role in the implementation of the PRBS programme activities grew stronger with increased policy dialogue with the cooperating partners. This was also supplemented by the joint implementation of the specific activities supported by the Public Expenditure Management and Financial Accountability (PEMFA) programme also executed by MOFNP. However ,the June 2009 Joint Annual Review assessed that performance was satisfactory but the RBS partners raised concern on government's performance on key governance issues under the PRBS underlying principles. The government came up with a Roadmap on how to implement the key issues identified which fed into the November 2009 Review. The November review assessed the Roadmap implementation as satisfactory because 9 out of 11 benchmarks were met and CPs pledged their commitments for 2010 budget.

2. Comment on the role of other partners (e.g. other International Financial Institutions, donors, UN agencies, etc.). Assess the effectiveness of co-financing arrangements and of donor coordination, if applicable.

PRBS II was co-financed by a group of nine cooperating partners within the PRBS framework. The PRBS cooperating partners group regularly convened to assess implementation progress of the programme activities including ensuring that the policy dialogue around the underlying principles contained in the PRBS MOU are consistently adhered to by the government. The groups activities were coordinated by a lead CP assisted by a co-lead. In terms of co-financing , the CPs contributed USD 202.6 million out of USD243.83 million pledged. World Bank delayed disbursement because at the June review although overall performance assessment was 65.6%, 50% of the WB triggers were not met.

3. Harmonization and Alignment. State whether the Bank made explicit efforts to adhere to the following Paris Declaration Principles:

Aid flows were aligned to national priorities	The Bank took deliberate measures to ensure that PRBS II was sufficiently aligned to FNDP priorities, CSP and the budget support framework.
Capacity was strengthened by coordinated support	The coordinated support contributed to strengthening capacity in budget execution and procurement processes, through dialogue on the PAF, MOU and progress on the indicators. The PEMFA programme financed by CPs provided capacity training in several PFM areas.
Parallel PIU was avoided	Not applicable given the budget support modality; Implementation was done by Government using her own systems.

Aid was more predictable	PRBS resources were not predictable and disbursed on time. This was a result of delays on government side due to internal consultations. There was a delay because of lack of clarity on the disbursement procedures. Donors withheld disbursements due to governance issues that were only resolved in November 2009. The Bank is in the process of preparing a follow up operation for the period 2010-2011.
Common aid arrangements were used	YES- PRBS II was a joint budget support operation.
Missions were conducted jointly with other partners	The preparation, implementation and supervision/joint review missions were conducted in coordination with the other PRBS CPs. The Bank also participated in the Joint Annual Review.
Analytic work was undertaken jointly with other partners.	The design of PRBSII was informed by the recommendations and findings of previous joint review reports. The process also drew experience from a series of analytical works commissioned by other CPs such as IMF, World Bank and DFID such as the IMF PRGF report, WB ICR and WB Doing Business 2010. It also used lessons learnt from past operations.

4. For each dimension of programme implementation, assess the extent to which the following criteria were met. Provide a brief assessment (up to two sentences) and insert a working score, using the scoring scale provided in Appendix 1.

PROGRAMME IMPLEMENTATION DIMENSIONS		ASSESSMENT		WORKING SCORE
TIMELINESS	a) Extent of project adherence to the original closing date. If the number on the right is: below 12, 4 is scored; between 12.1 to 24, 3 is scored; between 24.1 to 36, 2 is scored; beyond 36.1, 1 is scored. This working score will be autocalculated.	Difference in months between original closing date and currently expected closing date (auto-calculated) -24	The programme fully disbursed in 2009 and closed 24 months ahead of the original schedule (December 2009 instead of December 2011) in response to a request by the government.	4
	b) Bank enforced:			
BANK PERFORMANCE	Environmental Safeguards (if applicable)	Not applicable since the operation was not expected to have any programme specific environmental effects.		N/A
	Fiduciary Requirements	Fiduciary assessment determined that the eligibility was based on in-country joint reviews with the main features being cross referenced against benchmarks in appraisal report. PEFA and PEMFA programme reviews showed an improving trend on fiduciary requirements including procurement.		3
	Conditions and Triggers	Simplified and clear conditions and triggers facilitated the timely processing and implementation of the operation.		3

	c) Bank provided quality supervision in the form of skills mix and practicality of solutions	The Bank provided the Governance economist, supported by the Country Economist during the preparation and supervision missions. As such , no skills gaps were identified and no problems beyond their capacities were evident. During supervision the economist fully participated in the review and other PRBS group meetings on budget support.	3
	d) Bank provided quality management oversight	Very strong. This included the role of the Resident Representative, Sector Director, Sector Manager and Country Director.	3
BORROWER PERFORMANCE	d) Borrower complied with:		
	Environmental Safeguards (if applicable)	Not applicable since the operation is not expected to have any programme specific environmental effects.	N/A
	Fiduciary Requirements	Concern by PRBS partners on governance issues under the PRBS underlying principles prolonged policy dialogue leading to a delayed conclusion of the June 2009 Joint Review. Audit reports also delayed but there is improvement. IFMIS implementation delayed and only piloted in one site in January 2010, will be rolled out to other sites during 2010.	2
	Conditions and Triggers	Sufficient effort were made by MOFNP to ensure that the disbursement conditions were met and the necessary evidence to that effect were submitted to the Bank in time.	3
	e) Borrower was responsive to Bank supervision findings and recommendations	The borrower did so satisfactorily and this explains the success of front loading of the second tranche	3
	f) Borrower collected and used monitoring information for decision making	Yes, the borrower met the conditions for disbursement as contained in the joint performance assessment framework reports. The slow response from Government could be due to capacity.	3

G. COMPLETION

1. IS THE PCR DELIVERED ON A TIMELY BASIS, IN COMPLIANCE WITH BANK POLICY?			
Date project reached 98% disb. Rate (or closing date if applicable) (auto-generated)	Date PCR was sent to pcr@afdb.org <i>MM/DD/YY</i>	Difference in months (auto-calculated)	WORKING SCORE if the difference is 6 months or less, a 4 is scored. If the difference is 6.1 or more, a 1 is scored (auto-calculated)
12/31/2009	03/25/10		

2. Briefly describe the PCR Process. Describe the Borrower's and co-financers' involvement in producing the document. Highlight any major differences of opinion concerning the assessments made in this PCR. Describe the team composition and confirm whether a site visit was undertaken. Mention any major collaboration from other development partners. State the extent of field office involvement in producing the report. Indicate whether comments from Peer Reviewers were received on time (provide names and positions of Peer Reviewers).

[100 words maximum]

Led by the ZMFO with the support of a local consultant (competitively tendered), the PCR process kick started with a meeting with MOFNP. The borrower's key stakeholders in public financial management such as PRBS partners, sector ministries and civil society provided data, information and views on PRBSII. The only major concern among the stakeholders was on the adequacy of coordination of budget support and how it should be strengthened. The field office effectively provided background information and facilitated meetings, thus leading the PCR process effectively. The PCR was prepared within the time frame required after disbursement. Timely peer review was done by: Mr. E. Legesse, Chief Financial Management Expert, ORPF.2; Mr. C. Mollinedo, Macroeconomist, OSGE.2, F. Kamanga, Governance Expert, MWFO.

H. LESSONS LEARNED

Summarize key lessons for the Bank and the Borrower suggested by the programme's outcomes.

[250 words maximum. Any additional narrative about lessons learned, if needed, must be placed in Annex 5: Project Narrative]

Using national systems simplified the design, implementation, supervision and monitoring of the operation. This enabled the Bank to design and implement the programme effectively. It also allowed GRZ to implement the programme as its own like any other GRZ programme without any additional resources. The following are the major lessons learned: (i) Strong and efficient public governance systems/institutions are critical to timely and successful implementation of budget support programmes, (ii) A clear and well coordinated donor support mechanism is important for achieving meaningful in-country policy dialogue, (iii) Robust and available data is pertinent to ensuring successful PAF assessments including selection of indicators, (iv) Flexibility in the aid delivery mechanism can be helpful in achieving and sustaining development outcomes during crisis such as the on going global financial crisis. (v) It is observed that overall performance declines against annual PAF indicators. This is attributable to the nature of indicators and the complexities of the indicators over time.

I. RATINGS SUMMARY

All working scores and ratings are auto-generated by the computer from the relevant section in the PCR.

CRITERIA	SUB-CRITERIA	WORKING SCORE
PROGRAMME OUTCOME	Achievement of outputs	3
	Achievement of outcomes	2
	Timeliness	4
	OVERALL OUTCOME SCORE	3
BANK PERFORMANCE	Design and Readiness	
	Programme Objectives are relevant to country development priorities.	4
	Programme Objectives could in principle be achieved with the project inputs and in the expected time frame.	3
	Programme Objectives are consistent with the Bank's country strategy paper	4
	The log. frame presents a logical causal chain for achieving the programme development objectives.	3
	The log. frame expresses objectives and outcomes in a way that is measurable and quantifiable.	3
	The log. frame states the risks and key assumptions.	3
	Conditionality is matched with country capacity and political commitment.	3
	Programme design includes adequate risk analysis and mitigation measures.	3
	Financial management, monitoring and/or other systems are based on those already in use by government and/or other partners.	3
	Responsibilities for programme implementation were clearly defined.	4
	Monitoring indicators and monitoring plan were agreed upon.	4
	Baseline data were available or collected during programme design.	3
	DESIGN AND READINESS SUB-SCORE	3
	Supervision	
	Bank enforced:	
	Environmental Safeguards (if applicable)	N/A
	Fiduciary Requirements	3
	Covenants and Triggers	3
	Bank provided quality supervision in the form of skills mix and practicality of solutions.	3
	Bank provided quality management oversight.	3
	PCR was delivered on a timely basis	4
SUPERVISION SUB-SCORE	4	
OVERALL BANK PERFORMANCE SCORE	4	

BORROWER PERFORMANCE	Design and Readiness	
	Responsibilities for programme implementation were clearly defined.	3
	Monitoring indicators and monitoring plan were agreed upon before project launch.	4
	Baseline data were available or collected during programme design.	2
	DESIGN AND READINESS SUB-SCORE	
	Implementation	
	Borrower complied with:	
	Environmental Safeguards (if applicable)	N/A
	Fiduciary Requirements	2
	Conditions and Triggers	3
	Borrower was responsive to Bank supervision findings and recommendations.	3
	Borrower collected and used monitoring information for decision-making.	3
	IMPLEMENTATION SUB-SCORE	
OVERALL BORROWER PERFORMANCE SCORE		

J. PROCESSING

STEP	SIGNATURE AND COMMENTS	DATE
Sector Manager Clearance		
Regional Director Clearance		
Sector Director Approval		

APPENDIX 1

Scale for Working Scores and Ratings

SCORE	EXPLANATION
4	Very Good - Fully achieved with no shortcomings
3	Good - Mostly achieved despite a few shortcomings
2	Fair - Partially achieved. Shortcomings and achievements are roughly balanced
1	Poor - Very limited achievement with extensive shortcomings
NA	Non Applicable

Note: The formulas round up or down for decimal points. Only entire numbers are computed.

ANNEX 1. ZAMBIA PRBSII- Project Costs and Financing by sources of funds (PRBS Disbursements in 2009)

NO.	SOURCE OF DONOR	COMMITMENT: AMOUNT IN ORIGINAL CURRENCY(MILLIONS)	AMOUNT IN USD MILLIONS	ACTUAL DISBURSEMENTS
1	DfID	GBP 31.5	48,6	48.6 (on time)
2	EC	EURO 30.0	38,7	38.7 (on time)
3	EC (V-FLEX)	EURO 30.0	38,7	38.7 (on time)
4	FINLAND	EURO 5.0	6,45	6.45 (on time)
5	GERMANY	EURO 10.0	12,9	12.9 (on time)
6	NETHERLANDS	EURO 10.0	12,9	12.9 (on time)
7	NORWAY	NOK 172.70	25,09	25.09 (on time)
8	SWEDEN	SEK 145.40	18,29	0 (delayed)
9	AFDB	UA 15.0	23	23 (on time)
10	WORLD BANK	USD19.20	19,2	0 (delayed)
11	TOTAL		243,83	206,39

ANNEX 2: BANK INPUTS (to be filled internally by the Bank as consultant is not accessible to this information.)

Missions		
Concept Note approval		juin-08
Mothobi Matila	Task Manger	
Appraisala Mission		
Mothobi Matila	Task Manager	juin-08
	Country	
Ashie Mukungu	Economist	
E. Larbi	Economist	
<u>Supervisions</u>		
Suopervision Mission		
Mothobi Matila	Economist Task Manager	juin-08
	Country	
Ashie Mukungu	Economist	
E. Larbi	Economist	
Supervision Mission		
		juin-09
Mothobi Matila	Task Manager	
Ashie Mukungu	Country Economist	
Supervision Mission		
		nov-09
F. Kwesiga	Resident Representative	
T. Bhebhe	Country Programme Offcier	
Mothobi Matila	Task Manager	
Ashie Mukungu	Country economist	

ANNEX 3: ASSESSMENT OF MACRO ECONOMIC DEVELOPMENTS

Real GDP growth in 2009 was 5.3 percent, somewhat lower than the 5.7 percent growth recorded for 2008. With copper prices recovering quickly from their plunge in late 2008 and the coming on-line of a large new mine, mining output significantly increased. A bumper harvest also pushed up agricultural output markedly, and construction continued to expand rapidly. Tourism, manufacturing, and banking sectors were however adversely affected. Having been impacted negatively by the global financial crisis in the first half of 2009, the balance of payments position improved in the second half of the year. Imports contracted, as demand from households and firms responded to the movement in relative prices associated with the sharp depreciation of the exchange rate earlier in the year. The robust rebound in copper prices from the second quarter of 2009 also contributed to the narrower current account deficit (including grants) of 4.7 percent of GDP in 2009 compared to 7.8 percent in 2008. The trade balance narrowed to 1.3 percent of GDP in 2009 from 2.8 percent of GDP in 2008. International reserves reached 4.5 months of import cover in 2009. Interest rates also

Fiscal developments were characterized by a shortfall in tax collections and pledged inflows from cooperating partners in 2009. Significant declines in import-related tax collections amounted to an estimated 1.3 percent of GDP. Pledged cooperating partner resources amounting to US\$37.49 million (0.3 percent of GDP) were not disbursed, leading to further potential shortfalls and an increase in deficit to 2.6% instead of projected 2.4%. The government contained administrative expenditures to reduce budgetary pressures and protected the monetary program. As a result, the overall fiscal deficit broadened marginally to 2.6 percent of GDP, supported by an increase in net domestic financing. Consumer prices (end of period) reduced from 16.6% in 2008 to 12% in 2009.

Economic growth is expected to strengthen over the medium term. Real GDP growth is expected to rise marginally to 5.5 percent in 2010 and further to 6.5 percent over the medium term. Growth in 2010 will be driven by a recovery in the tertiary sector, and continued increases in mining and construction activities. Mines that had been closed down as a result of the crisis are expected to reopen in 2010, and a rebound in tourism activity is expected in connection with the 2010 Football World Cup in South Africa. Downside risks, however, still remain amidst uncertainties about a full-fledged global recovery in 2010 and steadily rising oil prices. Growth over the medium term is premised on the realization of policy initiatives and structural reforms aimed at economic diversification and enhanced competitiveness. Additionally, growth will be boosted by new investments in mining and electricity generation.

The Poverty Reduction Growth Facility (PRGF) – IMF supported program is on track; all of the quantitative performance criteria and indicative targets for end-June 2009 have been met. There were delays in implementing two of the structural benchmarks: (i) the establishment of a supervisory regime for the secondary market in government securities has required an extended consultation process and the benchmark has been reset for end-March 2010; (ii) the benchmark on introducing a standing overnight lending facility by the Bank of Zambia was met with a two-month delay.

ANNEX 4: LIST OF SUPPORTING DOCUMENTS

1. Appraisal Report PRBSII ZAMBIA ; *September 2008*
2. Loan Agreement between the Republic of Zambia and the African Development Bank; *December,2008*
3. Performance Assessement Framework; *June, 2009*
4. PRBS Joint Annual Review between GRZ and the PRBS Group; *June 2008*
5. PRBS Joint Annual Review between GRZ and the PRBS Group, November, 2009
6. High Level Policy Dialogue between GRZ and the PRBS group; September, 2009
7. PRBS -MOU between GRZ and the cooperating partner Agencies; April,2005
8. World Bank- Doing Business in 2010 indicators, January 2010
9. IMF -Povery Reduction Growth Facility (PRGF), 2009
10. PRBS Roadmap by GRZ -Assessment of progress; June-Novmber,2009

Annex 5: PRBS ROADMAP – ASSESSMENT OF PROGRESS

June-November 2009

Key Issues/concern raised by PRBS donors in June 2009	GRZ Response and Milestones		Status of 25/11/2009
<p>Public Finance Management</p> <p>1. Procurement</p> <p>Delays in inacting the new procurement regulations</p> <p>Urgency of adopting the procurement reform roadmap.</p>	<p>1.1 Since July, MoJ and ZPPA have accelerated work on the Regulations and have submitted them to MoFNP in early November; there is no more need for cabinet approval, and the final stage will be the issuance of a Statutory Instrument (SI).</p> <p>1.2 MoFNP will provide the final draft of the regulations to enable CPs (WB,EC, DFID) and GRZ (ZPPA, MoJ) to review together the first batch and give their final comments by 17 November; the same process will be followed for the second batch, when available.</p>	<p>MoJ/ZPPA MoFNP</p>	<p>1.1: Done</p> <p>1.2: Done - Regulations (1st batch) received 13/11; meeting with ZPPA on 17/11 where all comments were discussed</p> <p>Leads: EC/DFID/WB</p> <p>Overall assessment: while progress has been slower than expected, the final outcome is positive</p>
<p>2. PEMFA</p> <ul style="list-style-type: none"> • Slow progress in implementing the PEMFA programme (notably IFMIS) • Unclear GRZ commitment to PFM reforms • Unclear senior government officials commitment to change and more transparency in the system (also by implementing IFMIS) 	<p>IFMIS</p> <p>2.1: 01/09/2009 Budget Module (SEM) go live</p> <p>2.2: 27/10/2009-Budget Module (SEM) operational acceptance</p> <p>2.3: 04/01/ 2010- MoFNP go live</p> <p>2.4: 01/03/2010 - MoFNP operational acceptance</p> <p>2.5 01/03/2010-Roll out for the remaining 40 MPSAs starts with solution provider involvement</p> <p>2.6 24/08/2011-Roll out for the last 8 MPSAs. PEMFA</p>	<p>Director/(IFMIS)</p>	<p>2.1: Done: both the 2009 and the 2010 budgets have been converted into the IFMIS format.</p> <p>2.2: Done</p> <p>2.3 to 2.6: see respective target dates</p> <p>2.7: Done; incentive scheme approved early September; CPs have obtained evidence of that; the scheme is not performance-based, though fully funded by GRZ</p>

	<p>2.7: 31/08/2009- Incentive scheme approved and implemented</p> <p>2.8: 31/08/2009-Additional IFMIS staff for Helpdesk attached</p> <p>2.9: 31/08/2009-GRZ counterpart funding released</p> <p>2.10: 30/09/2009-work plans for 2010 approved and one year no-cost extension (NCE) granted.</p> <p>2.11: 30/09/2009- change management team in place and operational</p> <p>2.12: 31/10/2009-Full staffing levels accomplished at PEMFA and IFMIS</p> <p>2.13: 30/06/2010- Successor programme beyond 2010 agreed and approved.</p>		<p>2.8: confirmed; attached staff to IFMIS has been regularly attending the training. Attendance registers have been consulted by CPs on 10/11</p> <p>2.9: out of expected ZK7 billion, GRZ released 4 billion up to early October; another 3 billion are expected by end of the year</p> <p>2.10: 2010 WP approved on 10/11 (SAM), together with NCE</p> <p>2.11: delayed – on-going</p> <p>2.12: Done</p> <p>2.13: target date 30/06/2010</p> <p>Leads: EC/DFID/WB</p> <p>Overall assessment: senior management (PS/ST) strongly engaged since June; while some target dates have been shifted, overall progress so far is satisfactory</p>
<p>3. Treasury Management Reforms</p> <ul style="list-style-type: none"> GRZ intention to create a treasury management department is there, but what is hampering speedy implementation? 	<p>3.1: GRZ intended to start implementing the STA with MoFNP by 1st September and move to MoH and the other Ministries by December 2009. However there have been delays and the new target date is end-November for MoFNP. It was also agreed under the IMF PRGF to have six pilots MPSAs by June 2010 (MoFNP, MoH, MoE, MWS, MACO, MLGH).</p>	<p>MoFNP</p>	<p>3.1 Delayed. The piloting phase has not yet started.</p> <p>Lead: EC/DFID/WB</p> <p>Overall assessment: ST strongly committed; delays are largely due to the new budget cycle, which disrupted the work in BO and AGO; on-track to deliver</p>
<p>4. Budget cycle</p> <ul style="list-style-type: none"> Critical to the whole budget execution and service delivery in Zambia. Will GRZ address the issue outside the NCC? 	<p>4.1 Article 117 of the Constitution has been amended at the August Parliament sitting. The 2010 Budget was presented in Parliament on 9 October 2009.</p>	<p>MoFNP</p>	<ul style="list-style-type: none"> Done; CPs very satisfied <p>Lead: EC/DFID/WB</p> <p>Overall assessment: fully satisfactory</p>

<p>5. Pay Reform and performance management system</p> <ul style="list-style-type: none"> • Critical to effective public service management. Suffers long delays. When will GRZ approve and implement the Public Pay Reform (including performance based incentive schemes) 	<p>5.1: the Draft Pay Policy has been submitted to the Secretary to the Cabinet in August 2009 and a Cabinet Memo has been drafted.</p> <p>5.2: In the 2010 budget, under PSMD, GRZ has provided for ZK500 million to start implementing some preparatory work of the Pay Policy. CPs (WB, DFID, EC, NL) are expected to meet with the SC/Cabinet Office 11 to get clarity on the status of the preparatory work and the expected way forward.</p>	<p>MDD</p>	<p>5.1: Minister announced on 25/11 that the Pay Policy has been approved by Cabinet on 24/11</p> <p>5.2: CPs meeting with SC/CO pending</p> <p>Lead: DFID/WB</p> <p>Overall assessment: CPs welcome the approval of the Policy and look forward to further clarity on its implementation and financial implications.</p>
<p>6. Decentralisation Implementation Plan (DIP)</p> <p>Suffers long delays. When will the Decentralisation Implementation Plan be approved? When will it be implemented?</p>	<p>6.1 By June 2009 the CAB Memo was in circulation to line Ministries, and the DIP was tabled to Cabinet during the first half of August 2009, for approval. Cabinet discussed the matter in September and appointed a sub-Committee of six Ministers to address the concerns raised.</p>	<p>MLGH</p>	<p>6.1: pending</p> <p>Lead: Germany/KfW</p> <p>Overall assessment: very limited progress</p>
<p>Governance</p>			
<p>7. Anti Corruption</p> <ul style="list-style-type: none"> • A new AC Policy has been approved. When will the implementation plan be developed? • Concerns over the creation of a Financial Intelligence Unit and a Serious Fraud Unit • How will the legislation be strengthened? 	<p>7.1 A draft implementation Plan for the AC policy is in place and is being finalised in consultation with all stakeholders. The draft report from the consultant has been delayed, and target dates for submission from ACC to SC have shifted from end-July to now end-November/early December.</p> <p>7.2: GRZ has decided that the Financial Intelligence Unit should be located in the Bank of Zambia. A task team has been appointed on 7/10 and met on 28/10. The first report on FIUs is expected on the 3rd week of November. GRZ still needs to clarify its position in relation to the Serious Fraud Units, notably on</p>	<p>MoJ/ACC/DE C</p>	<p>7.1: pending – by 27/11</p> <p>7.2: pending</p> <p>7.3: Layman's draft submitted to MoJ [Lead: DFID/NW]</p> <p>Overall assessment: Broadly satisfactory so far though with delays, and CPs will continue to monitor closely to ensure full implementation.</p>

	<p>where to locate them.</p> <p>7.3: The ACC is finalising internal consultations on the draft Bill before the layman's draft is submitted to MoJ. Target dates have shifted from early September to end-October, and now 25/11.</p>		
<p>8. Funding to Office of the Auditor General, the Anti Corruption Commission and the Task Force ST to confirm that agreement has been reached over the ACC, OAG and TF funding</p>	<p>8.1: MoFNP has released funding to ACC amounting to K600 million out of the K3.6 billion and the OAG has also received K317.4 million out of a figure of K4.3 billion. Data as of end-August show adequate releases of ordinary budgets to OAG and ACC, full release of supplementary budget to ACC, and 61% release of supplementary budget to OAG. Only 53% of TFC's budget released. MoFNP will provide CPs with details of releases as of 31/10.</p>	<p>MoFNP</p>	<p>8.1: details on regular funding received on 25/11, showing that 93% and 117% of funding has been released to OAG and ACC respectively.</p> <p>MTEF allocation to OAG shows a positive trend for 2010 and 2012 in absolute numbers, but is much lower for 2011. Overall funding levels remain low in light of the increased staff levels, coverage, specialized audits as well as additional tasks now performed by OAG (additional sectoral audits). There is also a clear decrease in overall real funding when compared with 2008.</p> <p>According to the 2010 budget, funding to OAG will see a nominal increase by 11% (more than MTEF figure); for ACC, it will see a nominal increase of 20%</p> <p>[Lead: Norway/DFID]</p> <p>Overall assessment: Broadly satisfactory regarding releases in 2009. Important that the Government continues to increase funding in the medium term</p>
<p>9. Freedom of Information Act</p> <ul style="list-style-type: none"> • Delays in enacting the Freedom of Information (FOI) Act (withdrawn from Parliament in 2002). 	<p>9.1: the CAB memo was submitted to Cabinet Office for approval. GRZ is going ahead with the sensitization programme.</p>	<p>MIB</p>	<p>9.1: pending, but good consultation process in place</p> <p>[Lead: WB]</p> <p>Overall assessment: overall on-track</p>

<p>10. Health</p> <ul style="list-style-type: none"> • Overall concerns on the sector priorities, how they are set and how they are implemented • GRZ response to the ACC findings and investigations is positive; CPs will closely monitor that the agreed Action Plan (being developed) is implemented 	<p>10.1: Detailed document on joint Governance Action Plan agreed between GRZ and CPs in June 2009. An external verification of the actions in the plan triggering the disbursement of the first tranche is being undertaken since end of October.</p> <p>10.2 GRZ committed itself to pay back the money allegedly stolen by the civil servants.</p> <p>10.3: GRZ still waiting for the Audit report on the MoH.</p>	<p>MoH</p>	<p>10.1: On-going; GRZ is to present a financial liquidity plan for the two months covered by the first tranche; external verification concluded.</p> <p>10.2: Done; repayment schedule received on 11-janv</p> <p>10.3: (i) the official letter from GRZ outlining the forensic audit findings was received 10 September; and (ii) ToR for Systems, Financial and procurement audits and their commencement has been approved by MoFNP and MoJ.</p> <p>[Lead: DFID/SW]</p> <p>Overall assessment: good progress in implementing the remedial measures agreed to in the Action Plan, although with delays; all but one of the measures necessary for the release of the first tranche have been fulfilled, paving the way for CPs disbursements.</p>
<p>11. Roads</p> <p>CPs are concerned that the 2008 financial over commitments need to be clarified, or will jeopardise the 2009 and 2010 work plans;</p> <p>MoFNP needs to engage at all levels</p>	<p>11.1: Financial Report has been forwarded to the CPs. However it was agreed that full clarity be obtained through OAG financial, technical and procurement audits. Audits results are now expected by mid Dec 09. In addition:</p> <ul style="list-style-type: none"> • CPs and GRZ have agreed that new road works can resume when (i) preliminary 	<p>MWS/ RDA NRFA</p>	<p>10.1: On-going; GRZ is to present a financial liquidity plan for the two months covered by the first tranche; external verification concluded.</p> <p>10.2: Done; repayment schedule received on 11-janv</p> <p>10.3: (i) the official letter from GRZ outlining the forensic audit findings was received 10 September; and (ii) ToR for Systems, Financial and procurement audits and their commencement has been approved by MoFNP and MoJ.</p> <p>[Lead: DFID/SW]</p> <p>Overall assessment: good progress in</p>

			<p>implementing the remedial measures agreed to in the Action Plan, although with delays; all but one of the measures necessary for the release of the first tranche have been fulfilled, paving the way for CPs disbursements.</p>
<p>11. Roads CPs are concerned that the 2008 financial over commitments need to be clarified, or will jeopardise the 2009 and 2010 work plans; MoFNP needs to engage at all levels (technical and with the two Ministers) to bring clarity and fully reconcile the financial report on 2008 appropriations, commitments and expenditures in the sector</p>	<p>11.1: Financial Report has been forwarded to the CPs. However it was agreed that full clarity be obtained through OAG financial, technical and procurement audits. Audits results are now expected by mid Dec 09. In addition:</p> <ul style="list-style-type: none"> • CPs and GRZ have agreed that new road works can resume when (i) preliminary findings of the financial and technical audits are available; (ii) the Joint Donor Forum (now postponed) agrees on a revised Road Sector Management Plan reflecting audit findings and remedial measures. <p>A "road sector management plan" between CPs and GRZ is in place addressing critical sector issues on (i) GRZ led sector dialogue, (ii) sector policy and strategy, (iii) sector financing, (iv) institutional review. Plan provides benchmarks for achievement/progress. It thus serves as jointly agreed platform for a continued sector development between CPs and GRZ and will be subject to revision based on the findings of the aforementioned OAG audit results.</p>	<p>MWS/ RDA NRFA</p>	<p>11.1: audits pending - target date mid-December 2009; 'road sector management plan' to be revised, following results of audits [Lead: EC]</p> <p>Overall assessment: process has begun, which is positive, though it is difficult to predict where it will lead to, until audits are made available</p>

<p>12. Agriculture</p> <p>CPs are concerned that this year GRZ has missed the opportunity to reform the FSP and implement a more effective voucherbased system; as already flagged last year, poor GRZ agriculture policies may at some point cast doubts over GRZ commitment to poverty reduction, which is another Underlying Principle for PRBS</p> <p>CPs are concerned over the findings of the FSP and FRA review which pointed out to leakages and corruption</p> <p>Agriculture Marketing Bill</p>	<p>12.1: Cabinet considered in September a Memo on the FSP reform (voucher system as of 2010 for input distribution); concerns were raised into the private sector capacity to respond to farmers needs and more work is needed. A sub-Committee has been tasked to look into that. For 2009, measures aim at improving targeting of beneficiaries under the current FSP set up, and reducing the pack size.</p> <p>12.2: Audits on the FSP and FRA are complete and reports available. MoFNP to submit audits to CPs.</p> <p>12.3: Cabinet already approved in principle the proposed Bill. MACO prepared the concept paper and submitted it to MoJ. The Ministry is now in the process of generating the Layman's Draft Bill. It is now anticipated that the Bill will be presented to Parliament in early 2010.</p>	<p>MACO</p>	<p>12.1: Cabinet approval pending</p> <p>12.2: Audits received by CPs on 24/11; to be further analysed.</p> <p>12.3: pending</p> <p>[Lead: WB/SW]</p> <p>Overall assessment: very limited progress</p>
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Annex 6. Comparison of the 2008 PFM-PR and PEFA 2005 Performance Indicators

Summary of PFM Indicators		Overall Ratings 2005	Overall Ratings 2008
A. PFM-OUT-TURNS: Credibility of the Budget			
PI-1	Aggregate expenditure out-turn compared to original approved budget	C	B
PI-2	Composition of expenditure out-turn compared to original approved budget	D	D
PI-3	Aggregate revenue out-turn compared to original approved budget	A	A
PI-4	Stock and monitoring of expenditure payment arrears	D+	B+
B. KEY CROSS CUTTING ISSUES: Comprehensiveness and Transparency			
PI-5	Classification of the budget	C	A
PI-6	Comprehensiveness of information included in budget documentation	B	B
PI-7	Extent of unreported government operations	D+	B+
PI-8	Transparency of inter-governmental fiscal relations	D+	D+
PI-9	Oversight of aggregate	C	C
PI-10	Public access to key fiscal information	B	A
C. BUDGET CYCLE			
C.(i) Policy-Based Budgeting			
PI-11	Orderliness and participation in the annual budget process	B	C+
PI-12	Multi-year perspective in fiscal planning, expenditure and budgeting	C+	B+
C.(ii) Predictability and Control in Budget Execution			
PI-13	Transparency of taxpayer obligations and liabilities	B	B
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	C+	B
PI-15	Effectiveness in collection of tax payments	D+	C+
PI-16	Predictability of the availability of funds for commitment of expenditures	D+	D+
PI-17	Recording and management of cash balances, debt and guarantees	C+	C+
PI-18	Effectiveness of payroll controls	D+	D+
PI-19	Competition, value for money and controls in procurement	D+	C+
PI-20	Effectiveness on internal controls for non-salary expenditure	C+	C+
PI-21	Effectiveness of internal audit	D+	C+
C.(iii) Accounting, Recording and Reporting			
PI-22	Timeliness and regularity of accounts reconciliation	C+	B
PI-23	Availability of information on resources received by service delivery units	C	B
PI-24	Quality and timeliness of in-year budget reports	C+	C
PI-25	Quality and timeliness of annual financial statements	C+	C+

C.(iv) External Scrutiny and audit			
PI-26	Scope, nature and follow-up of external audit	B+	B
PI-27	Legislative scrutiny of the annual budget law	C+	C+
PI-28	Legislative scrutiny of external audit reports	C+	C+
D. DONOR PRACTICES			
PI-29	Predictability of Direct Budget Support	D	D+
PI-30	Financial information provided by donors for budgeting and reporting on project and programme aid	D+	D+
PI-31	Proportion of aid that is managed by use of national procedures	D	C

Annex 7

Zambia Selected Economic Indicators

	2008	2009	2010	2011	2012
			Prog	Proj	Proj
National account and prices					
GDP at constant prices	5,7	5,3	5,5	6	6,2
GDP deflator	12,9	12,4	10,7	8,3	7,3
	(Billions of				
	55	65	76	87	99
GDP at market prices (kwacha)	079	196	191	446	726
Consumer prices					
Consumer prices (average)	12,4	13,7	10,1	7,5	6,5
Consumer prices (end of period)	16,6	12	8	7	6
External sector					
Terms of trade (deterioration -)	-17,1	-15,4	7,4	-2	-4,5
Average exchange rate (kwacha per U.S. dollar)	3 754				
(percentage change; depreciation -)	6,2				
Real effective exchange rate (depreciation -)1	-16,5				
Money and credit (end of period)					
Domestic credit to the private sector	50,2	14,3	20,1	..	..
Reserve money2	28,4	19	19	..	..
Broad Money (M3)	22	19	19	..	..
National accounts					
Gross investments	19,3	22,1	23,5	22,3	22,2
Government	3,6	4,2	5	5	5,1
Private	15,9	17,9	18,5	18,7	18,6
National savings	13,9	20,3	21	19,4	19,1
Gross foreign savings	5,6	1,8	2,5	2,9	3,1
Central government budget					
Overall balance3 (excluding grants)	-2,2	-2,6	-2,4	-1,6	-1,5
Revenue	18,6	15,7	15,9	15,9	16,4
Tax	17,5	15	14,9	15,4	15,8
Nontax	1	0,7	0,9	0,5	0,5
Grants	3,8	4,5	2,9	2,5	2,2
Total expenditure	23,8	22,8	21,2	20	20,1
Current expenditures	19,1	18	16,9	15,6	14,2
Of which: Wages and salaries	8,1	8,2	7,9	7,5	7,2
Capital expenditure	3,6	4,2	4	4,1	5,6
Domestic arrears payments	1,1	0,5	0,4	0,2	0,2

External sector						
Current account balance(	(including current and capital grants)	-5,6	-1,8	-2,5	-2,9	-3,1
(excluding grants)		-9,3	-6,3	-5,5	-5,5	-5,4
Gross international reserves (months of imports) ⁴		2,1	4,5	4,1	4,1	4,2
Public debt						
Total central government debt (end-period)		26,7	26,4	27,6	28	27,9
External		11,2	11,9	14,2	15,3	15,9
Domestic		15,5	14,5	13,4	12,6	11,9

Sources: Zambian authorities; and IMF staff estimates and projections.

¹Excludes Zimbabwe.

²The projected reduction in reserve money for December 2007 reflects the lowering of statutory reserve requirements from 14 to 8 percent on October 1, 2007.³

³ Including discrepancy between the above-the-line balance and below-the-line financing.

⁴Imports in current year. Includes the new SDR allocation of SDR 401 millions in 2009.