

**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**



ZAMBIA

COUNTRY PORTFOLIO PERFORMANCE REPORT

September 2008

REGIONAL DEPARTMENT SOUTH B

ZAMBIA COUNTRY OFFICE

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ABBREVIATIONS

ADB	:	African Development Bank
ADF	:	African Development Fund
CPPR	:	Country Portfolio Performance Review
DO	:	Development Objectives
ESW	:	Economic Sector Work
MOFNP	:	Ministry of Finance and National Planning
PIP	:	Portfolio Improvement Plan
PIU	:	Project Implementation Unit
SAGs	:	Sector Advisory Groups
SWAP	:	Sector Wider Approach
ZMFO	:	Zambia Field Office

CURRENCY EQUIVALENTS

September 2008

Currency Unit	=	Zambian Kwacha (ZMK)
1 UA	=	ZMK 5 695.11
1 UA	=	US \$ 1.56988
1 US \$	=	ZMK 3 594.81

WEIGHTS AND MEASURES

Metric System

FISCAL YEAR

1 January to 31 December

1. INTRODUCTION

1.1 The Bank Group undertook a Country Portfolio Performance Review (CPPR) for Zambia in May 2008. The objective was to review the performance of the Bank's ongoing portfolio and identify specific actions required to be taken to improve the overall performance of all the programmes/projects. The CPPR coincided with commencement of the ADF XI lending cycle and with the Bank's new interventions under the Joint Assistance Strategy for Zambia 2007 – 2010. Consequently, the timing of the outcome of the CPPR would also guide the designing of the new interventions in Zambia during this period. Furthermore, the review also examined issues emerging out of the commitments under the Paris Declaration on Harmonization and Alignment for Aid Effectiveness in relation to the Bank's portfolio and how these affect the current and future Bank's intervention instruments in Zambia.

1.2 The last CPPR in Zambia was conducted in 2005, which concluded a satisfactory overall portfolio performance with a rating of 2.17 on a scale of 3.00, and a high probability of individual projects meeting their stated development objectives on completion. There were 5 Problem and Potentially Problematic projects with 36% of the commitment at risk.

1.3 The current review finds a mixed performance on various indicators with improvement in disbursement rate, commitment at risk and problem projects, while there is a decline in some efficiency indicators. There are 4 Potentially Problematic projects with commitment at risk of 29 %. The portfolio is ageing, with the average age of the portfolio increasing from 4.8 years in 2005 to the current 6.07 years. However, with the average DO rating of 2.58, there is still high probability of individual projects meeting their stated development objectives upon completion.

1.4 In order to improve performance, the Bank has agreed with the Government a detailed Portfolio Improvement Plan (PIP). The PIP covers improved supervision by the country office; integration and harmonization of the Bank's project monitoring and evaluation systems into programmes supported by other Partners, where this exists; and a strong involvement of the Ministry of Finance and National Planning in monitoring physical implementation.

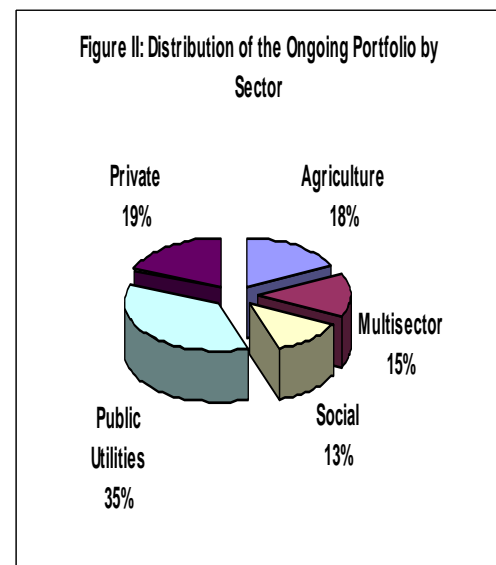
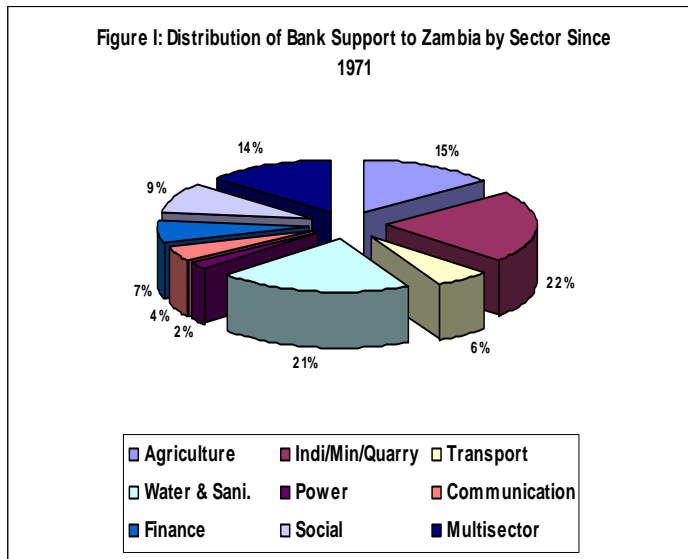
1.5 This report describes the characteristics of the portfolio; its performance; the problems and specific measures; lessons learnt and recommendations that should be implemented not only to improve performance, but also improve the design of new interventions under ADF XI.

2. OVERVIEW OF THE ONGOING PORTFOLIO

2.1 Main Characteristics and Features of the Portfolio

2.1.1 The Bank Group has to-date committed to Zambia, a total of UA 851.33 million, net of cancellations, to finance 37 projects, 5 lines of credit, 5 policy-based programmes, 4 institutional support operations, 8 studies, 2 debt relief operations and 1 emergency relief operation. The Bank has also made three private sector investments valued at US\$ 57.83 million. The ongoing portfolio consists of 9 public and 1 private sector operations, respectively, with a total commitment of UA 111.17 million for the public sector. The predominant instrument is project lending, with one budget support operation. Figure I shows

the distribution of Bank support to Zambia since the Bank started operations in the country in 1971, while Figure II reflects the distribution by sector of the ongoing portfolio.



Source: Bank Statistics

2.1.2 The predominant institutional structure for implementing Bank funded projects are traditional Project Implementation Units, with 5 of the 8 on going projects managed through this institutional framework outside the structures of the line Ministries. This has generated problems, particularly in the health and education sectors where there are existing SWAPs that are managed through the structures of the Ministries. The Bank funded projects are perceived to be independent projects, thus not receiving sufficient attention from the line Ministries.

2.1.3 Table I shows the detailed ongoing projects in Zambia.

Zambia Ongoing Projects as at 21.07.2008										21-Jul-08			
Sector Name	Long name	Approval Date	Signature Date	Approved Amount (UAm)	Amount Disbursed (UAm)	Disb. %	Effectiveness	Closing Date	Age	Dashboard			
Agriculture	AGRICULTURAL SECTOR INVESTMENT PROGRAMME	17-Dec-96	24-Apr-97	15.0	14.3	95.1%	22-Apr-98	30-Jun-08	10.25				
Agriculture	SMALLSCALE IRRIGATION PROJECT (SIP)	7-Sep-00	6-Feb-01	6.1	2.7	45.1%	15-Mar-02	30-Dec-09	6.35				
Agriculture	LAKE TANGANYIKA INTEGRATED REGIONAL MANAGEMENT PRG.	17-Nov-04	18-May-05	3.3	0.0	0.0%	na	31-Jan-12	na				
Agriculture Total				24.3	17.0	69.9%			8.30				
Multi-Sector	POVERTY REDUCTION BUDGET SUPPORT		17-May-07	20.0	20.0	100.0%	11-Dec-07	31-Dec-08	0.61				
Multi-Sector Total				20.0	20.0	100%			0.61				
Social	EDUCATION III PROJECT	01-Dec-99	17-Feb-00	8.5	6.3	74.3%	09-Feb-01	31-Mar-08	7.45				
Social	HEALTH SECTOR SUPPORT PROJECT (HLTH II)	14-Jul-99	01-Oct-99	8.9	5.6	63.0%	02-Jan-01	30-Jun-08	7.55				
Social Total				17.4	11.9	68.5%			7.50				
Water Sup/Sanit	CENTRAL PROV. RURAL WATER/SANITATION	08-Dec-00	20-Jun-01	12.4	10.9	87.6%	12-Nov-01	30-Jun-07	6.69				
Water Sup/Sanit	CENTRAL PROVINCE EIGHT CENTRES WATER SUP	17-Dec-03	22-Apr-04	22.0	14.5	66.0%	16-Dec-04	31-Dec-10	3.60				
Water Sup/Sanit	RURAL WATER SUPPLY & SANITATION PROGRAM	31-Oct-06	17-May-07	15.0	0.2	1.2%	na	31-Dec-11	na				
Water Sup/Sanit Total				49.4	25.6	51.8%			5.14				
Grand Total				111.2	74.5	67.0%			6.07				

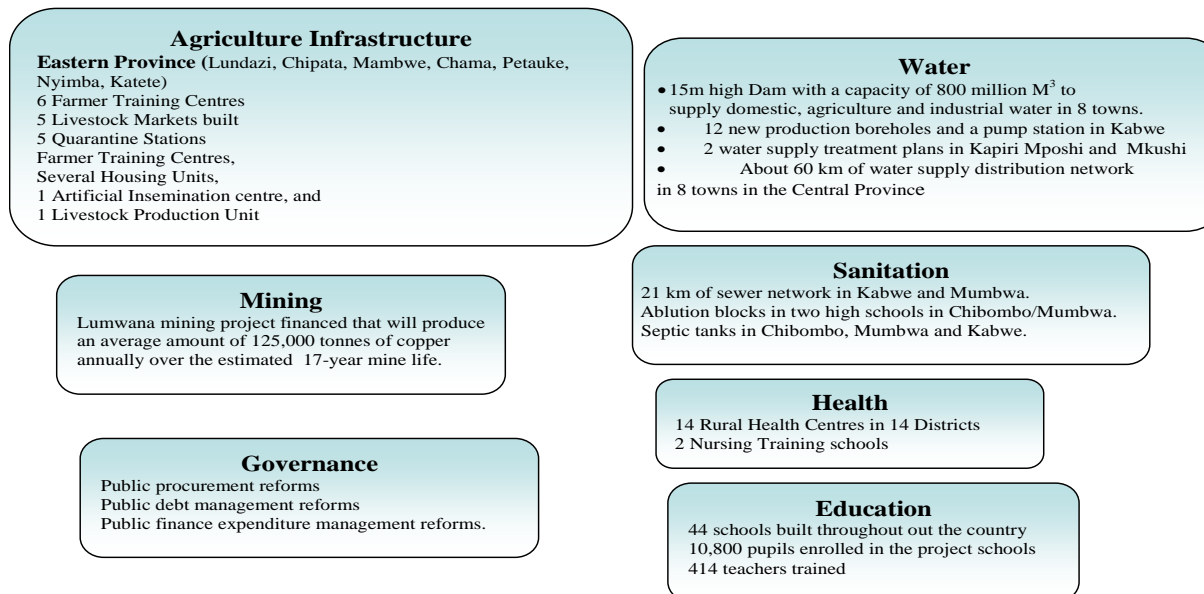
Note: Orange on the dashboard shows Potentially Problematic Projects

3. ASSESSMENT OF THE PERFORMANCE OF THE PORTFOLIO

3.1 Since the 2005 portfolio review, there have been several efforts by both the Bank and the Government to improve project implementation. These include establishment of a national monitoring and evaluation system under the ongoing Public Expenditure Management and Financial Accountability programme for monitoring the implementation of all development programmes; cancellation of balances of the 3 old projects; a mid term evaluation of Small Scale Irrigation Project which resulted in reduction of its scope and new procurement plan to expedite completion and opening of the Country Office in 2007. The Bank also joined in 2007, eight other Partners supporting the Poverty Reduction Budget and is now using the common Performance Assessment Framework and joint reviews to reduce transaction costs. Annex VII shows the status of implementation of the Portfolio Improvement Plan of the 2005 CPPR.

3.2 However, the current review shows that some portfolio indicators have improved whilst others are unsatisfactory. The indicators that have improved include the disbursement rate, the number of problematic and potential problematic projects and the commitment at risk. However, the overall portfolio rating has declined from 2.17 in 2005 to 1.75 in 2008 owing principally to the existence of three aged projects in the portfolio. Although the overall rating is low, the average rating for development objectives (DO) is 2.58, which indicates that the operations in the portfolio have a high likelihood for meeting their respective development objectives. Annex III shows the detailed rating for the projects while figure III illustrates the results framework of the various on going projects to date.

Figure III: Results Framework of the Ongoing Projects to date



3.3 Table II shows the current status of the key portfolio performance indicators compared to the last review in 2005 and the ongoing World Bank portfolio in Zambia.

Performance Indicators		Evolution		Comparison	
		2005	2008	ADF (2006 APPR)	World Bank
Implementation and Impact	Time from approval to effectiveness (in months)	16	17	17	10
	Disbursement ratio (%)	-	25.38	18	N/A
	Disbursement rate (%)	83.06	95.9	37	50
	Average project size (in million UA)	11.52	12.35	12.17	20.61
	CAR (% of commitments)	36	29	45	10
	Problematic Projects (% of ongoing projects)	56	50	47	10
	Average project age (in years)	4.8	6.07	4.3	3
Harmonization & Alignment	Use of country systems (%)	0	18	12	35
	Number of co-financed projects	1	1	n/a	60
	Number of parallel PIUs	8	7	n/a	0

Source: ADB and World Bank Statistics

Notes:

- (i) **APPR**: - Annual Portfolio Performance Review (Bank Wide)
- (ii) **Disbursement ratio** - Ratio of disbursements during the reporting period/Un-disbursed size of the Bank's portfolio at the end of the previous period
- (iii) **Disbursement rate**: Total ADF disbursements for projects/Total portfolio commitments
- (iv) The World Bank does not have parallel PIUs on their programmes in Zambia, for their technical assistance is streamlined within the structures of the Line Ministries.

Implementation and Impact indicators

3.4 The portfolio is largely characterised by aging projects and shrinking portfolio. The average age of the projects is 6.07 years while the oldest is 10 years. Three projects, which are also potentially problematic projects, have influenced the overall low rating and are winding up in 2008. They include the Education III, Health II and the Agricultural Sector Investment Programme (ASIP). These account for 29% of the portfolio. The Agricultural Sector Investment Programme experienced a 2 year delay in commencement because of changes in the institutional framework for implementation of the project. The two social sector projects were affected by the poor performance of some local Contractors in the Eastern Province, where 6 Health Centres and 1 Nursing School were affected to the extent that the Government had to terminate some of the civil works contracts. 6 schools were also affected in the Luapula Province. However, the Government has committed itself to completion of works on the outstanding sites from its national budget. The closure of these old projects will improve the portfolio rating.

3.5 One project, the Lake Tanganyika Integrated Regional Management Programme (UA 3.26 million) qualifies for cancellation having not been effective 2 years after approval. The problem relates to the institutional framework that needs to be established by the five countries involved in the programme, with some countries having not met their obligations. Meanwhile, the Government of Zambia has met the necessary conditions. Although efforts are

being made by the Bank to ensure that the project takes off in 2008, the delays in implementation of this project will continue to affect the overall rating of the Zambia portfolio.

3.6 Despite being a relatively small portfolio, there are 4 potentially problematic projects, putting 29% of the commitment at risk. This is an improvement from the 2005 review, where 36% of the commitment was at risk. Measures taken then included cancellation of the Child Welfare Project that had remained unsigned for two years after Board approval owing to designs and sustainability concerns by the Government. All the potentially problematic projects are in Social and Agriculture Sector. Performance in Water and Sanitation and Multi Sector is satisfactory, with no problem projects in the two sectors.

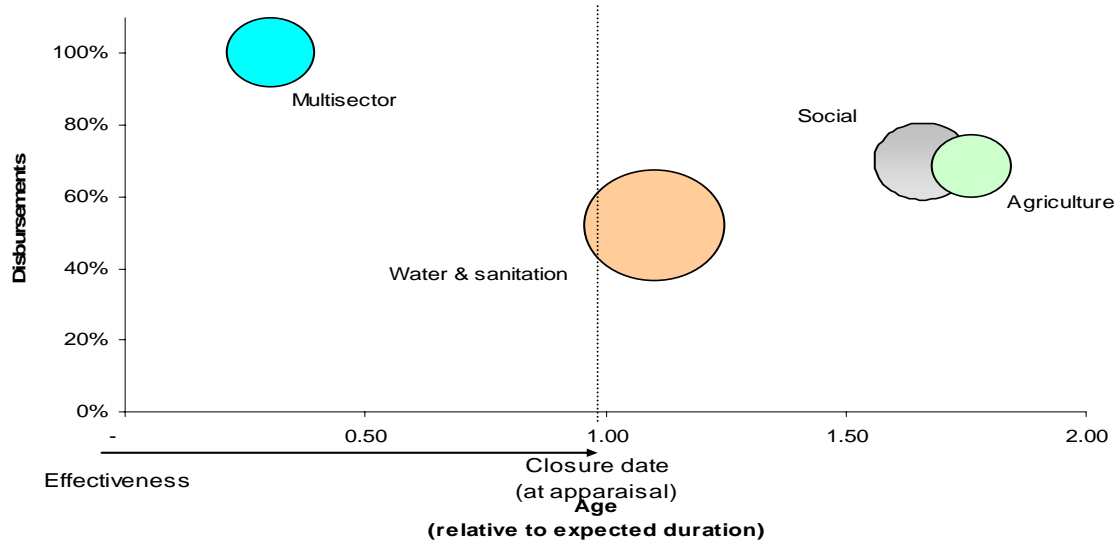
3.7 Agriculture remains the riskier sector, owing to design factors, institutional capacity for management and absorptive capacity problems. In 2007, the Government withdrew from a UA 32 million ADF supported new operation in the agriculture sector after significant work had gone into its preparation. The Government sighted availability of unutilised resources in the irrigation sub – sector-targeted by the Bank. However, the Bank will remain engaged in the sector over the medium term because of the importance of the sector and the global challenges brought about by the recent increase in food prices. Future Bank intervention will require extensive consultations among key stakeholders prior to committing resources regarding the issue of the exact areas of focus and capacity of the Government to utilize the resources in the sector.

3.8 The two social sector projects are completing in 2008, with no new intervention envisaged under ADF XI in this sector. Bank engagement will remain in-country advocacy in support of agreed international development goals in the two sectors.

3.9 During the review, an assessment was undertaken using the Small Irrigation Project, as a case study, to ascertain the average time taken to process procurement and disbursement requests. Annex V and VI provide the details of the outcome of the study. In procurement, it takes on average 17 months from preparation of the Terms of Reference/Draft tender documents/Expression of Interests to Contract Award, while in disbursement, it takes, on average 49 days from preparation of a request for disbursement to receipt of funds by the PIU. These are some of the generic problems that have contributed to the significant delays in project implementation. The objective, therefore, is to try and reduce the turn around time, in any of the procurement and disbursement stages for each of the ongoing projects, through strong follow up by the Country Office.

3.10 The overall disbursement rate is 96%. This is an improvement from the 2005 review where the rate was 83%. The high disbursement rate is on account of three projects that are completing in 2008 and the one tranche budget support operation that has been fully disbursed. The ASIP and the Health II projects, whose disbursement rates are 95% and 63% respectively, closed in June 2008, but since they were ongoing during the first six months of the year, they still had impact on the portfolio, hence being retained in the review. If the budget support is excluded the disbursement rate declines to 94%. Figure IV shows the disbursement rate relative to the age and volume of commitment in each sector.

Figure IV %disbursed versus relative age

**Notes**

(a) Bubble size = volume of commitments

(b) Relative age = time elapsed since date of effectiveness and 21 July 2008 / estimated duration at time of appraisal.

Harmonization and Alignment indicators

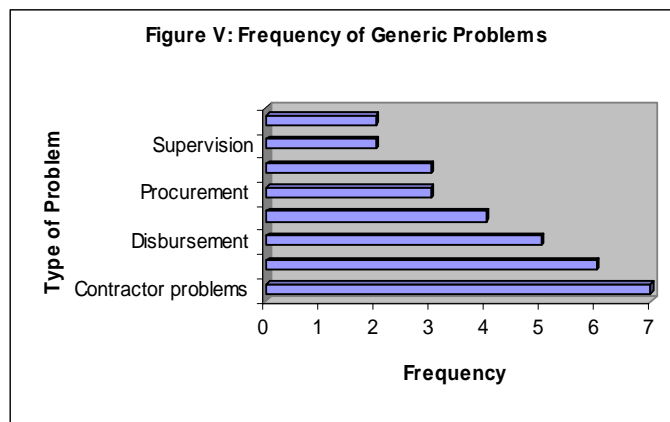
3.11 There are also emerging harmonization and alignment issues arising out of the implementation of the Paris Declaration on Aid Effectiveness in relation to the Bank's interventions. Since the 2005 CPR, two OECD led evaluations were undertaken in Zambia in 2006 and 2007 as part of global exercise. The 2007 evaluation was in preparation of the High-level Forum in Accra held in August 2008. The Bank's performance was not impressive on most indicators, particularly on use of country systems, use of PIUs, joint missions, etc. In 2007, for example, 44% of total Bank assistance used country systems and 5 out of 8 public sector projects were managed through PIUs. The Bank's portfolio is predominantly project lending despite the fact that the Government has called upon development partners to move towards joint management of sector programmes and increasing use of the budget support instrument. The new lending under ADF XI should, therefore, attempt to use more joint instruments, so that the Bank's portfolio improves on harmonisation indicators.

4. PORTFOLIO PROBLEMS AND MEASURES TO IMPROVE PERFORMANCE

4.1 During the review, detailed portfolio problems were identified and measures to improve performance were disaggregated at the level of Ministry of Finance and National Planning, Line Ministries, the Bank and PIU. Figure V highlights the frequency of the generic portfolio problems as they occur in each of the 8 ongoing projects, while Annex IV provides the detailed problems against the specific measures to be undertaken at each level.

4.2 The most prominent are the problems that relate to poor performance of the contractors and delays in the execution of programs. Since the problem is quite prevalent, the Bank has

proposed the introduction of annual procurement audits for each on-going project to be included in the usual Bank standard annual audit reports. The Country Office will also conduct periodic training workshops on contract management and procurement for all contractors engaged in Bank funded projects.



4.3 Disbursement delays are the other major problem affecting all the projects' pace of implementation. A local disbursement officer will be recruited in 2009 at the Country Office to guide PIUs and Executing Agencies with preparation and processing of the relevant disbursement requests.

4.4 The measures that have been agreed with the Government include a strong role that the MOFNP should play in monitoring physical implementation of supervision and audit recommendations; participation by the Bank in joint sector supervisions with other Partners; integration of Bank's project monitoring and evaluation systems into other programmes supported by other partners where they exist; and a lead role in project supervision by Task Managers based at the Country Office. This is in addition to the standard Bank's supervision and reporting requirements.

5. ASSESSMENT OF MANAGEMENT IMPLEMENTATION CAPACITY AND COORDINATION WITH OTHER DONORS

Government Level

5.1 Monitoring physical implementation of Bank supported projects at both MOFNP and some line Ministries, particularly in Agriculture and Health Ministries, remain a challenge. It has also been noticed that some line Ministries, particularly Health and Education, are putting more emphasis on existing SWAPs because of the magnitude of resources in these programmes, and the number of activities and reporting requirements. Consequently this affects the frequency and quality of supervision accorded to the Bank's stand alone programmes/projects.

5.2 In the agriculture sector, the problem is mainly the low absorptive capacity and inadequate policy guidance on areas in which Partners should focus their support. A joint Economic Sector Work (ESW) to assess the institutional capacity of the Ministry, involving all Partners supporting the sector is planned for the fourth quarter of 2008. The ESW aims to assess gaps and assist to meet the institutional capacity requirements of the Ministry of Agriculture and also identify other bottlenecks that limit full utilisation of resources allocated to the Ministry in the annual national budget.

5.3 At the PIU level, the frequency of the institutional capacity problem manifests itself on inadequate technical and management capacities of the executing agencies. There is weak support to independent PIUs, while staff in integrated PIUs seems to be involved in too

many tasks. A training workshop will be organized by the Bank in the 4th quarter of 2008 for both PIUs and Contractors engaged in Bank funded projects.

5.4 On its part, the Government is currently implementing the Public Service Reform programme aimed strengthening the institutional capacity in the public sector, attracting and retaining skilled personnel. The programme contains three components, namely:

- The Public Expenditure Management and Financial Accountability focusing on building financial management capacity,
- The Public Service Management focusing on rightsizing, pay reform, service improvement and establishment control and,
- The decentralization, which focuses on improvement of capacity, accountability and delivery at the local level

5.5 At sector level, there are sector based responses addressing capacity constraints within individual spending agencies and provision of joint technical assistance by Cooperating Partners in line with the Paris Declaration. Examples include the expanded rural health workers retention scheme; sector based training programmes and clearing of retirement arrears to regularise the establishment. A Code of Conduct for Capacity Development has also been agreed upon with the Government to guide and coordinate capacity building support by Cooperating Partners.

At Bank Level

5.6 There has been improvement in the supervision of ongoing project since the opening of the Country Office in 2007. The country Office has so far, in 2008, initiated supervision missions in Agriculture (2 field missions and 4 steering committee meetings) and Water and Sanitation (2 field visits), which has improved follow up on outstanding issues.

6. POTENTIAL FUTURE PROBLEMS AND LESSONS FOR CSP AND PORTFOLIO MANAGEMENT

6.1 As indicated above, Bank support to Zambia remains predominantly project based and PIU managed, despite the movement towards joint instruments by other partners and also preference for such instruments by the Government. This has affected the personnel and time assigned to Bank supported programmes by some Ministries, in preference for jointly managed programmes, hence affecting supervision of Bank supported projects. Compliance with these provisions has trade off implications in terms of how Bank supported projects are managed and supervised.

6.2 There are too many loan/grant conditions precedent in some ongoing projects. These affect and tend to delay the take off and effectiveness of projects. To minimize this in new interventions under ADF XI, the Bank will need to use the commonly agreed Performance Assessment Frameworks in each sector under the Fifth National Development Plan or national programmes where they exist. Satisfactory joint assessment and monitoring with other Partners should then form the nucleus of the triggers for future disbursements.

6.3 The issue of counterpart funding also needs to be addressed with a recommendation to the Bank to consider complete removal of this requirement in all its new

interventions in Zambia. The Government has been unable to either provide this, or in cases where allocations were made, these were inadequate or released late to spending Agencies thereby affecting the pace of project implementation. In this respect, the new **Policy on Expenditure Eligible for Bank Group Financing (ADF/BD/WP/2007/72/Rev.1)**, which requires flexibility in determining the proportion of the Bank's contribution to projects, should guide future design of the new programmes in Zambia.

6.4 Inadequate consultation during design of new programmes has been raised by some stakeholders, particularly in agriculture and health sectors. Additional stakeholder consultations are needed, particularly during identification, preparation and appraisal stages. Frequent and adequate briefing of senior management in the line Ministries and in Ministry of Finance will be required.

7. CONCLUSIONS AND RECOMMENDATIONS

7.1 Although the performance in some sectors was satisfactory, e.g. Water Supply and Sanitation, the overall implementation status of the Bank portfolio is generally unsatisfactory, particularly in the agriculture sector. 29% of the total commitment is at risk. The portfolio is also shrinking with most of the projects ending in 2008. Inadequate supervision of physical implementation projects by both the line Ministries and MOFNP still exists, with PIUs implementing projects independent of these important structures. Contact with the Ministries has mainly been limited to facilitating the necessary approvals like disbursement, procurement requests, project extensions etc. This has affected implementation of agreed commitments after every Bank supervision mission, particularly in the Health, Education and Agriculture. Consequently, the role of MOFNP in coordinating quarterly meetings with PIUs is imperative.

7.2 The opening of the Country Office gives an impetus for implementation of the Portfolio Improvement Plan that has been agreed with the Government, particularly strengthening the capacity to review procurement and disbursement requests in order to improve project implementation.

Jointly between the Bank and the Government

7.3 In order to improve monitoring of the implementation of recommendations of portfolio reviews, supervision missions and audit reports, quarterly meetings will be held with Executing Agencies, PIUs and ZMFO chaired by MOFNP. These will review progress in implementation and other issues affecting project/programme implementation. In addition, steering committee meetings involving the financiers will be held on a periodic basis.

7.4 The MOFNP, in some cases, is not monitoring the commitments made by the Government during loan/grant negotiations and signing, hence failing to meet commitments affecting project implementation. Therefore all PIUs will prepare a matrix of the status of implementation of the undertakings on Loan and Grant conditions on all ongoing projects that will be regularly monitored both by MOFNP and the Country Office.

At the Government level

7.5 Counterpart commitments for on-going projects will be included in each respective line Ministry's quarterly spending profile requests from the MOFNP and then released concurrently with other expenditure items.

7.6 Introduction of annual procurement and disbursement audits for each ongoing project to be included in the normal audit reports. Implementation of the recommendations will constitute part of the quarterly progress reports.

Bank level

7.7 The Bank will integrate and harmonize its project supervision, monitoring and reporting with the main programmes in each sector supported by other partners, where it exists, e.g. Health, Education, Water Supply and Sanitation and the Poverty Reduction Budget Support.

7.8 In order to improve the response by the Bank, the Country Office will develop a tracking system for procurement and disbursement requests submitted to the Bank.

7.9 The Bank will also sign up to local Sector Advisory Groups (SAGs) structures and attend joint annual project reviews with other Partners. Furthermore, the Country Office will periodically make regular presentation to the respective SAGs on proposed new interventions by the Bank, to ensure harmonization and alignment with sector developments and expectations.

7.10 The Bank will also conduct periodic training workshops on contract management and procurement for PIUs and contractors in engaged in Bank funded projects.

7.11 The Boards are invited to consider and approve the report.

ANNEX I

ZAMBIA - SUMMARY OF ON-GOING PROJECTS AS AT 5 SEPTEMBER 2008

	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	13.50	1.50	90	30/06/2008
2	Small-Scale Irrigation Project	07/09/2000	06/02/2001	15/03/2002	ADF	5.290	1.65	3.64	31	31/12/2009
	Small-Scale Irrigation Project	07/09/2000	06/02/2001	15/03/2002	TAF	0.760	0.37	0.39	43	31/12/2009
3	Lake Tanganyika Integrated Regional Management Programme	17/11/2004	18/05/2005	-	TAF	3.26	-	-	-	31/01/2012
	Multi-Sector									
4	Poverty Reduction Budget Support ¹	29/11/2006	17.05.07		ADF	20.00	0	20.00	100	31/12/08
	PUBLIC UTILITIES SECTOR									
5	Central Province 8 Centres Water Supply & Sanitation	17/12./2003	22/04/2004	16.12.2004	ADF	16.25	11.46	4.79	70	31/12/2010
	Central Province 8 Centres Water Supply & Sanitation	17/12./2003	22/04/2004	16.12.2004	TAF	5.78	0.21	5.57	3	31/12/.2010
6	Central Province Rural Water Supply ²	13/12/2000	20/06/2001	12/11/2001	ADF	12.41	10.87	1.54	88.00	30/06/07
7	National Rural Water Supply and Sanitation Programme	31/10/2006	17/05/07		ADF	15.00	0	0	0	31/12/2011
	SOCIAL SECTOR									
8	Health II (Health Sector Support Project)	14/07/1999	01/10/1999/	01 /02 /2001	ADF	8.92	5.48	3.44	61	30/06/08
9	Education III	01/12/1999	17/02/2000	09/02/2001	ADF	8.50	6.07	2.43	71	31/12/08
	Private Sector									
10	Lumwana Project	27/09/2006	01/12/06	01/12/06	ADB	26.44	17.28	9.16	65	30/06/09

¹ The last disbursement was made in January 2008.

² The project is complete and the Government has been notified about cancellation of the balance.

ANNEX II

ZAMBIA: SUMMARY OF BANK GROUP COMPLETED AND CANCELLED PROJECTS										
UA 'millions										
	PROJECT	APPROVED	SIGNED	EFFECTIVE	SOURCE	AMOUNT	DISBURSED	UNDISBURSED	DISBURSEMENT	DISBURSEMENT
									Ratio(%)	DEADLINE
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
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
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
11	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	Lusaka 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
12	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
6	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

ANNEX III: DETAILED PROJECT RATINGS

PROJECT	A1	A2	A3	B1	B2	C1	C2	C3	C4	C5	D1	D2	D3	D4	E1	E2	E3	E4	Average Trend	IP	DO
AGRICULTURAL SECTOR INVESTMENT PROGRAMME	1	2	2	1	2	3	2	3	2	0	2	2	2	3	2	2	2	0	1.83 1,72	1,93	1,50
SMALLSCALE IRRIGATION PROJECT	2	2	2	2	2	2	2	2	2	0	2	2	2	2	3	3	2		2 2,00	1,86	2,67
POVERTY REDUCTION BUDGET SUPPORT	2	3	2			2	2	2	2	2	2			2	2	2	2		2.08 2,08	2,10	2,00
EDUCATION III PROJECT	2	2	2	2	1	2	1	1	2	2	1	2	1	2	3	2	3	3	1.89 1,89	1,64	2,75
HEALTH SECTOR SUPPORT PROJECT	1	1	1	2	2	3	3	2	1		2	2	2	2	3	3	3	2	2.06 2,00	1,85	2,75
CENTRAL PROV. RURAL WATER/SANITATION	3	2	3	2	3	3	2	3	3		3	2	3	3	3	2	3		2.69 2,69	2,69	2,67
CENTRAL PROVINCE EIGHT CENTRES WATER SUP	3	3	2	2	2	3	3	2	2		3	2	2	2	3	2	2		2.38 2,38	2,38	2,33
RURAL WATER SUPPLY & SANITATION PROGRAM	2	2	1	2							1				2	2	2		1.75 1,75	1,60	2,00

KEY

A Project Implementation

- A1 Conditions precedent to entry into force
- A2 General Conditions
- A3 Other conditions

B Procurement Performance

- B1 Consultancy services
- B2 Procurement of Goods and works

C Financial Performance

- C1 Availability of foreign exchange
- C2 Availability of local currency
- C3 Disbursement flux
- C4 Cost management
- C5 Performance of co-financiers

D Activities and Works

- D1 Adherence to implementation schedule
- D2 Performance of Consultants or Technical Assistance
- D3 Performance of Contractors
- D4 Performance of Project Management

E Impact on development

- E1 Likelihood of achieving development objectives
- E2 Likelihood of project sustainability
- E3 Project contribution to increase institutional capacity
- E4 Current rate of return

3= very satisfactory, no problem 2= satisfactory, some problems the Bank needs to follow up 1=little satisfactory. The Bank needs to follow up even no immediate 0= very little satisfactory. Serious problems requiring Bank's action

ANNEX IV

SUMMARY OF IDENTIFIED PROBLEMS AND SPECIFIC MEASURES TO ADDRESS THEM

MAIN SPECIFIC PROBLEMS IDENTIFIED	MEASURES TO BE TAKEN
MINISTRY OF FINANCE AND NATIONAL PLANNING LEVEL	
Absence of a system within the MOFNP to monitor the implementation of recommendations of previous portfolio reviews, supervision missions and audit reports.	Quarterly meetings between Executing Agencies, PIUs and ZMFO chaired by MOFNP reviewing specific outstanding issues
MOFNP not monitoring the commitments made by the Government during loan/grant negotiations and signing, hence fail to meet commitments affecting project implementation.	Preparation by all PIUs a matrix of the status of implementation of the undertakings on Loan and Grant agreements which will be monitored both MOFNP and ZMFO.
Documents being misplaced at the MOFNP e.g. civil works certificates hence delays in approval and requests for disbursements	Discuss with the MONP on how they are handling requests from PIUs.
Counterpart funds though normally reflected in the Government annual estimates of expenditure were neither released in full nor on time.	Include requirements in the line Ministry's quarterly spending profiles requests from the MOFNP. Remove the requirement on the new Bank interventions in Zambia
Delays by MoFNP in submission of disbursement requests to the Bank's H/Q	The PIUs should copy the disbursement requests letters to the Country Office for follow up purposes.
LINE MINISTRIES LEVEL	
Inadequacies in monitoring the physical implementation of ongoing projects, especially Health, Education and Agriculture	Integrate and harmonize the Bank's project supervision, monitoring and reporting with the main programmes in each sector supported by other partners, where it exists, e.g. Health, Education, Water Supply and Sanitation and the Poverty Reduction Budget Support. An implementation matrix produced after every supervision mission specifying the follow up actions and role of MOFNP, Sector Ministry, PIU, ZMFO and Bank's Head Office and specific dates for accomplishing each action.
BANK LEVEL	
Delays in receiving "No Objections" /response from the Bank	All requests and reporting on projects will be channeled through Country Office which commits to respond within the mandatory 14 days. Each ZMFO Task Manager, together with the PIU, will develop a tracking system for procurement and disbursement requests submitted to the Bank (see annex X)
Frequent changes of Task Managers at head office with each one coming up different approach on project supervision and reporting. Inconsistent supervision in the agriculture sector.	The Task Managers at Country Office will lead all follow ups after supervision missions. The Banks will agree with each Executing Agency on schedules of supervision missions during the year and timing of the missions.
The Bank entertaining frequent complaints by suppliers and bidders as regards to results of examination of tenders and other issues that are supposed to be handled at local level hence undermining the local procurement processes	The Bank will refer all such issues to the borrower and late these be resolved at country level.
Delays in releasing un - disbursed loan balances	Agree on disbursement targets with the PIU each year and monitor quarterly implementation at the ZMFO level.

Cooperating Partners and some Ministries indicated that the design of Bank projects had inadequate consultation and lack local ownership, hence problem in cooperation with line Ministries during implementation. This was evident mostly in agriculture and health	More time during appraisal missions and ensure proper skills mix for of all new interventions under ADF XI. Meanwhile, ZMFO to prepare a comprehensive participatory programme for each new appraisal mission and indicating how this should be funded.
The Bank programmes are not aligned to other CPs programmes or recent developments in the sectors which it is intervening, particularly in Health, Education and Agriculture.	Sign up to local Sector Advisory Groups (SAGs) structures and use the commonly agreed monitoring systems and ZMFO attend joint annual meetings for project reviews by other partners. ZMFO to make regular presentation to the respective SAGs on proposed new intervention by the Bank to ensure harmonization and alignment with sector developments and expectations.
Too many loan/grant conditions in some ongoing projects.	For all new interventions under ADF XI, use commonly agreed Performance Assessment Frameworks in each sector under the Fifth National Development or national programmes where they exist, eg the Poverty Reduction Budget Support, Health, Education and Water Supply and Sanitation
PROJECT IMPLEMENTATION UNITS LEVEL	
Non compliance with Bank procurement and disbursement procedures	Introduction of annual procurement and disbursement audits for each ongoing project to be included in the normal audit reports. Introduction of procurement and disbursement compliance monitoring and tracking system at the Country Office level.
Delays in implementation of recommendations of project supervision missions	Task Manager at Country Office level to monitor and report quarterly on the status of implementation Matrix that will accompany each supervision mission.
Poor performance by local contractors and hence Long delays in Project Execution	The ZMFO will also conduct periodic training workshops on contract management and procurement for all contractors in engaged in Bank funded projects.
Non-compliance with Bank requirements as regards to progress and audit reports	CPO to produce quarterly reporting on compliance to this by PIUs.

ANNEX V

ASSESSMENT OF DURATION OF DISBURSEMENT

SMALL SCALE IRRIGATION PROJECT. (LOAN NO. 21 00 15 01 106)

	Indicator	Date Request Prepared	Date Request Sent to MoFNP	Date Request Rec'd from MoFNP	Date Request Sent to AfDB	Date Payment Rec'd/ or Value Date	No of Days from Prep. to Receipt of Funds
1	Average procurement time (No. of days - Receipt of bidding document to contract signing using the last four requests as an example)						
2	Average Consultant Contracting time (No. of days - Short listing to contract signing using the last four requests as an example)						
3	Average time taken between disbursement request and actual disbursement. (Days)						
	◆ Request No. 16: African Brothers Corporation	29/08/2006	29/08/2006	07/09/2006	08/09/2006	22/09/2006	24
	◆ Request No. 17: Special Account Replenishment	25/10/2006	25/10/2006	31/10/2006	01/11/2006	13/12/2006	48
	◆ Request No. 18: African Brothers Corporation	15/11/2006	16/11/2006	17/11/2006	24/11/2006	18/12/2006	33
	◆ Request No. 19: Special Account Replenishment	02/05/2007	03/05/2007	08/05/2007	08/05/2007	19/06/2007	48
	◆ Request No. 20: African Brothers Corporation	23/08/2007	24/08/2007			06/12/2007	105
	◆ Request No. 21: African Brothers Corporation	10/03/2008	10/03/2008	01/04/2008	01/04/2008	24/04/2008	46
	◆ Request No. 22: Special Account Replenishment	03/04/2008	03/04/2008	10/04/2008	10/04/2008	23/05/2008	50
	◆ Request No. 23: China Jiangxi Corporation for International & Economic & Technical Cooperation	03/04/2008	03/04/2008	10/04/2008	10/04/2008	08/05/2008	35
	◆ Request No. 24: China Jiangxi Corporation for International & Economic & Technical Cooperation	27/03/2008	27/03/2008	03/04/2008	08/05/2008	08/05/2008	42
4	Average days taken in general to receive any No objection from the African Development Bank (using the requests in 2007)						

ANNEX VI
LENGTH OF PROCUREMENT CYCLES FOR SELECTED GOODS, WORKS, AND SERVICES
SMALL SCALE IRRIGATION PROJECT. (LOAN NO. 21 00 15 01 106)

No.	Item description	Mode of Proc	ToRs/ Draft Tender Doc./ Express Interest		Tender Opening/ Short-List		Request for Proposals		Contract Award	Length of Proc. Process (Month)
			Sent to ADB	Response Received	Report Sent to ADB	Response Received	Report Sent to ADB	Response Received		
1	Topographic Surveys Consultant	SL	11/06/2003	09/07/2003	17/03/2004	07/04/2004	18/11/2004	06/12/2004	10/03/2005	21
2	Baseline Surveys Consultant	SL	11/06/2003	09/07/2003	17/03/2004	07/04/2004	18/11/2004	06/12/2004	22/02/2005	20
3	Comm. Mobilisation Consultant	SL	11/06/2003	09/07/2003	17/03/2004	07/04/2004	18/11/2004	07/5/2005	Cancelled	23
4	Micro-Finance Institution, Consultant	SL	11/06/2003	09/07/2003	17/03/2004	07/04/2004	Procurement process re-started, Oct.2006		Yet to be awarded	10
5	Technical Assistance – Eng. Consultant	ICB	27/07/2004	06/10/2004	04/05/2005	-	11/05/2005	21/11/2005	10/05/2006	24
6	Civil Works Contractor – Buleya Malima Rehabilitation	ICB	Sept 2005	-	14/09/2005	27/09/2005	25/01/2006	10/02/2006	22/03/2006	6
7	Construction of Nega- Nega Irrigation Scheme (Lot-1, Lot-2)	ICB	15/03/2007	02/01/2008	25/10/2007 17/12/2007 18/01/2008 <i>Draft Contract</i> 06/02/2008 <i>Revised draft Contracts</i>	06/11/2007 02/01/2008 <i>No Objection</i> 29/01/2008 <i>Comments</i> 07/02/2008 <i>No Objection</i>	N/A	N/A	22/02/2008	13
8	Construction of Nzenga Irrigation Scheme	ICB	21/08/2007		Yet to be sent					
8	Kanakantapa Dam deign - Consultancy	ICB			25/03/2008 Revised Short List	Yet to receive a response				

ICB International Competitive Bidding; **NCB** National Competitive Bidding; **SL** Short-Listing

ANNEX VII
STATUS OF IMPLEMENTATION OF THE 2005 PORTFOLIO IMPROVEMENT PLAN

ISSUES	ACTIONS REQUIRED FOR THE GOVERNMENT		ACTIONS REQUIRED FOR THE BANK	
	Item	Status	Item	Status
Delays in fulfillment 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.	Not done	Reduce the number of conditions precedent to loan/grant disbursement.	The two new interventions under ADF X, i.e the Poverty Reduction Budget Support and the Rural Water and Sanitation Programme approved in 2006 have streamlined loan conditions.
	Quarterly meetings with line Ministries on project/programme implementation	The Ministry of Finance and National Planning meets PIUs jointly at the end of every year.	Maintain the recommended target average of 1.5 supervision missions per year for each project and also increasing use of project launching missions Expedite the opening of the Country Office in 2006, with the office subsequently playing key role of implementation of the CPIP	All the ongoing projects have been supervised at least once per year since the last CPR The Office was opened in December 2006
No comprehensive national monitoring and evaluation framework for ongoing projects	Establish a national monitoring and evaluation system under the PEMFA programme.	Done	Identify development partners in each sector that the Bank is intervening and proposing a common assessment/supervision framework with the respective partners	The Bank is currently participating in the Poverty Reduction Budget Support with 8 other Partners, which is reviewed jointly twice a year. It started conducting joint evaluation missions in the water sector in 2007. The Bank is also participating in Sector Advisory Groups in all the sectors that it is currently supporting since the opening of the Country Office.
Weak Procurement	Government expedites implementation of procurement reforms currently supported by the Bank	A draft Public Procurement Bill was prepared in 2007 and is under consideration by the Government before submission to Parliament.	Adopt and use the procurement plans of ongoing projects as a monitoring and evaluation tool Regular training workshops on Bank rules and procedures.	Done in some sectors No such workshop has been organised since the last CPR was conducted. However, this is planned for the 3 rd quarter of 2008.

			Country Office to form regular procurement forums with project coordinators addressing procurement related issues	Not yet done
Inadequate counterpart funding	Incorporate adequate provisions for counterpart funds in the Medium Expenditure Term Expenditure Framework (2006 – 2008)	This is being done but final annual releases to line Ministries are still inadequate	Continued dialogue with the Government to meet its obligation of counterpart funding on the existing portfolio. Ensure that project coordinators of Bank funded projects consistently integrate the counterpart funds in the Medium Term Expenditure Framework.	Done during regular project supervision missions. Done
Lengthy procedures for processing contract award	The Government and the Bank should agree on an acceptable turn around period for processing contract awards 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	No indication of this having been done Not done	Continued support to procurement and other governance related reforms. Improve the response to Government, particularly on procurement issues	These are now supported by other Partners through the ongoing Public Expenditure Management and Financial Accountability that commenced in 2005. Ongoing