

**AFRICA DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**

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REPUBLIC OF ZAMBIA

**COVER NOTE FOR THE BANK GROUP'S INTERVENTION IN THE
CONTEXT OF THE
JOINT ASSISTANCE STRATEGY FOR ZAMBIA 2007 – 2010**

REGIONAL DEPARTMENT SOUTH B (ORSB)

SEPTEMBER 2007

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The main Joint Assistance Strategy for Zambia is a joint product of extensive consultations and dialogue among the 16 Cooperating Partners that are signatory to the document and the Government of the Republic of Zambia. The Bank Group was represented by Mr. T. Bhebe, Country Economist, ORSB, in preparation of the main JASZ document and contributed, among other things, the Chapter on Risk and Mitigatory Measures envisaged during the implementation of the JASZ. Mr. F. Black, Director, ORSB, led the internal review process of the document.

ABBREVIATIONS

AIDS	Acquired Immune Deficiency Syndrome
ADB	African Development Bank
ADF	African Development Fund
COMESA	Common market for eastern and Southern Africa
CPs	Cooperating Partners
CSP	Country Strategy Paper
FNDP	Fifth National Development Plan
FTA	Free Trade Area
GDP	Gross Domestic Product
HIPC	High Indebted Poor Country
HIV	Human Immune-deficiency Syndrome
JASZ	Joint Assistance Strategy for Zambia
MTEF	Medium Term Expenditure Framework
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
NEPAD	New Partnership for Africa's Development
PEMFA	Public Expenditure management and Financial Accountability
SAGs	Sector Advisory Groups
SADC	Southern Africa Development Community
SAPP	Southern Africa Power Pool
SFTA	Support for Fiscal Transparency and Accountability

CURRENCY EQUIVALENTS

September 2007

Currency Unit	=	Zambian Kwacha (ZMK)
1 UA	=	ZMK 5 993.31
1 UA	=	US \$ 1.50472
1 US \$	=	ZMK 3 960.56

WEIGHTS AND MEASURES

Metric System

FISCAL YEAR

1 January to 31 December

EXECUTIVE SUMMARY

1 The Government of the Republic of Zambia launched its Fifth National Development Plan 2006 – 2010 (FNDP) and the National Vision 2030 in January 2007. The two documents constitute the Government’s medium and long term development agenda, with the FNDP representing the first building block for achieving the Vision’s objectives. The FNDP’s theme is “**Broad Based Wealth and Job Creation through Citizenry Participation and Technological Advancement**”, while its strategic focus is “**Economic Infrastructure and Human Resources Development**” It estimates a total financial requirement of about US 14.9 billion in the next five year, financed predominantly from domestic resources.

2 In recognition of the comprehensiveness of the two planning documents as credible instruments for addressing poverty and promoting sustainable development, 16 Cooperating Partners (CPs) prepared the Joint Assistance Strategy for Zambia 2007 – 2010, which was signed in April 2007. The Joint Assistance Strategy for Zambia (JASZ) provides a joint medium-term national planning instrument for CP, to manage development cooperation with the Government. It is aligned to the FNDP and attempts to strengthen local ownership of the development process and enhance the effectiveness of development assistance by linking the national development targets to internationally agreed development goals. The 16 signatories of the JASZ committed themselves to either use the document as a replacement for their current strategies for development cooperation in Zambia or base their maintained country strategies on it. The estimated amount of external grants and loans to the Government’s development agenda under the JASZ is about US\$ 700 million per annum.

3 The Bank is a signatory to the JASZ and has maintained it as its Medium Term Strategy for Zambia¹ The specific objective of the Bank’s intervention is to support, together with other JASZ Partners, the Government’s efforts to improve the well being of the Zambian population as described in the FNDP. The Bank support will be based on two pillars, namely, **Pillar I, Support to Infrastructure Development** and **Pillar II, Support to Good Governance through provision of budget support**. The pillars will also be complemented by Economic and Sector Work in Agriculture and Regional Integration studies, together with in-country advocacy in support of agreed international development goals in the social sectors. Also envisaged are private sector operations in the key sectors that have been identified by the Government as the major drivers of its Economic Diversification Programme, namely, manufacturing, tourism, construction and the financial sector.

4 The Board of Directors is recommended to approve the overall JASZ document, together with the Covering Note defining the pillars and areas of focus, as the Bank’s Country Strategy Paper for Zambia during the period 2007 – 2010.

¹ The Bank’s participation in the JASZ is part of its commitment to the Paris Declaration on Harmonisation, Alignment and Management for Results.

1.0 INTRODUCTION

1.1 Following the conclusion of the period covered by the Bank Group's Country Strategy Paper (CSP) for Zambia, 2002-2004², the Bank Group joined other development partners in 2005 to prepare a Joint Assistance Strategy for Zambia 2007 – 2010, upon the request from the Government. As the JASZ process was ongoing, a 2006 Update of the 2002 – 2004 Country Strategy Paper³ was prepared to cover the lending programme under ADF X. The areas covered by the Update included Water and Sanitation, Budget Support and Agriculture.

1.2 At the inception of the JASZ process the Government and CPs undertook a self-assessment of the comparative advantages of each Partner's interventions in Zambia, with the objective of limiting the number of active partners involved in each sector. Out of this process, the Bank's envisaged sector presence includes Agriculture, Water and Sanitation, Social Protection, Education and Transport. However, because of the need for selectivity, the sectors have been further streamlined to fewer interventions revolving around two pillars.

1.3 The Bank's two pillars are **Pillar I, Support to Infrastructure Development** and **Pillar II, Support to Good Governance through provision of budget support**. The pillars are derived from the challenges being faced by the country, as articulated in the FNDP; the historical intervention of the Bank Group in Zambia; its comparative advantage in the country; and the Bank's strategic orientation i.e. Infrastructure Development; Trade; Information and Communication Technology and Regional Integration. More importantly, the pillars enable the Bank Group's intervention in Zambia to be harmonised with other development partners that participated in the preparation of the JASZ.

1.4 This Covering Note, which forms the Bank Group's Business Plan for its intervention in Zambia, provides, among other things, the country's development agenda; the challenges and opportunities in the country; the strategic context of the Bank's intervention within the overall JASZ; the detailed description of the objectives of the pillars and specific sectors supporting them; and the envisaged monitoring and evaluation framework of the JASZ.

2.0 NATIONAL DEVELOPMENT AGENDA

2.1 Key elements of the Development Agenda

2.1.1 The Government's development agenda is articulated in three interrelated planning instruments, defining the long, medium and short term development objectives, namely, the National Vision 2030, the Fifth National Development Plan 2006 – 2010 (FNDP) and the rolling Medium Term Expenditure Framework 2006 - 2008. The long term development planning objectives are articulated in the National Vision 2030, where the country aims **“to become a prosperous middle income country by the year 2030.”** The FNDP, which constitutes the Government's Medium Term Strategy, represents the first building block for achieving the Vision's objectives. Its theme is **“Broad Based Wealth and Job Creation through Citizenry**

² Board Document ADF/BD/WP/2003/70

³ Board Document ADF/BD/IF/2006/229

Participation and Technological Advancement”, while the strategic focus is **“Economic Infrastructure and Human Resources Development”**. The Medium Term Expenditure Framework (MTEF) articulates the short term macroeconomic framework during the period 2006 – 2008, aiming at sustaining and building on the gains achieved in recent years.

2.1.2 Chapters 3 and 4 of the JASZ summarise the FNDP themes and the strategic focus of the Government’s development agenda; sector challenges; priority sectors and the cooperating partners’ response to these challenges. The financing required in the medium term, i.e. 2006-2010, amounts to US\$ 14.9 billion. This is envisaged to be financed through domestic (77%) and external resources (18%). A 5% residual financing gap has been identified, which the Government anticipates to be filled by additional revenue arising from tax reforms and scaling up of donor assistance, as promised in at the International Conference on Financing Development (Monterrey) and the Gleneagles G8 Summit held in 2002 and 2005, respectively.

2.1.3 There is a consensus among Cooperating Partners (CPs) in Zambia that the existing planning instruments not only provide a comprehensive framework for addressing poverty and promoting sustainable development, but also provide a platform on which CPs can support the Government’s development agenda. They also provide an acceptable basis for aligning CPs to the country’s systems. The Joint Assistance Strategy for Zambia is, therefore, CPs’ joint response to this national development agenda, and provides a joint medium-term national instrument to manage development cooperation with the Government.

2.2 Assessment of implementation of the Development Agenda

2.2.1 Achievements: The country has experienced strong macroeconomic performance over the past six years with an improvement in some socio economic indicators. Chapter 2 of JASZ reflects the recent socio economic developments in Zambia. The economic environment has been characterised by average annual real GDP growth rate of 4.6 per cent over the past five years and successful debt relief. The incidence of poverty declined from 73% of the population in 2002 to an estimated 68% in 2006. According to the JASZ document, the country has potential to improve on seven out of the nine MDGs, most notably attaining universal primary education, while targets on maternal mortality and environmentally sustainable development are unlikely to be achieved. Although the FNDP does not provide a specific target, overall incidence of poverty levels is expected to decline significantly during the plan period owing to anticipated economic growth and increased expenditures on poverty reduction programmes.

2.2.2 ADB’s Contribution: Although there are challenges in trying to attribute each individual Cooperating Partner’s contribution to the country’s recent socio economic developments, the Bank has contributed considerably. Among economic reforms that have sustained the recent positive macroeconomic performance, the Bank supported policy reforms on foreign exchange market liberalisation, decontrol of community markets, trade liberalisation, tariff reforms and privatisation. The policy reforms have proved sustainable. Under the Support for Fiscal Transparency and Accountability Programme which ended in December 2006, the Bank supported policy reforms and institutional capacity building to promote transparency and accountability in fiscal management. The Bank also provided debt relief to the Government under the HIPC

programme and the Multilateral Debt Relief Initiative, valued at US\$ 452.33 million, which increased resources available for poverty reduction programmes and other social spending. A total of about US\$ 900 million has been committed to date to finance public sector projects in the industrial sector, public utilities, agriculture, the social sectors and transport. Coupled with this is the support to private sector investments in Zambia valued at about US\$ 57.12 million. The focus of Bank support has been predominantly infrastructure development, which will also continue to anchor its intervention during the JASZ period.

3.0 CHALLENGES AND OPPORTUNITIES

3.1 Table I summarises the main development challenges facing the country in the short to medium term and the existing opportunities that provide a conducive environment for CPs to continue providing the much needed development assistance to the Government to address poverty.

Table I: Challenges and Opportunities in Zambia

Challenges	Opportunities
<ul style="list-style-type: none"> • High poverty levels, • High incidence of HIV/AIDS at 20% of the population, • High economic dependence on single commodity for export earnings, i.e. copper • Transitional effects of reorientation of public expenditure towards poverty reduction programmes, • Institutional capacity problems across the public service and, • Poor public infrastructure. 	<ul style="list-style-type: none"> • Existence of a comprehensive harmonization framework, • Improved macroeconomic policy management in recent years, • Additional fiscal space created by the HIPC Completion Point and MDRI and, • National commitment to attainment of MDGs.

4.0 BANK GROUP ASSISTANCE STRATEGY

4.1 Country Context and Strategic selectivity

4.1.1 As indicated above, the JASZ is the Cooperating Partners' response in support of the Government development agenda articulated in the FNDP. Its objectives, programmes, the estimated financial resources and its Performance Assessment Framework are all derived from the FNDP. The latter is a product of extensive consultation among all the stakeholders at different levels of Government, i.e. District, Provincial and National Planning structures. Its preparation also involved extensive consultation with the Sector Advisory Groups (SAGs), consisting of Government, development partners, civil society and private sector associations. The SAGs play an important role in setting sector priorities, planning, monitoring and evaluation, and reporting on development programmes. The JASZ, by being developed from this integrated national consultative framework, reflects a strong alignment to the country's planning systems.

4.1.2 At the inception of the JASZ process, the Government and CPs undertook a self-assessment aimed at limiting the number of active partners involved in each sector, and as part of efforts to avoid crowding each other in/out of sectors. The process involved an assessment of the comparative advantages of each Partner's

interventions in Zambia. On the basis of the assessment, there was designation of the sector presence of each respective partner during the JASZ period, as part of division of labour. The harmonised sectoral division of labour was to ensure that partners focus on sectors that could maximize their contribution to the country's development agenda. Annex 3 in JASZ summarises the envisioned sector presence of each CP during the JASZ period, with the Bank Group assigned to Agriculture, Water and Sanitation, Social Protection, Education and Transport. Furthermore, as part of division of labour, the role of each Partner in areas of its intervention was defined at three levels, namely Lead, Active and Background Partner, with detailed terms of reference specified accordingly. The purpose of agreeing on these roles was to reduce the transaction cost of dealing with each Partner separately and improve policy dialogue.

4.1.4 However, in as much as the desired sector presence has been reflected by the Government, further choices need to be made on the eventual sectors that will constitute the Bank's pillars in Zambia, and its roles in each of the selected sectors. These are articulated in this Covering Note, which is the Bank's Business Plan for intervening in Zambia in the medium term. As indicated earlier, the choices are based on the Bank's historical interventions, among other things, and the envisaged skills mix at the Country Office. The focus of strengthening the skills mix at the latter is in water & sanitation and agriculture, which the Bank will eventually seek leadership upon full establishment of the Office.

4.1.5 Section 4.3 below describes the pillars and areas of focus for the Bank, while Annex II summarises the overall strategic framework of the Bank intervention in Zambia under the JASZ.

4.2 Management of Bank Portfolio

4.2.1 As indicated above, the Bank Group has committed a total of about US\$ 900 million since the country started borrowing from the Bank in 1971.

Figure 1 shows the sectoral distributions of the ADF ongoing commitment, which amounts to UA 125.23 million, while table 2 provides the analysis of the portfolio in terms of risk exposure, efficiency and harmonisation indicators. The portfolio consists of thirteen ongoing projects with the predominant lending instrument being project lending.

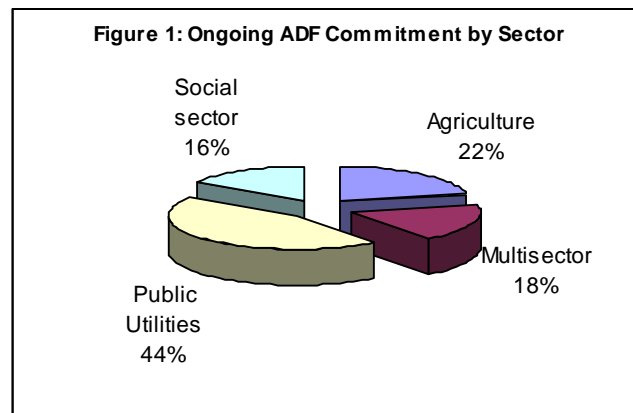


Table 2: Ongoing Portfolio Analysis		
	Performance Indicators	Status
Efficiency Indicators	Average Age (years)	5.5
	Oldest project still active (years)	11
	Disbursement Rate - (%)	35.14
	Portfolio Rating - (Rating Scale 1 - 6)*	4
Risk Exposure	Total Commitment - (UA m)	111.17
	Average Project Size - (UA m)	12.35
	Projects at Risk - (%)	22
	PP - No. of Problem Projects*	0
	PPP - No. of Potential Problem Projects*	2
	Commitment at Risk - (%)	19
Selected Harmonization Indicators	Use of Country PFM systems - (%)	18
	Use of Country Procurement Systems - (%)	18
	Parallel PIUs	7
	Number of Co - Financed Projects - (%)	22

Source: *Bank's 2006 Country Portfolio Performance Rating and Bank Statistics

4.2.2 The two problematic are projects in the agriculture sector, namely the Small-Scale Irrigation Project and Agricultural Sector Investment Program. An Audit of the portfolio was undertaken in December 2006 by the Bank, focussing on project management, accounting and auditing activities. It found the general management of projects to be unsatisfactory. The main problems include absence of a system within the Ministry of Finance and National Planning to monitor the implementation of previous audit recommendations; inadequacies in monitoring the physical implementation of ongoing projects; non compliance with the Bank's policies, procedures, loan and grant covenants; insufficient counterpart funds; and delays in fulfillment of loan and grant conditions.

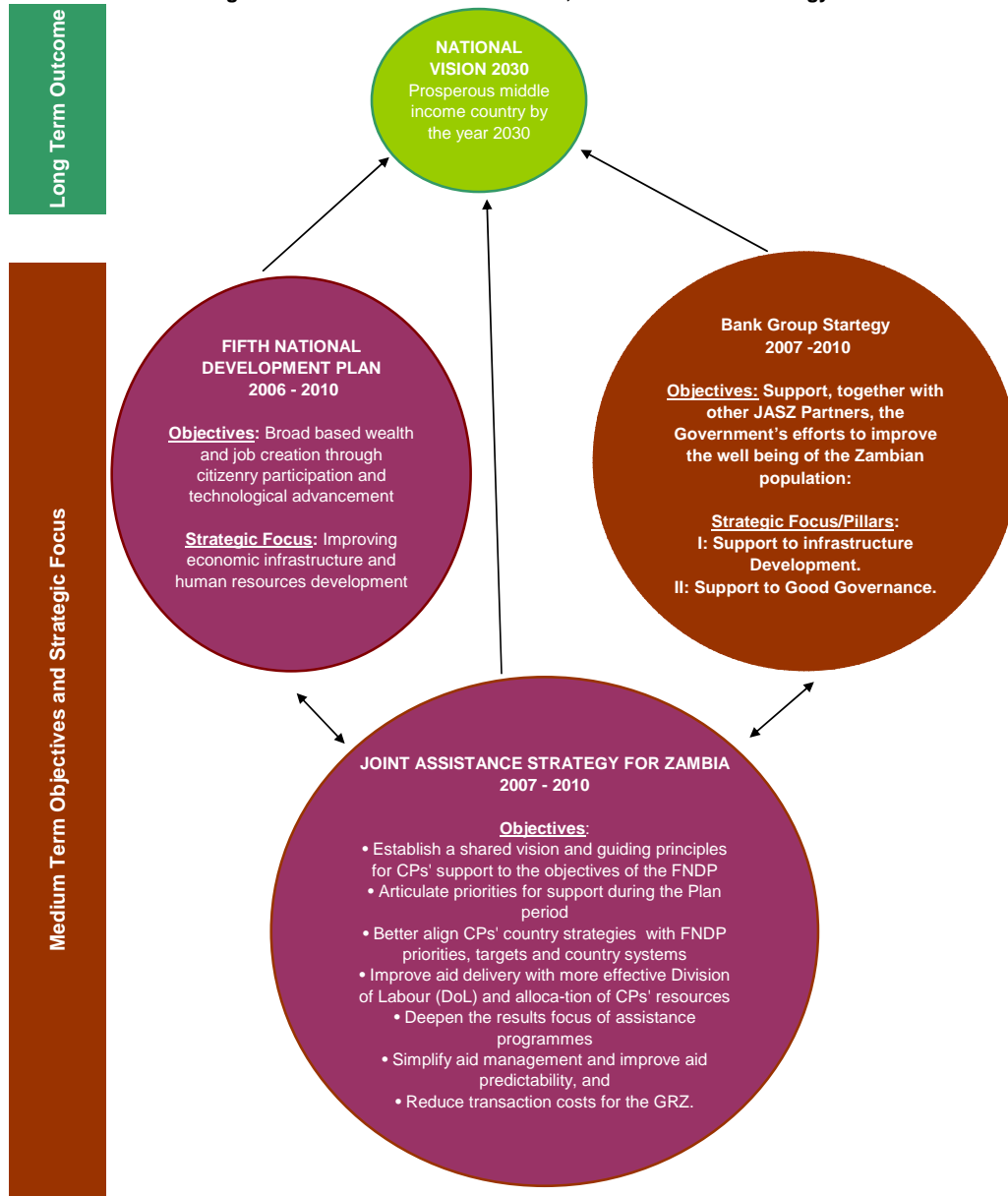
4.2.3 Following the Audit report, the recommendations on portfolio improvement were discussed with the Government where each Project Implementation Unit and the Ministry of Finance and National Planning, came up with specific measures to address the identified problems. Furthermore, a Mid Term Review of the Small-Scale Irrigation Project Review was undertaken June 2007, which resulted in an agreement with the Government to scale down the project to ensure that the remaining works are to be completed within two years. The opening of the Country Office in December 2006 will facilitate monitoring implementation of the recent measures.

4.3 Bank's Pillars and Areas of focus during JASZ Period

4.3.1 The specific objective of the Bank's intervention is to support, together with other JASZ Partners, the Government's efforts to improve the well being of the Zambian population as described in the FNDP. In pursuing this objective, the Bank's strategy will be supported by two pillars, namely, **Pillar I: Support to infrastructure Development** and **Pillar II: Support to Good Governance**. The pillars are a continuation of the thrust of the previous Bank's intervention in Zambia, since, under the 2002 – 2004 Country Strategy Paper⁴ for Zambia, which was updated in 2006, the focus was on poverty reduction, with the objective of promoting growth and improving social services. Figure 2 shows the relationship between the FNDP, JASZ and Bank's Strategy:

⁴ Board Document ADF/BD/WP/2003/70

Figure 2: Relation between the FNDP, JASZ and Bank's Strategy



Pillar I: Support to infrastructure development

4.3.2 The FNDP indicates poor infrastructure in the country as currently inhibiting progress towards significant sustained economic growth. It also emphasises that the core of an enabling environment that the country needs, is to have a strong and sustainable economic infrastructure that is well maintained. Box I reflects the infrastructure challenges at sectoral level. The key target of the FNDP is, therefore, to create that enabling environment supportive of private sector growth and investment.

4.3.3 Infrastructure development under the FNDP involves construction and rehabilitation of public infrastructure in transport, telecommunications, energy, water and agriculture sectors, in order to stimulate growth in the productive sectors. The objective of the pillar is, therefore, to argument resources from the Government, in collaboration with JASZ partners, to support infrastructure development, in order to accelerate economic growth and reduce poverty, as envisaged under the FNDP.

Box I: Infrastructure Challenges at Sector level

Chapter 4 of the JASZ summarises the specific infrastructural challenges at sectoral levels as reflected in the FNDP. In Agriculture, it highlights a chronic lack of public investment in productivity enhancing activities to stimulate broad-based, environmentally sustainable, agricultural growth leading to improved incomes and food security, thereby contributing to achievement of the MDG - 1. In Transport, there is inadequate and untimely funding to complete the Road Sector Investment Programme II and maintaining the road network on a sustainable basis. Improving regional integration through the development of regional and continental transport corridors is seen as a priority. In the Energy sector, the lack of investment in power generation capacity, which is partly due to lack of investment-enabling electricity tariffs and the poor operational efficiency in the power industry, has hindered the realisation of the full potential of power generation in the country. In Water and Sanitation, provision of water and sanitation services is a considerable challenge for the Government. The implementation of the National Rural Water Supply & Sanitation Programme requires a scaling up of funding. The JASZ, therefore, aims at, among other things, providing adequate resources to support Government's efforts in addressing these infrastructural bottlenecks.

4.3.4 The **Support to Infrastructure Development Pillar** will be pursued at national and multinational level. At national level, two core sector interventions are envisaged in Agricultural and Water & Sanitation Infrastructure, while at multinational level, the focus will be on development of transport corridors and regional power interconnectivity programmes/projects that have already been identified by NEPAD, SADC and COMESA. The multinational intervention covers one of the Bank's current strategic goals which are not covered by the main JASZ document, namely, promotion of regional integration.

4.3.5 In the agriculture sector, Bank support will continue to focus on irrigation, marketing Infrastructure and access roads. This is in line with FNDP priority interventions in the sector.

4.3.6 In Water and Sanitation, the focus will be mainly on supporting the infrastructure component of the Government's National Water Supply and Sanitation programme. The Bank provided UA 15 million under ADF X for the programme, focusing mainly on infrastructure development at District levels. The rural component of the national programme requires a total of US\$ 220 million over the next 10 years, and continued support by the Bank under ADF XI will augment the resources that have already been invested. According to the JASZ document, access to safe water and sanitation is one of the MDGs likely to be achieved, if sustained funding is maintained.

4.3.7 Under the transport corridor development, Bank support will focus on key infrastructure facilities along the Southern African Development Community (SADC)'s North-South Transport Corridor (Botswana and Zambia), and the Nacala Corridor (Mozambique, Malawi and Zambia).

4.3.8 On regional power connectivity, the focus will be supporting selected regional power programmes under the Southern African Power Pool's Action Plan. This is in view of the projected power shortages in the region. The region, through the Southern

African Power Pool (SAPP) and NEPAD, has identified cheap hydro resources as being located in the North, i.e. DRC and Zambia, while major demand centres are situated in the South, i.e. Namibia, Botswana, Zimbabwe and South Africa. Bank support will therefore focus on rehabilitation of power plants and construction of power transmission lines for relieving congestion, and power interconnections for connecting Member States to the SAPP grid.

Pillar II: Support to Good Governance

4.3.9 The Government recognises the importance of good governance and mainstreams it in all the chapters of the FNDP. Emphasis is on accountability and transparency in management of national affairs and responsible public office, with a focus on three levels of accountability, namely, Political, Administrative and Financial & Budgetary accountability. The objective of the second pillar is, therefore, to continue supporting efforts and initiatives by the Government to promote transparency and accountability in management of public resources through policy based lending.

4.3.10 The Bank has been financing fiduciary reforms in Zambia since the inception of the ADF - supported Fiscal Transparency and Accountability Programme (SFTA) in 2001. The programme, which ended in December 2006, had as its main reform areas: domestic debt management, public procurement, public audits, combating corruption, decentralisation, and institutional capacity building. Box II summarises the outcomes of the SFTA programme and the successor broader Public Expenditure Management and Financial Accountability programme (PEMFA) supported by various Partners.

The fiduciary reforms supported by the Bank have, undoubtedly, contributed to current prudent macroeconomic management by the Government. There is evidence of growing confidence in the fiduciary system among stakeholders, with more and more development partners channelling their development assistance through the existing Poverty Reduction Budget Support. The ADF started contributing to the latter in 2007.

<p>Box II: Completed Activities under the SFTA</p> <p>Specific outcomes of the SFTA programme at completion include:</p> <ul style="list-style-type: none"> • Revised public procurement legislation, • Prepared new operational manual for domestic debt management and strengthening technical skills of debt management officials, • Prepared new auditing standards and operational manuals, guidelines and a handbook for public account audits, • Capacity building the Ministry of Finance and National Planning, the Office of the Auditor General, Zambia National Tender Board, Anti Corruption Commission and the Governance Development Unit. <p>The ongoing five year Public Expenditure Management and Financial Accountability programme (PEMFA) which commenced in 2005, aims at improving Government’s capacity to effectively and efficiently mobilise and use public resources, and strengthening financial accountability. The key reform areas under the programme include, Commitment Control and Financial Management System, Fiscal Policy and Planning, Budget Preparation and Execution, Debt Management, Internal Audit and Control, External Financing, Legal and Regulatory Framework, External Audit; Parliamentary Oversight and Accounting and Regulation and Public Procurement. The programme has become an important forum through which policy dialogue takes place on matters concerning overall macroeconomic and fiduciary reforms.</p>

4.3.11 Despite this progress, public financial systems continue to require further streamlining and strengthening to deliver better fiscal management and improved accountability. As indicated in the JASZ document the implementation, of the Public

Expenditure Management and Financial Accountability programme needs momentum to improve budget execution and expenditure controls. The Bank will, therefore, continue to support good governance in the medium term to consolidate the reforms that have taken place. More importantly, the introduction of the PEMFA programme supported by more and more development partners, provides an opportunity for the Bank’s intervention to be harmonised with other Partners.

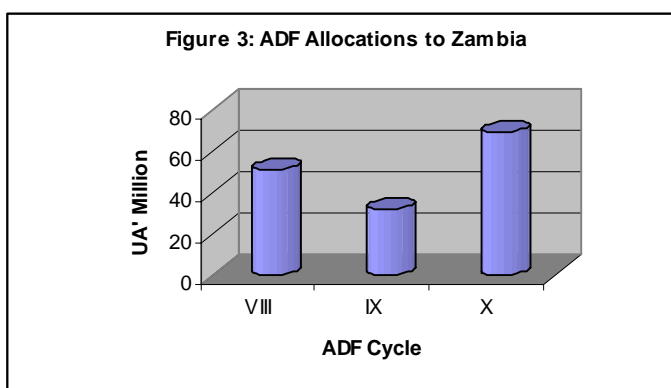
4.4 Private Sector Operations

4.4.1 The economy is currently dependent on the mining sector which contributes 74 % of export earnings annually. Through the Private Sector Development Programme and the Economic Diversification programme, the Government has identified key structural reforms required to improve the business environment, and key sectors to drive the diversification programme, namely, manufacturing, tourism, construction and the financial sector, with a particular focus on promoting the development of medium and small sized enterprises. Consequently, the Bank will identify projects in these sectors that will complement efforts to diversify the economy’s dependence on copper.

4.5 Lending Scenario

4.5.1 The country has been consistently implementing economic and other public expenditure management reforms since 2004, to improve service delivery. The attainment of the HIPC Completion Point in 2005 and subsequent qualification for the Multilateral Debt Relief Initiative in 2006 was achieved against strong macroeconomic performance and prudent economic management over the past five years. This is also reflected in the Country Policy and Institutional Assessment (CPIA) rating, which has remained in the second quintile over the same period. There are no expectations of policy reversals during the JASZ period that could negatively affect the country’s CPIA ratings.

Although the negotiations for the ADF XI replenishment had not yet been concluded at the time of the completion of the JASZ, it has been anticipated that the resources available to Zambia should be at least higher than the



ADF X allocation, given the country’s strong macroeconomic management over the past few years. Figure 3 shows the historical allocations to Zambia during the previous three ADF cycles. The ADF XI will also be 100% loan. The loan status is on account of the improvement of the country’s external debt sustainability indicators following the debt relief in 2006. The main intervention instruments will be a combination of project lending and policy-based operation on economic governance.

4.6 Non Lending Activities

4.6.1 The Bank will undertake two studies under Economic and Sector Work during the JASZ period. The first study will be a review/assessment of the operation of the Free Trade Area (FTA) under the Common Market for Eastern and Southern States (COMESA). Zambia is the host country for the COMESA Secretariat. The study will assess the actions and measures undertaken by the FTA Member States and the benefits/costs to the participating countries' economies. The second study will be a Public Expenditure Review in the Agriculture sector, to be conducted jointly with the World Bank and other development partners. This is in view of the need to improve performance of the Bank Group funded projects in this key priority sector under the FNDP, and to enhance the design of new programmes in the sector under ADF XI.

4.6.2 Although not supporting specific new programmes/projects in the social sectors under the JASZ, with the opening of the Country Office, the Bank will provide in-country advocacy in support of agreed international development goals relevant to the social sectors, especially health, education and social protection. The bank's contribution to the current Poverty Reduction Budget Support and debt relief has made more resources available to social sectors. The Bank is already supporting ongoing programmes in Education and Health that will be completing during the JASZ period.

4.7 Results Framework, Monitoring and Evaluation

4.7.1 In chapter 5 of the JASZ document, the Cooperating Partners commit themselves to link country programming and resources to results and align themselves with effective partner country performance assessment frameworks, refraining from requesting the introduction of performance indicators that are not consistent with FNDP. CPs also commit themselves to link funding to a single framework of manageable indicators derived from the FNDP, and agree that each donor's indicators should be derived from a common, streamlined framework, including those of the Paris Declaration. In terms of monitoring implementation of the JASZ, CPs also committed themselves to reduce the monitoring and reporting requirements for the Government and would therefore rely on the Government's own assessment of the results of FNDP implementation in the form of annual progress reporting. CPs will then support the Government in strengthening its own Monitoring and Evaluation systems. In view of this commitment, the Bank will use the same key performance indicators and results framework articulated in Annexes 2 and 4 of the JASZ document, with more emphasis on those indicators related to areas of Bank focus, namely, water and sanitation, agriculture and public expenditure management.

4.7.2 Institutionally, the monitoring and evaluation system for the Bank's intervention will be at three levels, namely, national, sectoral and project/programme level. At national and sectoral levels, the Bank will rely on the overall JASZ framework and the Sector Advisory Groups respectively, while programme level will be through delivery systems agreed upon with the Government for each specific intervention.

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion:

5.1.1 The overall JASZ provides the framework for all the 16 signatories of the document to support the national priorities as articulated in the FNDP. Consequently, this Covering Note has defined the specific areas of focus of the Bank Group within this context, namely, infrastructure development and promotion of good governance. It also articulated the multinational intervention in transport and energy, in accordance with one of the Bank's current strategic goals, namely, promotion of regional integration. More importantly, by using the monitoring systems and indicators under the JASZ, the Bank ensures that it subordinates its medium term intervention in Zambia to an agreed upon harmonised system, thereby reinforcing the credibility of the JASZ process.

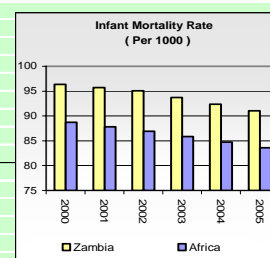
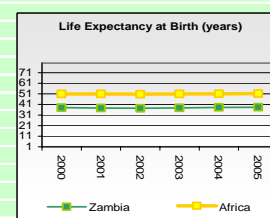
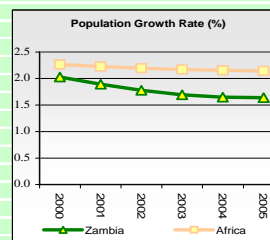
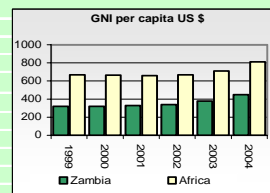
5.2 Recommendations

5.2.1 The Board of Directors is recommended to approve the overall JASZ document, together with the Covering Note describing the pillars and areas of focus, as the Bank's Country Strategy Paper for Zambia during the period 2007 – 2010.

ANNEX I

COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Zambia	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km ²)		753	30 307	80 976	54 658
Total Population (millions)	2005	11.7	904.8	5 253.5	1 211.3
Urban Population (% of Total)	2005	34.5	38.9	43.1	78.0
Population Density (per Km ²)	2005	15.5	29.9	60.6	22.9
GNI per Capita (US \$)	2004	450	811	1 154	26 214
Labor Force Participation - Total (%)	2003	42.1	43.4	45.6	54.6
Labor Force Participation - Female (%)	2003	43.7	41.1	39.7	44.9
Gender -Related Development Index Value	2003	0.383	0.460	0.694	0.911
Human Develop. Index (Rank among 174 countries)	2003	166	n.a.	n.a.	n.a.
Popul. Living Below \$ 1 a Day (% of Population)	2000	58.0	45.0	32.0	20.0
Demographic Indicators					
Population Growth Rate - Total (%)	2005	1.6	2.1	1.4	0.3
Population Growth Rate - Urban (%)	2005	1.9	3.4	2.6	0.5
Population < 15 years (%)	2005	45.8	41.5	32.4	18.0
Population >= 65 years (%)	2005	3.0	3.4	5.5	15.3
Dependency Ratio (%)	2005	95.4	81.4	57.8	47.8
Sex Ratio (per 100 female)	2005	100.3	99.8	102.7	94.2
Female Population 15-49 years (% of total population)	2005	24.6	26.7	27.1	25.0
Life Expectancy at Birth - Total (years)	2005	38.4	51.2	64.1	76.0
Life Expectancy at Birth - Female (years)	2005	37.9	52.0	65.9	79.7
Crude Birth Rate (per 1,000)	2005	40.3	36.8	22.8	11.0
Crude Death Rate (per 1,000)	2005	21.9	15.0	8.7	10.4
Infant Mortality Rate (per 1,000)	2005	91.0	83.6	59.4	7.5
Child Mortality Rate (per 1,000)	2005	165.7	139.6	89.3	9.4
Total Fertility Rate (per woman)	2005	5.4	4.8	2.8	1.6
Maternal Mortality Rate (per 100,000)	2002	729	622.9	440	13
Women Using Contraception (%)	2002	34.2	26.6	59.0	74.0
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2004	11.0	38.2	78.0	287.0
Nurses (per 100,000 people)	2004	165.6	110.7	98.0	782.0
Births attended by Trained Health Personnel (%)	2002	45.0	43.7	56.0	99.0
Access to Safe Water (% of Population)	2002	55.0	64.5	78.0	100.0
Access to Health Services (% of Population)*	2000	75.0	61.7	80.0	100.0
Access to Sanitation (% of Population)	2002	45.0	42.4	52.0	100.0
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2003	19.2	6.4	1.3	0.3
Incidence of Tuberculosis (per 100,000)	2003	508.0	406.4	144.0	11.0
Child Immunization Against Tuberculosis (%)	2004	94.0	78.2	82.0	93.0
Child Immunization Against Measles (%)	2004	84.0	68.8	73.0	90.0
Underweight Children (% of children under 5 years)	2002	28.0	39.0	31.0	...
Daily Calorie Supply per Capita	2003	1 975	2 439	2 675	3 285
Public Expenditure on Health (as % of GDP)	2002	3.1	2.7	1.8	6.3
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2002/03	82.0	96.7	91.0	102.3
Primary School - Female	2002/03	79.0	89.3	105.0	102.0
Secondary School - Total	2002/03	28.0	43.1	88.0	99.5
Secondary School - Female	2002/03	25.0	34.6	45.8	100.8
Primary School Female Teaching Staff (% of Total)	2002/03	49.0	44.1	51.0	82.0
Adult Illiteracy Rate - Total (%)	2005	17.8	35.0	26.6	1.2
Adult Illiteracy Rate - Male (%)	2005	12.2	26.9	19.0	0.8
Adult Illiteracy Rate - Female (%)	2005	23.1	42.9	34.2	1.6
Percentage of GDP Spent on Education	2000	6.84	4.7	3.9	5.9
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2005	7.1	6.0	9.9	11.6
Annual Rate of Deforestation (%)	2000	2.38	0.70	0.40	-0.20
Annual Rate of Reforestation (%)	2000	6.0	10.9
Per Capita CO2 Emissions (metric tons)	2005	0.18	1.0	1.9	12.3



Source : ADB Statistics Division databases; UNAIDS; World Bank Live Database and United Nations Population Division; Country Reports
 Notes: n.a. Not Applicable ; ... Data Not Available. * : latest data available within 1995-2000

ANNEX II

LIST OF COMPLETED PROJECTS: (UA million)

Extension of Kapiri Glass Factory (ADB 5.660)	Nakambala Smallholder Sugar (ADF 16.583)
Line of Credit III (ADB 10.000)	Kariba/Kafue Irrigation Scheme (ADF 2.035)
Line of Credit IV (ADB 15.000)	Restoration of Charb Mine (ADB 5.929)
Small-Medium Scale Enterprises (ADB 19.210)	Second Line of Credit to DBZ (ADF 8.000)
District Centre Water/Sanitation (ADF 9.760)	Modernisation of Charbonnag (ADB 27.420)
Rehabilitation of Kafue Gorge Power (ADF 16.110)	Industrial Reorientation Project (ADF 25.000)
Telecommunications II (ADB 48.300)	Line of Credit I (ADB 1.800)
Education II (ADF 15.915)	Rehabilitation of Copper (ADB 371.950)
Junior Secondary Schools (ADF 10.534)	Rehabilitation of Copper (ADB 84.300)
Economic Recovery Loan (ADF 18.421)	First Road Project (ADF 16.228)
Rural Health Services Project (ADF 7.92)	Ndola Kitwe Road (ADF 5.000)
Support for Fiscal Transparency and Accountability Programme (ADF 16.73)	Zambia Railways Rehabilitation I (ADB 140.320)
Kitwe Water Supply Rehabilitation (ADF 20.670)	Rehabilitation of Zambia Rehabilitation (ADB 84.015)
Agricultural Research and Extension (ZAREP) (ADF 29.180)	Tazama Pipeline Rehabilitation Project (ADB 34.450)
Rehabilitation of Agriculture Sector (ADF 22.474)	Ndola Water Supply Project (ADF 12.400)
Kaleya Smallholder Sugar (ADF 18.004)	Lusaka Water Supply Rehabilitation (ADF 28.530)
Commercial Farm Project (ADF 0.265)	Water Supply Rehabilitation (ADF 20.670)
Luapula Province Farming (ADF 0.552)	Provincial Water Supply (ADF 9.797)
Agriculture Sector Rehabilitation Project (ADF 71.677)	Ndola Sewerage Disposal (ADF 14.424)
Telecommunications I (ADF 6.220)	Batoka Gorge Hydropower (ADF 3.132)
Education II Preparation (ADF 0.693)	Zambia Economic Recovery (ADF 555.500)
HIPC Debt Relief (ADF 1.9541)	Study on Agricultural Credit (ADF: 0.780)
Economic Recovery Loan II (ADF 555 000)	Civil Aviation Study (ADF 1.462)
	Water/Sanitation Study (ADF 1.887)
	Kitwe Water Supply Study (ADF 1.432)

Cancelled Projects

Village Based-Woodlands Management Project
Child Welfare Project

ANNEX III:

ZAMBIA: SUMMARY OF ON-GOING PROJECTS AS AT 31 AUGUST 2007

	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	10.62	4.38	70.80	31/12/2007
2	Small-Scale Irrigation Project	07/09/2000	06/02/2001	15/03/2002	ADF	5.290	1.59	3.70	30.00	31/12/2008
	Small-Scale Irrigation Project	07/09/2000	06/02/2001	15/03/2002	TAF	0.760	0.33	0.43	43.42	31/12/2007
3	Lake Tanganyika Integrated Regional Management Programme ⁵	17/11/2004	18/05/2005	-	TAF	3.26	-	-	-	31/01/2012
	Multi-Sector									
4	Poverty Reduction Budget Support	29/11/2006	17.05.07		ADF	20.00	0	0	0	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	8.52	7.72	52.00	31/12/2010
	Central Province 8 Centres Water Supply & Sanitation	17/12./2003	22/04/2004	16.12.2004	TAF	5.78	0.09	5.69	1.56	31/12./2010
6	Central Province Rural Water Supply	13/12/2000	20/06/2001	12/11/2001	ADF	12.41	10.87	1.54	88.00	30/12/07
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	4.62	4.30	52.00	30/06/08
9	Education III	01/12/1999	17/02/2000	09/02/2001	ADF	8.50	5.76	2.74	67.76	31/12/08

⁵ Multinational project

ANNEX IV: BANK'S MEDIUM TERM STRATEGIC FRAMEWORK IN ZAMBIA 2007 - 2010

Zambia's Development Agenda and Cooperating Partners' Response																																																
Opportunities and Challenges		Government's Development Agenda		Cooperating Partners Support																																												
<p><u>Opportunities</u></p> <ul style="list-style-type: none"> • Relatively stable political environment following the presidential and legislative elections in September 2006 and a vibrant civil society groups • Good relations with the donor community and existence of a comprehensive harmonization framework • Improved macroeconomic policy management in recent years • Additional fiscal space created by the HIPC Completion Point and MDRI • National commitment to attainment of MDGs. <p><u>Challenges</u></p> <ul style="list-style-type: none"> • High poverty levels at 67% of the population • High prevalence of HIV/AIDS with 20% infection rate. • Limited diversification of the economy & too depended on copper for major economic activities. • Renegotiating the agreements with mining companies to ensure that the country gets the most out of the current copper boom. • Weak institutional capacity within Government to implement development programmes • Business environment experiencing regulatory constraints. • Poor infrastructure 		<p><u>Long Term Development objectives</u></p> <p>To become a prosperous middle income country by the year 2030</p> <p><u>Short/Medium Term Development Objective</u></p> <p>Broad based wealth and job creation through citizenry participation and technological advancement</p> <p><u>Strategic Documents</u></p> <ul style="list-style-type: none"> • Fifth National Development Plan (2006 - 2010) • Vision 2023 • Medium Term Expenditure Framework 2007 - 2009 <p><u>Key Strategic Focus of the FNDP</u></p> <ul style="list-style-type: none"> • Improving economic infrastructure and human resources development <p><u>Financing Required</u></p> <table border="1"> <thead> <tr> <th>ITEM</th> <th>06/07</th> <th>08/09</th> <th>2010</th> </tr> </thead> <tbody> <tr> <td>Expend.</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Revenue</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Domestic</td> <td></td> <td></td> <td></td> </tr> <tr> <td>External</td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p><i>Source: Fifth National Development Plan 2006 - 2010</i></p>	ITEM	06/07	08/09	2010	Expend.				Revenue				Domestic				External					<p><u>Underlying Principles</u></p> <ul style="list-style-type: none"> • Local ownership, harmonisation, alignment, results and mutual accountability based on the Rome and Paris Declaration • Division of labour among CPs • Convergence of planning instruments and aid delivery modalities <p><u>Strategic Documents</u></p> <ul style="list-style-type: none"> • Harmonization In Practice • Joint Assistance Strategy for Zambia 2007-2010 <p><u>Bank Pillars</u></p> <p>Pillar I - Support to Infrastructure Development : <i>Core sectors: Water & Sanitation and Agriculture (National) Transport and Energy (Multinational)</i></p> <p>Pillar II – Support to Good Governance <i>(Core intervention: Public Expenditure Management Reforms)</i></p> <p><u>CP Projected Financing in US\$ '000</u></p> <table border="1"> <thead> <tr> <th></th> <th>06/07</th> <th>08/09</th> <th>2010</th> </tr> </thead> <tbody> <tr> <td>Budget Support</td> <td>321.5</td> <td>385.6</td> <td>211.4</td> </tr> <tr> <td>SWAPs</td> <td>210.9</td> <td>218.2</td> <td>110.8</td> </tr> <tr> <td>Grants</td> <td>910.4</td> <td>690.1</td> <td>263.2</td> </tr> <tr> <td>Loans</td> <td>354.1</td> <td>165.1</td> <td>39</td> </tr> <tr> <td>Total</td> <td>1796.9</td> <td>1459</td> <td>624.4</td> </tr> </tbody> </table> <p><i>Source: Joint Assistance Strategy for Zambia 2007 - 2010</i></p>		06/07	08/09	2010	Budget Support	321.5	385.6	211.4	SWAPs	210.9	218.2	110.8	Grants	910.4	690.1	263.2	Loans	354.1	165.1	39	Total	1796.9	1459	624.4
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ANNEX V

**MAIN DOCUMENT: JOINT ASSISTANCE STRATEGY FOR ZAMBIA 2007 –
2010**

Joint Assistance Strategy for Zambia (JASZ) 2007-2010

April 2007



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Abbreviations

BoZ	Bank of Zambia
CAADP	Comprehensive African Agricultural Development Program
CD	Capacity Development
CFC	Chloro-Fluoro-Carbon
CP	Cooperating Partner
CPIA	Country Policy and Institutional Assessment
CSO	Central Statistics Office
CSPR	Civil Society for Poverty Reduction
DoL	Division of Labour
FHHs	Female Headed Households
FNDP	Fifth National Development Plan
GDP	Gross Development Product
GRZ	Government of the Republic of Zambia
HDI	Human Development Index
HIPC	Highly Indebted Poor Countries
IDA	International Development Association
IFA	Inter-governmental Fiscal Architecture
IFI	International Financial Institutions
IMF	International Monetary Fund
IMG	Independent Monitoring Group
JASZ	Joint Assistance Strategy for Zambia
KPI	Key Performance Indicators
LCMS	Living Conditions and Monitoring Survey
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MoFNP	Ministry of Finance and National Planning
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NEPAD	New Partnership for Africa's Development
NGBS	National Governance Baseline Survey
NPV	Net Present Value
NSA	Non-State Actors
ODA	Official Development Assistance
PAF	Performance Assessment Framework
PD	Paris Declaration
PEMFA	Public Expenditure and Financial Management Reform Program
PPPs	Public Private Partnerships
PRBS	Poverty Reduction Budget Support
PSD	Private Sector Development
PSM	Public Service Management
SADC	South African Development Community
SAG	Sector Advisory Group
SWAp	Sector Wide Approaches
UN	United Nations
USD	US Dollars
WHIP	Wider Harmonisation in Practice
WSS	Water Supply and Sanitation
ZMK	Zambian Kwacha

1 JASZ objectives

1. The Joint Assistance Strategy for Zambia (JASZ) is a national medium-term framework (2007-2010) which has been developed by the Cooperating Partners to manage their development cooperation with the Government of the Republic of Zambia (GRZ) in alignment with the Fifth National Development Plan.

2. The JASZ represents the CPs' joint response to Zambia's newly developed Vision 2030 and the Fifth National Development Plan (FNDP) which together constitute the national framework for reducing poverty and promoting sustainable expansion of the economy. The JASZ also attempts to strengthen local ownership of the development process and enhance official development assistance (ODA) effectiveness and mutual accountability by linking the international arrangements endorsed under the Paris Declaration (PD) and the effectiveness criteria in Zambia's Aid Policy and Strategy to the FNDP. In this regard, it should be noted that the JASZ is building on the momentum towards harmonization in Zambia which was launched in 2003 when the government signed a Harmonization in Practice Memorandum of Understanding (HiP MoU) with the Nordic Plus group. This subsequently became a Wider Harmonization in Practice (WHIP) MoU as additional CPs became signatories.⁶

3. More concretely, the key objectives of the JASZ will be to:

- Establish a shared vision and guiding principles for CPs' support to the objectives of the FNDP, which is the first stage in meeting the Vision 2030.
- Articulate priorities for support during the Plan period
- Replace or better align CPs' country strategies (including resource allocations) with FNDP priorities, targets and country systems
- Improve aid delivery by achieving a more effective Division of Labour (DoL) and allocation of CPs' resources
- Deepen the results focus of assistance programmes
- Simplify aid management and improve aid predictability, and
- Reduce transaction costs for the GRZ.

4. Twelve bilateral donors together with the International Financing Institutions (IFIs), the European Commission (EC) and the United Nations (UN) system are signatories to the JASZ.⁷ Of these signatories Germany, Great Britain, Ireland, Norway and Sweden will replace their current country strategies for development cooperation with GRZ with the JASZ. The other signatories will base their maintained country strategies on the JASZ, leading to overall diminished transaction costs in terms of GRZ consultation.⁸ Cooperating partners recognize that a fully subscribed JASZ provides a unique opportunity to develop a joint analytical and programmatic response to the FNDP. However, it is noted that the JASZ does not constitute an international treaty or any other legally binding document. To the extent that the JASZ is inconsistent with the laws, policies or commitments of any signatory, such laws, policies or commitments will prevail.

⁶ A total of 17 CPs are signatories to the WHIP MoU. The MoU of April 2004 is attached in Annex 1.

⁷ For full list of signatories please consult chapter 7.

⁸ The country strategies of Canada and Denmark are not co-signed by the GRZ although the GRZ is consulted. Finland has had a GRZ co-signed Agreed Minutes only.

5. The JASZ consists of five interlinking elements which together constitute the CPs' joint response:

- Chapter 2 - A joint assessment of the current country situation (political, economic, social)
- Chapter 3 - A brief presentation of the FNDP including its theme and strategic focus; its priority sectors; its monitoring and evaluation system; and its financing.
- Chapter 4 - A joint CP response to the FNDP outlining the sectoral response in terms of main challenges and priorities by sector; the projected financial support; and the risk assessment
- Chapter 5 - The principles and commitments on how the CPs will work in partnership with the GRZ and the civil society
- Chapter 6 - The steps to be taken by the CPs to progress towards the attainment of results outlined in the FNDP and the Paris Declaration.

2 Country analysis

6. Zambia's post-independence development record has been mixed. From being a middle income country at independence in 1964, with a per capita income of US\$752 (in current USD figures), the country is at present among the poorest in the world. The country's reliance on copper exports has worsened the emergence of a diversified economy. Since 1999, positive economic growth has been recorded and the per capita income has begun to recover (estimated at \$490 in 2005).⁹ The quality of the recent economic growth, however, is lacking in terms of human development results. Poverty remains severe in Zambia and attaining the Millennium Development Goals (MDGs) is a continued challenge; especially in the light of the HIV and AIDS pandemic which still has to show its full impact. Furthermore, environmental degradation has exacerbated the situation, contributing to low productivity in economic sectors as well as affecting the livelihoods, health and vulnerability of the poor. Zambia scores high in terms of political stability as demonstrated by the well-managed 2006 election. However, in order for Zambia to realise its aspirations as laid out in the FNDP, governance still needs to improve significantly.

7. **Zambia stands as one of Southern Africa's most stable democracies.** The 2006 tripartite election emerged as one of the best administered elections in Zambia's history with improved voter registration and good voter turnout. The election monitors rated the elections as generally peaceful and well managed in spite of problems noticed in the electoral legal/administrative framework and concerns over an uneven playing field for candidates and parties in terms of usage of public media and campaign spending.

8. **Also, the current level of press freedom in Zambia has improved.** Under the one party state independent sources of news were minimal but there was never a complete absence of critical voices. Since then, the major developments have been the inauguration of The Post Newspaper in 1990, the opening of a number of independent radio stations, and the availability of the BBC World Service (including its African programmes on local FM, at least in Lusaka).

⁹ The World Bank, *World Development Report 2007: Development and the Next Generation*, 2006, p. 289.

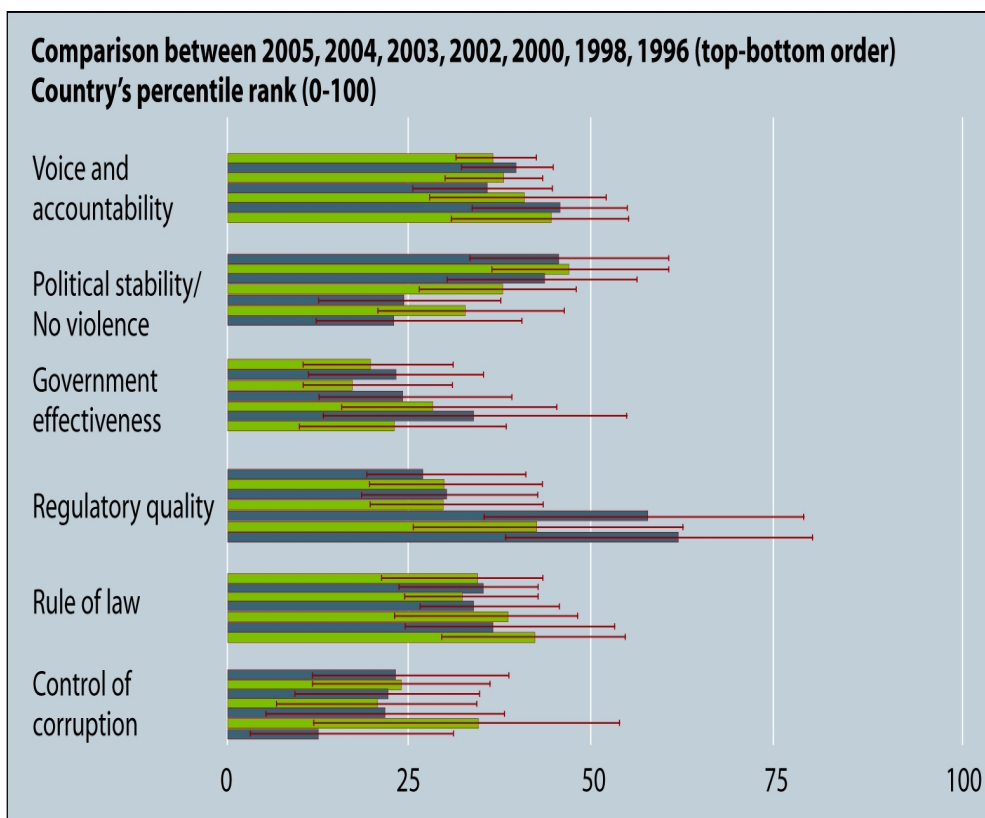
9. **However, strengthening governance mechanisms continues to be one of Zambia's major challenges.** Despite the resumption of multi-party democracy in 1991, Parliament as an institution, with the exception of the annual budget process, has been only marginally involved in the poverty reduction agenda. This has limited (i) the democratic oversight over the development process and (ii) the political ownership over development objectives. Participation has tended to be limited to periodic civil society involvement in non-statutory mechanisms and processes, which is far from the full involvement expected in an open democracy.

10. **Also Government's effectiveness is in question.** While Zambia from a Sub-Saharan perspective compares favourably with other countries, the country has since 1998 experienced a decline relative to other country in its governance ratings (see Figure 1 below). Indeed, in all but one of the key indicators Zambia relative position declined between 1998 and 2004, with "political stability" being the only indicator to improve over the time period. The decline in the independent indicators contrasts with pronounced government reforms that began after the 2001 elections. Despite only a few convictions for administrative corruption, senior government officials assert that the emphasis on corruption continues unabated.

11. **This may be why the public perception of the Government's fight against corruption remains one of scepticism,** as illustrated by Transparency International's 2005 Corruption Perception Index which rates Zambia at 2.6 out of 10. Furthermore, the 2004 National Governance Baseline Survey (NGBS) reports that nearly 40 per cent of Zambians surveyed had been solicited in the past to pay a bribe to obtain government services, permits, or licenses. This is a form of corruption which has received increased attention with the Anti-Corruption Commission's integrity committees in eight key government agencies.

Figure 1 Zambia governance indicators, 1998-2005

Percentile rank indicates the percentage of countries worldwide that rate below the selected country.



Source: Kaufmann D., A. Kraay, and M. Mastruzzi 2006: *Governance Matters V: Governance Indicators for 1996-2005*.

12. **However key public sector reform programmes in the social sectors have progressed. The Public Financial Management and Accountability Programme (PEMFA) has improved, albeit from a low base.** Social governance has improved in terms of access to free primary education, free ARV treatment, and improving access to health services through various interventions such as construction of more health facilities and removing barriers to accessing health services such as the abolition of user fees in rural areas.

13. **But other key reforms still need more rapid progress to strengthen the capacity of the public sector.** Delivery of the Public Service Management Programme's (PSM) Comprehensive Pay Policy and performance-based management reforms are a precondition for successful capacity development in the public sector. The policies are in place for these reforms but implementation of the Public Service Management (PSM) component only started in the third quarter of 2006, after Cooperating Partners made their first disbursement. Similarly, the Access to Justice and Parliamentary Reform Programme need more vigorous implementation. The Public Financial Management and Accountability Reform Programme (PEMFA) and the decentralisation also need strengthening. In particular, the institutional set-up to manage the decentralisation is in need of urgent clarification.

14. **Zambia's vibrant civil society is playing an increasingly important role in policy processes.** Prominent examples of civil society participation include the monitoring of the 2006 election process; input into the NDP through the Civil Society

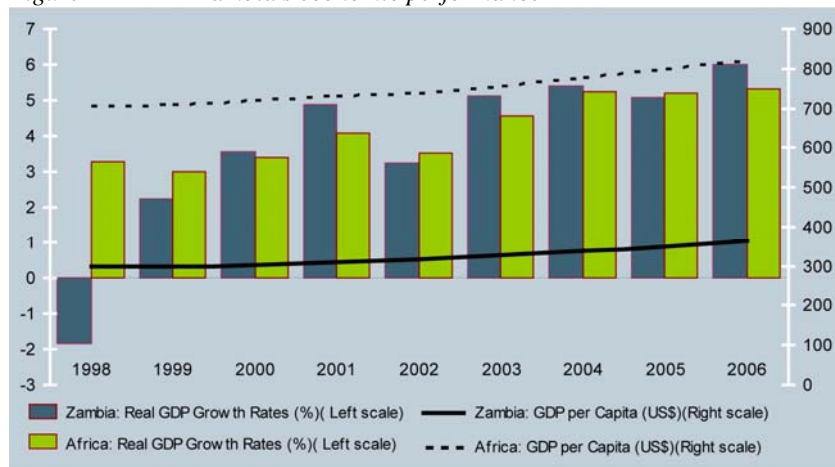
for Poverty Reduction (CSPR) mechanism; and budget tracking and expenditure monitoring in the social sectors that have a direct bearing on poverty reduction in the country.¹⁰ GRZ is increasingly cognisant of civil society's importance in Zambia's development agenda. However, institutional capacity weakness and financial sustainability remain key constraints for the growth and expansion of a number of these organizations.

15. While a plan and policy are in place, accountability for gender equality outcomes is weak across government departments and local authorities. A National Gender Policy has been developed but the capacity to effectively coordinate and monitor its implementation is weak. Furthermore, the degree of domestication of international, regional, and sub-regional conventions and instruments for gender equality continues to be unsatisfactory.

2.1 Economic developments

16. The macro-economic performance of Zambia has continued to improve. The average annual real GDP growth rate of 4.6 per cent over the past five years represents a substantial improvement over the negative growth rate in most of the post-colonial period. The positive growth trend results mainly from increased agricultural production, new investments and subsequent increased exports from the mining sector, increased performance of the manufacturing sector, particularly agro processing industries, and growth in tourism. Figure 2 below shows Zambia's economic performance over the past eight years compared to the rest of Africa during the same period. Zambia's growth rate for 2006 is estimated at 5.8 per cent.

Figure 2 Zambia's economic performance



Source: African Development Bank

17. However, in terms of improving human development outcomes, results are lacking. The last time Zambia registered growth averaging 4 percent per annum was between 1964 and 1972.¹¹ However, the *quality* of growth over the 1964-72 period, in terms of improved human development and outcomes, was better than that

¹⁰ EU/MoFNP, *Institutional Analysis of Non State Actors in Zambia*, February 2006, p.28-29

¹¹ For a detailed discussion of Zambia's post-independence growth record, see The World Bank, *Zambia Country Economic Memorandum – Policies for Growth and Diversification*, Report No. 28069-ZA (Washington DC, October 2004).

registered over the 1999-2005 period.¹² The latter period of growth has largely been investment-driven with little productive job creation opportunities and largely concentrated in the few sectors outlined above.

18. **Furthermore, the economic growth has largely relied on tapping natural resources and ecosystem services.** Although there is no comprehensive assessment of natural resources and ecosystems carried out for Zambia, there are pointers to the fact that these are consistently being degraded or used unsustainably. This has ramifications for the sustainability of the economy.

19. **Diversifying the economy will improve its resilience and broaden the benefits of growth to more Zambians.** Opportunities for the promotion of both domestic and export-orientated agriculture (e.g. floriculture and horticulture) through improved access to markets are vital. Effectively addressing policy, institutional, capacity development, and infrastructural-related barriers will unlock the agricultural, manufacturing, and tourism sectors to private sector expansion, which is key to the diversification strategy.

20. **Sustainable diversification depends on implementing critical reforms but this remains challenging to date.** For Zambia to be competitive within the region and beyond, the cost of starting and growing businesses must decline. While several reforms have been prepared in order to reduce these costs, most of them have not been implemented, and the business climate remains hostile. Given the slow progress with the private sector reform program, an independent diagnosis has been commissioned with the goal of quickly improving the effectiveness of the program and improving the business environment including addressing such cross-cutting concerns as the cost of transport and access to finance.

21. **Nonetheless, improved financial stability has strengthened the environment for private sector growth.** Inflation fell to a record-low 8.2 per cent at the end 2006 due to restrictions in money supply growth. Economists hail this rate as a major achievement given that inflation peaked at 197.4 per cent in 1992 and fluctuated between 18 to 30 per cent between 2000 and 2005. Corresponding to this financial reform, treasury bill yield rate and the composite Government bond yield rate declined to respectively 9.8 and 12.6 per cent in 2006. Consequently, the commercial banks' nominal weighted average base rate also reached its lowest of 21.6 per cent in June 2006, thus improving the lending environment for Zambian businesses although still high in real terms as compared to inflation.

22. **However, the volatility in the exchange rate has had real costs on the economy.** Since its persistent nominal depreciation initiated by the liberalization in 1993, the exchange rate has begun to steadily appreciate. This culminated in a sharp spike in November 2005 and reached ZMK2,900/1US\$ in May 2006, depreciating to ZMK4,132/1US\$ in December 2006 without intervention of the Bank of Zambia. The sudden and unexpectedly strong appreciation of the kwacha has been attributed to a change in economic fundamentals such as increased foreign exchange earnings from copper and non-traditional exports, portfolio investment, the scaling up of aid, the

¹² The World Bank, *Zambia Country Economic Memorandum – Policies for Growth and Diversification*, Report No. 28069-ZA (Washington DC, October 2004).

impact of debt relief, and the sudden monetary tightening. As a consequence, major exporters have experienced substantial exchange losses (particularly in the non-mining sectors), some of which were passed on to small-scale farmers in the form of lower purchasing prices than decided upon.

23. Improved macro management, including fiscal adjustment, was the chief cause of reaching HIPC Completion Point and MDRI implementation in 2005/2006. Following attainment of the Highly Indebted Poor Countries (HIPC) Completion Point in April 2005 and implementation of the Multi-lateral Debt Relief Initiative (MDRI), Zambia's external debt stock has declined from US\$ 7.1 billion in 2004 to about US\$ 0.635 billion in nominal value by year-end 2006 (see Table 1 below).

24. A debt management strategy is underway to avoid a relapse into an unsustainable debt situation. All stakeholders, GRZ and CPs alike, need to carefully monitor the volume and the terms of new external and domestic borrowing including that of non-JASZ signatories.

Table 1 Debt sustainability indicators for Zambia after debt relief

Ratios	Bench mark	2004	2005	2006	
			<i>post HIPC</i>	<i>pre-MDRI</i>	<i>post-MDRI</i>
External debt (nominal terms, billion \$)		7.1	3.8	3.6	0.6
Net Present Value of debt to GDP ratio (%)	40	28.2	22.8	19.8	4
Net Present Value of debt to exports ratio (%)	150	75.1	65.8	63	14
Debt service to exports ratio (%)	20	23	5	3.3	3

Source: IMF

2.2 Human and social developments

25. Attainment of the MDGs continues to be a challenge for the majority of the targets. However, as illustrated in Table 2 below, Zambia has potential to improve on seven out of nine indicators - most notably on attaining universal primary education - while targets on maternal mortality and environmentally sustainable development are unlikely to be achieved.

26. Eradication of extreme poverty and hunger continues to be a challenge. According to the MDG 2005 Status Report, 67 per cent of Zambia's population live below the poverty line and 46 per cent of these are extremely poor (see Table 2).¹³ This includes nearly one in every two persons in rural areas compared to one in every three in urban areas, reflecting a long-standing pro-urban bias of government policies. As a result, income distribution remains highly unequal although with moderate improvement between 1998 and 2004 as illustrated by the Gini coefficient falling from 0.66 to 0.57 (down 14 per cent).¹⁴

27. Human deprivation has steadily increased in Zambia since the collapse of the economy in the 1970s as demonstrated by the decline in Zambia's Human Development Index (HDI) from 0.470 in 1975 to 0.407 in 2004. Zambia currently ranks 165th out of 177 countries. The low ranking is predominantly due to Zambia's record-low life expectancy at birth.¹⁵ Zambia's high HIV and AIDS prevalence rate (18 per cent for women and 13 per cent for men in 2001)¹⁶ along with malaria and other infectious diseases is the chief cause of this high mortality rate. Children are at particular risk, (especially in low-income households), with 47 percent of Zambia's children found as being stunted, 28 percent underweight and 5 percent wasted.¹⁷

28. The shortcomings in human development have led to the poor being highly vulnerable and exposed to risks such as drought, price shocks, environmental pollution, and frequent ill health and deaths due to HIV/AIDS and

¹³ The extreme poverty line relates to the monthly cost of the food basket whilst the moderate line relates to the monthly cost of all basic needs.

¹⁴ *Balance Sheet of Human Development in Zambia*. 2007.

¹⁵ The life expectancy statistics are disputed by Zambia's CSO which has produced official estimates of around 50 years for life expectancy at birth contrary to the UN estimates with less than one in three Zambians surviving past his or her 40th birthday.

¹⁶ Zambia's Demographic and Health Survey.

¹⁷ Zambia Demographic and Health Survey 2001-2002

other diseases.¹⁸ Furthermore, the poor are often voiceless and powerless with limited influence in society. *Table 2 Zambia's Progress towards the MDGs*¹⁹

	MDG Indicator	MDG target 2015	Baseline 1990	2002/03	2004	2005
Extreme poverty	Proportion of people living in extreme poverty	29%	58%	46%		
Hunger	Proportion of people living in extreme hunger	12.5%	25%	28%		
Universal primary education	Net primary school enrolment rate	100%	80%	76%	78%	
	Pupils reaching grade 7	100%	64%	73%	82%	
	Literacy rates 15 - 24-year olds	100%	79%	75%	70%	
Gender equality	Ratio girls to boys in primary school	1	0.98	0.98	0.95	0.95
	Ratio of literate females 15-24 years	100%		0.80	0.80	0.80
	Share of women in wage employment		39%	35%	35%	
	Proportion of seats held by women in national parliament	30% ²⁰	6%	12%	12%	12%
Child mortality	Under-5 mortality rate per 1,000 live births	63	191 ²¹	168		
Maternal mortality	Maternal mortality per 100,000 live births	162	649 ²²	729		
HIV/AIDS	HIV infection among ante-natal clinic attendees	19%	20% ²³	19% ²⁴	19% ²⁵	
Malaria	New malaria cases per 1,000	Less than 121	255	377 ²⁶		
Ensure environmental sustainability	Percentage of land covered by forest		59.8 ²⁷	45		
	Percentage of land protected to maintain biological diversity		38.8		39.6	39.6
	Consumption of ozone depleting CFC in ODP tons		95.57 ²⁸		44.54	43.04
	Percentage of population using solid fuels		86		80	
Safe water and sanitation	Percentage of households with access to an improved water source		50%	53%		

Source: United Nations, *Zambia Millennium Development Goals 2nd Status Report*, 2005.

¹⁸When queried on the reasons behind their poverty, rural men and women (22 per cent) found the inability to afford agricultural inputs as the main reason for their poverty. For women, this is followed by dearth of bread-winner (13 per cent), and for men low salary/wages (14 per cent). The same question for urban dwellers found different reasons, including low salary/wages (27 per cent), the lack of employment opportunities (15 per cent) and the inability to access credit to start or expand a business (12 per cent). CSO, *Living Conditions and Monitoring Survey Report*, 2004.

¹⁹ Please note more recent progress figures might be available.

²⁰ 2005 MDG target.

²¹ Baseline year 1991.

²² Baseline year 1996.

²³ Baseline year 1994.

²⁴ The 2002 and 2004 ANC prevalence rates are derived from the Zambia Antenatal Clinic Sentinel Surveillance Report 1994-2004.

²⁵ Ibid.

²⁶ Data for year 1999.

²⁷ Baseline year 1992.

²⁸ Baseline year 1996.

29. **A subset of the poor is truly destitute** with at least 10 per cent of the population having little or no productive capacity. Within this category, women, children, disabled and older people are disproportionately represented. These households are trapped in long-term chronic poverty, often transmitted through generations and social services fail to meet the need of these people in terms of access, quantity and quality. Female headed households (FHH) are especially stricken by hunger with 68 per cent of FHH not having three meals per day (in contrast to 60 per cent of male headed households). A further risk group is the one million orphans of the HIV/AIDS pandemic and the elders caring for them. An estimated 75,000 children are living on the streets.

30. **Achievement of universal primary education in Zambia is on track.** In 2002, Government lifted user fees for schooling. Subsequently, despite existing indirect costs and long travel distances, enrolment rates climbed. Challenges remain, however, including improving conditions for teaching staff and the quality of education and services, especially in rural schools.

31. **Zambia has made major strides in achieving 1-1 enrolment ratios, however, other gender equality targets remain a challenge.** In particular, the reversal of the high female illiteracy rate requires a concerted effort. Also, there remains a significant gender gap in drop-out rates in secondary education. Women's participation in decision making, however, has been increasing steadily from 10 per cent in 1997 to 18 per cent in 2003, although still falling short of the South African Development Community (SADC) Gender Declaration target of 30 per cent. Female members of parliament (MPs) currently make up 12 per cent of Parliament's membership.

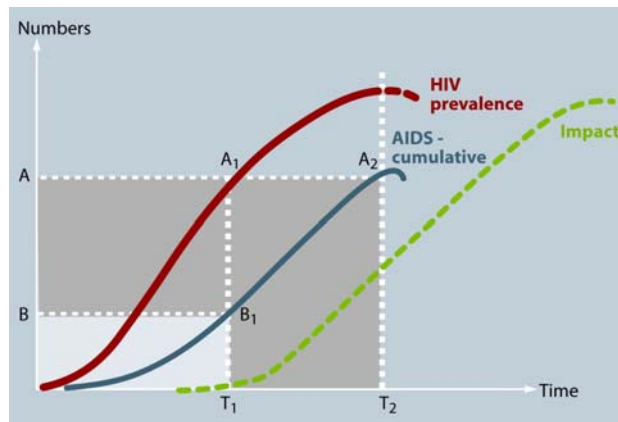
32. **Declining child mortality rates are promising.** Although still relatively high, child mortality rates in the country have shown signs of decline. Under-five mortality was 191 deaths per 1,000 live births in 1992 and increased to 197 deaths per 1,000 live births in 1996. It declined markedly to 168 deaths per 1,000 live births in 2002.

33. **Maternal mortality targets are unlikely to be attained** unless there are concerted efforts to invest more in improving health sector human resources, thereby improving services for essential and emergency obstetric care. Indeed, statistics show a concerning downward trend with worsening maternal mortality rates - from 649 in 1996 to 729 per 100,000 live births in 2001-02. This statistics not only represent the overall decline of essential health services in Zambia, but also the failure of GRZ policies to prioritise the health and empowerment of women. In April 2006, GRZ removed user fees for primary health care in rural areas and preliminary monitoring data indicate an increase in health centre utilisation of at least 40 per cent. The challenge for the Ministry of Health is to make available key inputs for service delivery, such as drugs and human resources, commensurate with the increased utilisation of health services. These developments notwithstanding, implementing the new policy has highlighted the importance of urgently addressing the quality of health services, particularly in terms of assuring drug supply and trained health workers.

34. **The impact of the HIV and AIDS epidemic in Zambia is a serious threat to the development agenda.** With 15.6 per cent of the adult population infected with HIV, Zambia faces its most critical health, development and humanitarian crisis to date. The epidemic has now reached a mature stage and its effect is felt in all social and economic areas in the country. As illustrated by Figure 3 below, the country's human and economic development will continue to be significantly restrained. This finding is in line with global research evidence which shows that HIV/AIDS is threatening to

derail the attainment not only of the MDGs in the areas of public health but also MDG 1 ('eradicate extreme poverty and hunger') and other MDG areas such as education.²⁹

Figure 3 Epidemic curve: HIV, AIDS and impact³⁰



Source: 27Aug01 -Report I: *Epidem'gy & Lit.* Page 27

35. **Furthermore, the so-called 'feminisation' of the AIDS epidemic has led to more women in Zambia being infected by HIV than men** caused to a large degree by gender discrimination, social restrictions, gender-based violence, as well as women's lack of access to education, employment and decision-making power. In the context of HIV and AIDS, there is an alarming level of gross violations of human rights in the form of sexual and gender-based violence and child labour. In recent years, violence against children and women has been recognized as a significant threat to many families in Zambia.

36. **Malaria continues to be a major cause of death in Zambia**, although recent figures indicate a downward trend in malaria incidences for the country as a whole, from 425 per 1000 in 2003 to 373 in 2005³¹.

37. **The loss of environmental resources continues and the target is unlikely to be achieved.** It is estimated that from about 300,000 hectares up to 800,000 hectares of forested land are cleared every year, mainly attributed to harvesting for fuel wood (mainly charcoal) and timber, clearance for agriculture and human settlement. Although the percentage of protected land to maintain biodiversity has remained stable, at around 40 per cent, these are now under threat due to late bush-fires, over-grazing; illegal over-harvesting of wildlife resources; encroachment and settlements on fragile land systems. Zambia's energy use has risen sharply over the years, and the percentage of population using solid fuels has stagnated at 80 per cent. This indicator has implications for the achievement of the health MDGs as use of solid fuels has a negative impact on the health of the population, especially women being the main responsible persons for cooking. Although no data available on greenhouse gas emissions since 1994, it is estimated that these are increasing.

38. **Ensuring safe drinking water and basic sanitation to all Zambians remains a challenge.** The meeting of the target in rural areas is particularly challenging where

²⁹ International Monetary Fund. Gonzalo Salinas and Markus Haacker. *HIV/AIDS: The Impact on Poverty and Inequality*. IMF Working Paper WP/06/126.

³⁰ The time span between the waves is approximately 7 years.

³¹ Annual Health statistics Bulletin 2005, Ministry of Health, Zambia

only 37 per cent of people have access to safe water and 13 per cent to adequate sanitation.

3 Zambia's Fifth National Development Plan

39. Building on the former Poverty Reduction Strategy Paper (PRSP, 2002-2004) and the Transitional National Development Plan (TNDP, 2002-2005), Zambia's Fifth National Development Plan (FNDP) is outlining a medium term plan 2006-2010 with the intention of focusing the Government's policy and programming for the period. Below follows a brief presentation of the FNDP's theme and strategic focus; priority sectors; monitoring and evaluation system; and financing.³²

3.1 FNDP theme and strategic focus

40. Zambia has articulated its long-term development objectives in the National Vision 2030. The National Vision is “to become a prosperous middle income country by the year 2030.” The Vision 2030 identifies a number of development goals, which include: (i) reaching middle-income status; (ii) significantly reducing hunger and poverty; and (iii) fostering a competitive and outward-oriented economy. Together, these goals call for policies that accelerate and sustain economic growth, and which enable the poor to participate in, and benefit from, the growth process. The FNDP is an important step towards the realisation of the 2030 Vision. The Theme of the FNDP is, therefore: “Broad Based Wealth and Job Creation through Citizenry Participation and Technological Advancement”, while the strategic focus is “Economic Infrastructure and human resources development”.

41. While mining, construction and energy sectors are expected to continue contributing to overall economic growth, the focus of the FNDP is on pro-poor growth-oriented sectors that create employment and income opportunities of the poor. These include rural development, agriculture and manufacturing, which provide a greater opportunity for creating wealth and jobs, thereby rapidly reducing poverty. The FNDP also emphasises the creation of strong linkages between the capital intensive sectors and the rest of the economy so as to enhance broad-based growth.

42. At the core of an enabling environment is the need to have a strong and sustainable economic infrastructure, especially roads, bridges, dams and various means of communications. The emphasis will be on maintaining the existing infrastructure. Structural transformation and urban growth are also important for the long-term development process, not least for providing markets for agricultural products. However, such growth largely depends on the private sector and, therefore, requires a supportive environment. Consequently, one of the key targets of the FNDP is to create the enabling environment supportive of private sector growth and ensure that the country has good infrastructure, a supportive macroeconomic environment and skilled human resource.

3.2 FNDP priority sectors and reforms

43. Given Zambia's developmental challenges, especially the high poverty levels estimated at 67 per cent of the population, and the fact that provision to the basic

³² The presentation of the FNDP is to a large extent based on excerpts from the FNDP executive summary.

services of education, health, water and sanitation is still poor quality and access is also not widespread, there is a real need for stepping up of efforts aimed at strengthening and broadening the growth process and fostering human development. The Plan has therefore, identified two critical areas where public spending should be focused if growth is to be accelerated and broadened. These are: (a) strengthening the relevant economic and social infrastructure, especially roads, schools and hospitals; and (b) enhancing agriculture and rural development. These will be complemented by the implementation of specific structural reforms across various sectors in order to improve the business and investment climate.

44. To foster human development, the public spending priorities will focus on enhancing the quality of education provision, skills development and employment, better health service delivery, addressing the problem of frontline personnel and the lack of requisite working implements in the two critical sectors of education and health. It is also planned to expand the proportion of the Zambian population with access to safe drinking water, especially in the rural areas and in peri-urban areas. The FNDP also seeks to significantly improve the working and operating environment in the public order and safety sector, in particular, those related to housing for law enforcement officers. Attention will also be given to the sustainable management of natural resources and the environment. In many respects, these priorities also match the eight MDGs. In summary, the expenditure focus of the FNDP is on infrastructure (particularly road infrastructure), agricultural development, education, health, water and sanitation and public order and safety. The issues of HIV and AIDS, gender, environment, food and nutrition and governance; are addressed in the FNDP as cross-cutting issues.

45. The FNDP 2006-2010 structural reform agenda will focus on (i) improving the business and investment climate (*Private Sector Development Programme*); (ii) providing for the delivery of basic services (*Public Service Reform Programme*); (iii) strengthening expenditure and financial accountability systems (*Public Expenditure Management and Financial Accountability Programme*); and (iv) developing the financial system (*Financial Sector Development Programme*). Reforms in most of these areas have already started and will be accelerated.

3.3 FNDP financing and the MTEF

46. The five-year planning period of the FNDP has been adopted to complement the three-year rolling budgeting cycle of the Medium Term Expenditure Framework (MTEF). Therefore, the instrument is designed to ensure that it is result based, formulating national development strategies within a realistic annual and medium-term budget process. The planning and the subsequent budgeting process will be extended to the provincial and district level. To enable regular and quality reporting, key performance indicators have been identified for each sector (see Annex 2).

47. The total estimated cost of public expenditures contained in the FNDP for the period 2006-2010 stands at ZMK 62.6 trillion³³ (USD 14.9 billion). It is currently envisaged that this will be financed by domestic funding of ZMK 48.4 trillion (USD 11.5 billion) and anticipated external financing of ZMK 11.2 trillion (USD 2.7 billion). This leaves a residual financing gap of almost ZMK 3 trillion (USD 710

³³ The exchange rates used are those prevailing in early 2007: USD1 = ZMK4,200, Euro 1 =ZMK5,500.

million) which GRZ is looking for additional resources to fill. Of the total financing requirement, an estimated ZMK 38.6 trillion (USD 9.2 billion) or 62 per cent is for priority FNDP sectors.³⁴

4 FNDP challenges and the Cooperating Partners' response

48. Important improvements on the PRSP/TNDP have been made in the FNDP, including improved structure, focus, prioritisation, results-orientation and proposed implementation and monitoring and evaluation arrangements.³⁵ Thus, the CPs concur that the FNDP provides an acceptable basis for aligning their support. However, if Zambia is to reach the FNDP's intended results, a number of challenges will need to be resolved in the short to medium term. These challenges are presented in the following along with the CPs' joint financial response and risk assessment.

4.1 CPs sectoral response

49. Sectoral challenges are presented across the FNDP entry points along with suggested priority responses.

4.1.1 Economic sectoral plans

Agriculture

50. *Challenges:* The overall objective for the sector is to facilitate and support the development of a sustainable and competitive agricultural sector to ensure food security and income generation at household and national levels and to maximise agriculture's contribution to GDP. The main challenges are (i) the incomplete liberalisation of the agricultural sector in Zambia in the form of continued substantial government interventions in input markets and maize marketing restraining a more active role for the private sector; and (ii) a chronic lack of public investment in productivity enhancing activities to stimulate broad-based, environmentally sustainable, agricultural growth leading to improved incomes and food security, thereby contributing to achievement of the MDG 1.

51. *Priority response:* Increased funding to the sector in order to reach the Maputo Declaration target of 10 per cent of the budget allocated to agriculture. Enactment of the existing Draft Agriculture Marketing Act. Reduced share of public funds directed to market distorting subsidies, while increasing funding to agricultural research, extension, infrastructure (emphasizing irrigation and water management), soil fertility management as well as development of and access to domestic, regional and international markets. To ensure pro-poor growth, priority must be given to such interventions that benefit the largest possible number of farmers.

Infrastructure

52. *Challenges:* Development of Zambia's poor infrastructure is needed to accelerate broad-based growth given the country's large land area and land-locked status. Extending infrastructure, including transport, communications and power facilities, particularly to those living in outlying areas, is a prerequisite for enhanced

³⁴ The core FNDP costs exclude costs for general administration, running expenses and personnel expenditures in the implementing sectors. For health and education, personnel related expenditures have been included as they are critical in service delivery in these two sectors. Very large capital costs for hydro power projects as well as rail infrastructure projects that will be taken either through public-private partnerships or entirely by the private sector, are also excluded.

³⁵ Joint Comments by Cooperating Partners to FNDP of June 2006.

economic growth and improved social outcomes. Improving regional integration through the development of regional and continental transport corridors is also a priority in the context of interconnectivity to improve regional and international trade routes and to eventually achieve the MDGs. In terms of road transport, the major challenges are the continuation of the road sector reform in the framework of the 2002 road transport policy and the assurance of adequate and timely funding to complete ROADSIP II (2004-2013) and to maintain the road network on a sustainable basis thereafter. Regarding other sub-sectors like rail, efforts should be made to revitalise the railway system in the framework of the above corridor development to improve and open up trade routes and offer competitive means of transport against roads. The challenges for the air transport sub-sector are to further promote and boost tourism. Efforts should also be made to improve the infrastructure of other domestic/international airports apart from Lusaka and Livingstone. For water transport, the challenge for the GRZ will be to reform this underdeveloped sub-sector with regard to competitiveness to other transport modes.

53. *Priority response:* The provision of adequate and sufficient funding for the sector is key particularly regarding domestic financing. Given the erratic Government funding releases for the sector in the past, CPs will continue to track Government performance through instruments like the Performance Assessment Framework (PAF). In that context, the reduction of arrears to contractors needs to be focused upon. With regard to poverty reduction, a focus on the rehabilitation and maintenance of the rural road network has been recognised in order to provide basic access to the rural poor this requires a determined follow-up by GRZ. Also, the foundation for a performance-based monitoring and evaluation framework including a poverty impact assessment framework for the sector has been laid in 2006 which allows the sector to assess the impact of road transport interventions on the alleviation of poverty if adequately implemented by the GRZ. With regard to regional interconnectivity and the opening of regional transport trade routes, other sub-sectors need to be assessed concerning their competitiveness against road transport.

Natural resources

54. *Challenges:* The natural resources (NR) sector has the potential to contribute to the country's economic growth, poverty reduction and environment protection by increasing incomes and revenues from natural resources and maintenance of ecosystem services. Addressing equity and transparency issues in the access and control of resources is important part of the sustainable use of natural resources. Currently the unsustainable level of utilization and inadequate management of these resources will deprive the country from realising this potential. Despite the existing policies and their regulatory frameworks in sub sectors of forestry and wildlife there is need for further support.

55. *Priority response:* The priorities in the natural resources sector include the reform and enhancement of capacity of key government institutions, including its statutory bodies, to help them fulfil their mandates; strengthening sectoral and inter-sectoral coordination mechanisms; addressing equity and transparency issues in the access and control of resources, data capture on the sector's contribution to the national economy and social safety nets and poverty alleviation (for instance, the sector's input to livelihood resources for the rural poor) and the impact of natural resource base degradation to growth pillars, such as tourism and agriculture. Joint analytical work, amongst CPs, government, civil society and the private sector, which focuses on key

economic development areas, could provide the government the necessary tools to support NR sector and ensure environmental sustainability for long-lasting benefits of growth.

Tourism

56. *Challenges:* There are a plethora of challenges that need to be addressed in order to achieve the goals as articulated in the FNDDP. Specifically, the GRZ needs to: (i) establish a more stable, standardized and enabling business environment; (ii) build the infrastructure required to support tourism development; (iii) fund and reform the Zambia Wildlife Authority so that tourism development does not erode the wildlife asset it is based on; (iv) enhance Zambian skills in all trades related to tourism; (v) encourage the participation of Zambian communities and entrepreneurs in the tourism sector; and (vi) improve the marketing of Zambia worldwide as a tourist destination. To meet these challenges, GRZ will need to work across ministries as many of the issues are beyond the control of Ministry of Tourism, Environment and Natural Resources (MTENR).

57. *Priority response:* To achieve their goals, Government needs to clarify its vision and strategic plan for the sector and apply indicators to assess the plan's effectiveness which can be monitored. The content of the plan would include identifying the role for the private and public sectors in addressing the above-mentioned issues, including those Ministries and agencies outside of MTENR who have a large influence on the business environment. The plan would provide an opportunity for the multiple organizations that represent the tourism sector (within and outside of the public sector) to unite around their priorities and address them. In addition, the MTENR and other tourism-related agencies need strengthened capacity to support and regulate the tourism industry. Finally, the performance of the Zambia Wildlife Authority needs to improve and a mechanism for funding and evaluating its performance must be found and utilized going forward.

Private sector development

58. *Challenges:* The Private Sector Development (PSD) reform programme is part of the structural reform agenda of the FNDDP, and the goal is to substantially improve the business and investment climate. Faster, sustainable growth that increases employment and reduces poverty relies upon enhanced trade and investment. Furthermore, with limited implementation capacity in Government, service delivery through public-private mechanisms continues to play a prominent role. Attention will be on six reform pillars which aim at improving: (a) the policy environment and institutions that serve the private sector; (b) regulation and laws; (c) infrastructure development; (d) business facilitation and economic diversification; (e) trade expansion, and (f) citizens' economic empowerment.

59. *Priority response:* In order to implement reforms, it is important that there is (i) ownership over reforms; (ii) accountability for results; (iii) process efficiency; (iv) focus on equity dimensions; (v) a public-private sector dialogue; (vi) working across sectors; (vii) effectiveness of the institutional structure; and (viii) capacity development of the key agents to carry out the reforms.

Energy

60. *Challenges:* The main focus of the energy sector is to increase the current level of access to electricity from 20 per cent to 30 per cent by 2010. In the long term, the aim is to ensure that Zambia has reliable, economically sustainable and

environmentally sound energy supply. The lack of investments in power generation capacity is a matter of urgency, and is partly due to lack of investment-enabling electricity tariffs and the poor operational efficiency in the power industry. The second challenge is the development of an adequate National Energy Policy and its implementation plan. The third challenge, reforming the energy sector towards financial strength and market orientation, requires a stronger institutional and regulatory capacity of the sector.

61. *Priority response:* To meet the goals of the FNDP in increased access, special attention should be paid to strengthening institutional and regulatory capacity, enabling the sector institutions to implement rural and peri-urban electrification programmes. Increased promotion of public-private investments in indigenous/renewable energy schemes is also needed. Modified electricity tariffs, based on cost of service, are needed to *unwind* investments in power generation.

4.1.2 Social sectoral plans

Education

62. *Challenges:* The key challenge in the education sector is to meet the MDG of universal primary. For the FNDP period, this will require improving the quality of basic education, mainstreaming community schools and reaching out to orphaned and vulnerable children (OVCs) and out-of-school children. Following the rapid growth of basic education, the sector also has to meet the challenge of an increasing demand for access to post-primary education, in particular for girls.

63. *Priority response:* Key strategies in improving learning outcomes that foster employability include teacher management (recruitment, deployment, retention and training), textbook procurement, curriculum reform, and infrastructure development. Issues of gender and HIV/AIDS will be addressed to ensure that they are not a barrier to access and to efficient delivery of education.

Health

64. *Challenges:* The priorities in the health sector are to meet the health MDGs of improved child health, reduced maternal mortality and reduced prevalence of HIV/AIDS and other infectious diseases. The main challenges include the underfunding of the sector, the lack of human resources, unavailability of appropriate drugs and supplies, together with poor infrastructure and equipment (including transport). These challenges are all inter-related. The human resource crisis is probably the most challenging problem in the country and is affecting service delivery; a large number of health centres are currently operating without any trained personnel. The challenges are related to training, recruitment, retention and management of staff.

65. *Priority response:* In order to achieve the health MDG goals, the sector has to be adequately funded; the objective is to meet the Abuja target of 15 per cent of the government budget allocated to health. A human resources strategic plan has been developed and it is imperative to start the comprehensive implementation of the plan. A Drug Supply Budget Line has been introduced to ensure the timely procurement and distribution of appropriate drugs. Services have become more accessible and pro-poor with removal of health user fees in rural area, however greater attention needs to be placed on ensuring the quality of health care - particularly in areas of human resources and drugs.

Water and Sanitation

66. *Challenges:* There is growing recognition that Water and Sanitation is an important sector for the alleviation of poverty. It cuts across many other sectors and contributes to most of the MDGs. The provision of water and especially of sanitation services will be a considerable challenge for the GRZ and CPs. The implementation of the National Rural Water Supply & Sanitation Programme will require increased funding as well as extensive capacity building and empowerment of the Districts in coordination with the decentralisation programme. Considerable funding will be required for the urban and peri-urban areas as well. The institutions in the sector need further strengthening in order to stabilize the improvements that have been achieved in recent years. The preparation of the various investment plans and the general progress in the continued reform of the sector should lead to revised plans under the FNDP.

67. *Priority response:* A key priority for the near future will be passing and implementing the revised Water Policy and the Water Resources Management Bill. Once the new Act is in place, the challenging process of establishing new institutions (as provided for under the bill), management and monitoring systems will require a concerted effort by GRZ and CPs. New institutions as well as existing ones will need capacity building as well as additional funding. Water & sanitation in rural areas will be covered by the National RWSS Programme, which needs to be finalised. Capacity building of districts both in terms of funding and human resources is key to success. For the Urban and Peri-Urban Water Supply and Sanitation sub-sector the preparation of a realistic and comprehensive investment plan is a key priority in order to identify the required resources and harmonise ongoing support.

Social protection

68. *Challenges:* Social Protection aims to protect welfare and promote livelihoods of vulnerable people suffering from critical levels of poverty and deprivation. The Ministry of Community Development and Social Services (MCDSS) will strengthen its capacity in collaboration with CPs. Increased resources must be allocated to the sector to enable implementation. Appropriate delivery mechanisms will be explored and evidence of potential impacts on the poorest will be demonstrated and disseminated to raise awareness.

69. *Priority response:* Priorities include providing transfers for households with no or little self-help potential, and to promote and co-ordinate best practice measures for households with low capacity, emphasising in both cases improvements in household livelihoods, productivity, and economy. Recent positive experience gained through pilot efforts in cash transfers will be expanded in the next few years. A further priority is to identify adequate support mechanisms that strengthen the resilience and capacities of very vulnerable households and support the needs of OVCs and youth. Successful interventions will be used as models in expanding a full range of social protection interventions. More evidence needs to be gathered on the most cost-effective social protection interventions for future policy making.

4.1.3 Governance

70. Over the period of the FNDP, there are number of different cross-sectoral priorities for governance reform including:

- Effective use of the governance harmonisation and coordination fora
- Delivering a new constitution, and parliamentary and electoral reforms
- Public service reforms incorporating public expenditure and financial management, public services management and decentralisation
- Strengthening the role of non-executive oversight institutions including non-state actors
- Improving the performance of the judiciary, legal and enforcement agencies

Coordination and monitoring

71. *Challenges:* The range of issues and programmes covered by governance poses particular challenges for coordination and monitoring. Several sector advisory groups work directly on the governance agenda and require clear TOR and effective leadership to ensure that their role in monitoring, budgeting and overseeing of the FNDP implementation is met.

72. *Priority response:* Government (all three branches), CPs and civil society will need to establish and support mechanisms for coordination across these SAGs and their associated technical working groups.

Constitutional review and electoral reform

73. *Challenges:* Zambia is in the process of a constitutional review process to be conducted through a popular Constituent Assembly. Constitutional reform is aimed at balancing power, entrenching human rights and civil liberties, as well as reforming the electoral process to level the political playing field. However, achieving consensus on the roadmap to constitutional reform remains potentially contentious.

74. *Priority response:* Government-led public dialogue could focus on identifying a framework that would help ensure the transparency and independence of the process, including consensus on the legal requirements for the review. On electoral reform, consolidation of the impartiality of the Electoral Commission for Zambia and the Department of National Registration could be built through a continuous voter registration process; enforcement of the Code of Conduct, and an improved media monitoring capacity and regulatory framework.

Oversight institutions

75. *Challenges:* According to Zambia's constitution and legislation, non-executive bodies are mandated to exercise oversight over the executive, but their performance of these functions is often limited in practice. Despite an established oversight function, systems of accountability of public officials are often lacking. Clearly defined guidelines such as a public service code of conduct need to be backed by effective mechanisms for enforcement.

76. *Priority response:* Over the FNDP period, to strengthen the oversight capacity of non-executive bodies (Parliament, Auditor General's Office, Anti-Corruption Commission, Human Rights Commission and other bodies) and the capacity of citizens and non-state actors to engage in political reform processes such as constitutional and parliamentary reform, national development planning and monitoring. As Parliament increasingly takes up its legislative and oversight roles, consideration should be given to developing MPs' skills and responsibilities in relation to both their scrutiny role nationally and their constituency and constituents. This requires a strengthening of the oversight functions of Parliament through the committee system and enhancement of the consultative machinery between MPs and the public.

Civil society

77. Zambia provides space for civil society organisations to comment on government performance and there is additional scope for government to encourage civil society involvement in public policy formulation, monitoring and implementation. Better coordinated capacity-building is needed for civil society organisations to build stronger coalitions, strengthen links with grass-roots groups, improve the quality of participation in policy dialogues and monitor the FNDP, including delivery of public services.

Public Sector Reform (PEMFA, PSM and decentralisation):

Public Finance Management

Challenge: The challenge with regard to public finance management is to further upgrade the public finance system to achieve better financial management and a more judicious use of limited resources.

79. *Priority response:* Currently there is a need to accelerate the implementation of the PEMFA programme in certain priority areas. These include strengthening expenditure controls (including public procurement), ensuring better information flows throughout the system, enhancing audit capacities, and making sure sufficient support is given to the Integrated Financial Management Information System implementation. PEMFA must be effectively managed and overseen and government should provide direction and ensure accountability for delivery. The PEMFA programme should be fully integrated into the regular strategies, plans and budgets of the Ministry of Finance.

Public Service Delivery

Challenge: The challenge is to improve the delivery of services to the poor through public sector institutions. The management of public service delivery requires reform to create a more appropriate institutional environment for poverty reduction across government.

80. *Priority response:* There should be increased emphasis on improved service delivery, through pay reform, rightsizing, performance measurement and greater transparency and accountability of government operations. The latter includes mainstreaming anticorruption work into line ministries through the National Anti Corruption Policy and enhancing management of the Payroll and Establishment. These are challenging reforms and will require a high level of political commitment within central agencies and line ministries backed and guided by an elected Parliament.

Decentralisation

81. *Challenges:* Implementing effective decentralisation will require continued demonstrated political will at the highest political level. This implies that the Decentralisation Implementation Plan (DIP) needs to be approved by Cabinet and that clear management arrangements need to be institutionalised including sufficient financing. Implementation, including devolution of sufficient responsibilities for districts to fulfil their mandates and setting-up a fiscal decentralisation system to transfer sufficient resources to the local level, needs to be prioritised.

82. *Priority response:* GRZ and CPs have reached consensus to support decentralisation implementation through a Programme Based Approach, which is under design. Through this programme devolution, fiscal decentralisation and

capacity development at all levels of government are expected to be addressed alongside with necessary legal reform, sensitisation of the population on the DIP, improved Local Government revenue systems, service delivery capacities, and greater accountability systems at local level.

Justice sector

83. *Challenges:* Coordination between the institutions involved in the justice sector is often poor. One result of this is reduced access to justice with people often experiencing significant delays within the justice system. People's, and particularly women's, statutory and human rights continue to be undermined by the application of discriminatory customary laws in Local Courts.

84. *Priority response:* A better coordinated planning and budgeting process among the justice institutions will enhance the efficiency of justice, and could also increase the availability of funds to the sector. The Government should give more priority to respect, protect, promote and implement the rights enshrined in international conventions that Zambia has ratified. Besides domestication of these treaties, capacity building of Local Courts, coupled with stronger oversight from the Judiciary, could significantly improve the justice situation for the majority of citizens that lack both the financial means and institutional know-how to access other levels of the justice system in Zambia.

4.1.4 Cross-cutting issues

HIV and AIDS

85. *Challenges:* Zambia is a signatory to the declaration to provide as close as possible universal access to HIV prevention, treatment, care and support services. Strong government leadership and ownership is required to meet these targets. Prevention efforts need to be scaled up - currently only 75,000 people are on treatment out of the approximately 250,000 that require it today.

86. *Priority response:* All partners subscribe to the "three ones principle" – One Coordinating Body – One Strategic Framework and One Monitoring and Evaluation System – with policy and services developed with the involvement of people living with HIV. Delivery of this requires a multi-sectoral approach with the involvement of Government, together with individuals, communities, NGOs and the private sector. Special emphasis is needed on children, youth and women. The Zambian health system needs to be strengthened in order to ensure effective delivery of HIV services. In order to produce the desired results in a coordinated way, key Cooperating Partners supporting HIV/AIDS may have to improve their alignment to the "three ones principle."

Gender and development

87. *Challenges:* Despite policy and institutional framework for the promotion of gender equality and empowerment of women being in place, deep gender inequalities and disparities still exist. The implementation of the National Gender Policy has been weak and the various international and regional instruments for the promotion of gender equality have not been domesticated nor integrated in local laws. The result is that structures that deliver development, justice and promote protection of citizen's rights and invariably women's rights are not gendered. The challenges in the gender sector are as follows: weak legal/regulatory framework for ensuring gender equality and the protection of the rights of women; weak accountability mechanism for promotion of gender equality; weak machinery for leadership, coordination to

promote gender equality; limited gender analytical skills among policy makers, planners, economists and budget analysts; weak monitoring and evaluation mechanism due to lack of gender disaggregated data; and low levels of funding for gender mainstreaming.

88. *Priority response:* The priorities for addressing the challenges should focus on capacity development for gender mainstreaming. Specifically, focus should be on development of an accountability mechanism that will ensure that the national gender machinery is able to provide leadership and coordination for gender mainstreaming as well as for civil society organisations to hold government accountable. Furthermore, policy makers, planners, economists and budget analysts should be equipped with gender analysis skills. CEDAW and other international and regional instruments on gender should be integrated into the national legislative system, while the Gender Violence Bill should be enacted. This should be augmented by specific interventions that promote the empowerment of women.

Environment

89. *Challenges:* Among the critical challenges that Zambia is facing are to reverse environmental degradation and the attainment of the MDG goal 7 of ensuring environmental sustainability. Environmental degradation is occurring through over-exploitation of resource base and loss of biodiversity, land contamination from solid waste disposal, particularly municipal solid waste (domestic, trade and manufacturing and hospital waste) and industrial waste; land dereliction and land subsidence in mining areas; pollution of water ecosystems mainly from the release of dissolved substances, including heavy metals as well as oils, into rivers, wetlands and ground water; localized industrial air pollution; the threat of climate change with expected decrease in rainfall and more pronounced drought frequencies; soil erosion and limited capacity for environmental mainstreaming, management and enforcement of standards including lack of national land-use planning framework. The resource degradation and depletion have contributed to the low productivity of the primary sectors like agriculture, fisheries, wildlife and tourism as well as the provision of quality and security of the life to the people.

90. *Priority responses:* In order to address the challenges and contribute the achievement of the MDG goal 7, there is need for increased funding and enhancing national capacity for environmental planning and mainstreaming using strategic environment assessment and evidence based advocacy and communication, inter sector coordination and planning. Joint analytical work, amongst CPs, government, civil society and the private sector focusing initially on FNDP priority sectors such as renewable energy, land, forest, wildlife and fisheries as well as adaptation to climate change could provide the government the necessary tools and help progress toward environmental sustainability.

Food and nutrition

91. *Challenges:* Despite a rich resource endowment and some positive productive gains made in the agriculture sector, hunger eradication continues to prove a major challenge in Zambia. Consequently, the attainment of Food Security for at least 90 per cent of the population being food secure by 2010 is the major challenge of the FNDP as far as food and nutrition are concerned. Food crisis due to drought and structural factors have been recurrent in recent years, in particular in some areas of the country.

Nationwide, more than 60 per cent of the population is currently estimated to be food insecure.

92. *Priority response:* Successful planning and implementation of the number of programmes involved in Food Security requires well functioning linkages with a close coordination among various Ministries and sector specific institutions. During the consultative process to prepare the FNDP, some concerns were raised about the ability of the Plan to efficiently address MDG1 - in reducing by half the proportion of people who suffer from hunger - by mainstreaming food security in the development strategy. To address this issue, it was decided to establish a Food Security Task Force composed of the main public institutions and stakeholders in this area to develop a national cross-sectoral strategic framework and monitoring implementation matrix for food security within the context of the FNDP. Under this process, attention will also be given to the design and implementation of food security monitoring systems at district level, results of which should feed into the national system. An institutional mechanism will serve as the standing body for periodic review and reporting to the National SAG Conference on FNDP implementation as it relates to achievement of food security objectives and implementation of the planned strategic actions.

4.2 CPs financial response

93. In the financing section of the FNDP, the overall financing gap is presented as the sum of the financing gaps in each of the priority sectors (see Section 3.2 and 3.3). The assumption here would seem to be that these “sectoral gaps” will be principally met through the mobilisation of additional external resources targeted to these sectors. Of course, it is also possible that Government could reallocate some of its own resources to meet the needs of the priority sectors should it choose to do so.

94. The projections for domestic resource mobilisation contained in the FNDP are quite ambitious, although not unrealistic. Under the FNDP scenario, tax revenues are projected to increase as a per cent of GDP from 16.2 per cent in 2006 to at least 18 per cent by 2010. To achieve this, Government will need to take appropriate measures in the areas of tax policy and tax administration to reverse the recent downward trend in the tax/ GDP ratio. This ratio has fallen from 19.4 per cent in 2000 to 17 per cent in 2005. The CPs are concerned that recent tax-related developments, including the range of proposed tax reductions and additional incentives contained in the 2007 budget, may compromise the ability of the Government to meet its own commitments regarding levels of domestic financing of the FNDP.

95. By comparison, the outlook for mobilisation of sufficient levels of external financing to meet the requirements of the FNDP looks more encouraging based upon current projections. It will, however, still be necessary for prudent fiscal planning to take account of possible shortfalls in the volume of external financing particularly in response to performance-related issues. While achievement of the FNDP scenario is reliant upon the provision of a degree of scaled-up donor assistance over the current baseline projections, the absolute volume of external resources that is now required is not entirely unrealistic (i.e. USD 3.4 billion over 5 years to meet total requirements including the projected financing gap). This entails that Zambia will require average external flows of USD 680 million per annum over the five year period to meet the total financing requirement and our assessment, based on the projections contained in Table 3 below, is that in aggregate sufficient resources should be available. Some further work is required however to identify whether the current sectoral allocation of

projected Official development assistance (ODA) is consistent with the estimates of the financing needs of the priority sectors.

96. It is worth noting that the projections for total ODA flows contained in the plan are based on the assumption that the international community will collectively live up to commitments made at the Monterrey Summit in 2002 and confirmed at Gleneagles in 2005. ODA was projected to be USD 50 billion higher by 2010, with half of that increase earmarked to Africa. However, there is still uncertainty as to the proportion of this additional funding that will accrue to Zambia and this will depend to a significant extent upon progress achieved in country. As the implementation of the FNDP progresses, these projections will have to be revisited and informed by the realities of the actual and expected ODA inflows to Zambia.

4.2.1 Projected ODA Resource Flows

97. The table below gives some recent projections of the absolute volume of resources that Zambia's various cooperating partners have currently programmed for disbursement during the FNDP period. See the notes to the table for details of the source of the data and other caveats.

98. It is important to note that the data for 2007 and 2008 are probably more accurate and comprehensive than that for the outer years. This is principally due to the constraints that some agencies face in forecasting financial flows and disbursements over a multi-year period. The outer years include quite low levels of project or programme finance. However, it is highly likely that Zambia will conclude new agreements with the IMF, World Bank, African Development Bank and other concessional lenders during this period³⁶, as well as with other Cooperating Partners. The actual level of IDA loans will be determined by Zambia's assessed performance as outlined in paragraph 100. The FNDP financing section envisages external loans of USD 160 million per annum over the period, of which roughly USD 50-60 million per annum would be new borrowing.

99. Given these figures, CPs' expectation is that the overall volume of resources available to Zambia will increase over this period, although still not as rapidly as some have possibly been expecting. If the level of project/ programme grants continues at current levels over the period 2007-2010 and Zambia does contract new development loans of USD 60 million per annum, then our estimates indicate that total resources (grants and loans) available to Zambia will be between USD 700 – 750 million per annum. This figure is significantly above the historical average of the last five years (at around USD 570 million). Assuming that economic growth and domestic revenue targets are met, this would also be sufficient to meet the current FNDP financing gap.

³⁶ For example, the World Bank is currently preparing its new Country Assistance Strategy for the period 2008-2011.

Table 3 CPs' financial response 2006-2010

Modalities	ODA disbursements (2006) and projections (mill. USD)				
	2006	2007	2008	2009	2010
	USD	USD	USD	USD	USD
Grants					
General Budget Support	145.2	176.3	175.1	210.5	211.4
SWAp	94.4	116.5	106.4	111.8	110.8
<i>o/w Education</i>	55.3	73.0	69.3	70.4	69.4
<i>o/w Health</i>	39.1	43.5	41.7	41.4	41.4
Project/programme grants	548.8	361.6	361.6	328.5	263.2
Total grants	788.3	696.0	643.1	650.8	585.4
Loans					
Project loans	147.4	166.7	118.5	46.6	39.0
Programme loans	0.0	40.0	0.0	0.0	0.0
Total loans	147.4	206.7	118.5	46.6	39.0
GRAND TOTAL	935.6	902.6	761.6	697.5	624.4

Notes to table:

- a) The modality definitions are based on those of the DAD.
- b) The 2006 disbursement data include data from all CPs (incl. France, BADEA, OPEC, and the Kuwait Fund although they are not signatories to the JASZ). Some of the data for third/fourth quarter are still tentative.
- c) Projection data for year 2006-2009 have been based on MTEF data of October 06 exercise. However, some revision to this data has been provided by Canada, Denmark, the EC, Finland, Germany, Ireland, Norway, Sweden and the World Bank. IFAD ODA projections are new to the MTEF. Japan cannot provide any ODA projections.
- d) Projection data for year 2010 have been provided by Denmark, the EC, Finland, Germany, Ireland, Norway, Sweden, the UK, and the UN system. For the Netherlands, and the US the year 2010 projections are a repeat of those of year 2009. For the WB and the AfDB projections are provided for year 2007/08 (aside from some AfDB project loans for water and sanitation and agriculture projections for year 2009/10). Canada cannot provide data beyond year 2009. For the remaining CPs, year 2010 projections have not been included.
- e) CP specific comments/reservations: Canada is considering providing support to the health SWAp. For Germany further commitments might no longer be project based/earmarked for particular projects. Depending on the progress of designing national programmes (water sector) future commitments and disbursements will be allocated to these national programmes. For Sweden it should be noted that all figures are indicative, pending a decision by the Swedish Government on country concentration (work on-going) and overall direction of development co-operation with Zambia. Furthermore, Sweden has not included their support to non-state actors/civil society in the disbursements/projections.
- f) PRBS CPs are the AfDB (year 2006 only), the EC, the Netherlands, Norway, Sweden, the UK and the WB. Finland, Germany, and Ireland have projected GBS for year 2007 and onwards. Ireland's projected figures for Budget Support are contingent on an internal approvals process.
- g) Denmark, the EC, Ireland, the Netherlands, Norway, and the UK are providing financial support for the SWAp for education. Canada provided support in 2006 only. Finland is providing support in 2006-2007 only. UNICEF will join as a SWAp partner in 2007.
- h) The Netherlands, Sweden and Canada will provide financial support for the health SWAp. Ireland and the UK will phase out from year 2007.

100. For both World Bank and AfDB, the annual amount of MDRI debt relief will be deducted from Zambia's annual IDA and ADF allocation (see Table 4 below) and the level of resources allocated to Zambia on an annual basis will be determined by Zambia's assessed performance, especially on the CPIA and the IDA governance indicators. With MDRI debt relief, Zambia benefits from the fiscal space that has been created by a very predictable form of "direct budget support". For the first time in more than two decades, Zambia's domestic capital expenditure budget in 2007 is at par with that expected from its Cooperating Partners.

Table 4 MDRI debt relief to Zambia, 2006-2010 (mill. USD)

	2006	2007	2008	2009	2010	TOTAL
IMF						
HIPC	13.5	11.85	10.35	8.88		44.58
MDRI	18	41	71	81		211
Sub-Total	31.5	52.85	81.35	89.88	-	255.58
World Bank						
HIPC	37.9	40	39.9	41.5	41.3	200.6
MDRI	8	17	19	21	21	86
Sub-Total	45.9	57	58.9	62.5	62.3	286.6
AfDB						
HIPC	6.62	10.23	5.01	4.71	2.72	29.29
MDRI	2.48	2.64	2.93	2.97	3.45	14.47
Sub-Total	9.1	12.87	7.94	7.68	6.17	43.76
GRAND TOTAL	86.5	122.72	148.19	160.06	68.47	585.94

101. In order to increase predictability of aid flows in future, Cooperating Partners recognise that they need to be able to report to GRZ, on a regular basis, the amount of the funds that will be committed over the subsequent three-year MTEF period. They also recognise the need to minimise within year and year-on-year variations in the disbursement of projected funds in order to ensure that Government is able to effectively plan its medium-term fiscal programme.

4.2.2 Issues Concerning the Financing Gap

102. Despite the likely increase in the absolute levels of external resources outlined above, CPs are concerned that certain risks for a FNDP financing gap remain, should any of the current projections concerning internal revenue flows associated with the projected economic growth prove to be too optimistic. The FNDP could be supplemented by some further sensitivity analysis to look at the impact of different financial scenarios on programme implementation. The CPs also recognise that there will be other calls upon Government's resources over the period that are not envisaged in the plan (for example, settlement of arrears and other contingent liabilities). Given these uncertainties, the CPs wish to highlight a number of issues concerning financing of the FNDP that need to be addressed:

- a) The newly created Planning and Economic Management Division (PEMD) at MoFNP should ensure programmes contained in the FNDP are carefully prioritised so that (a) levels of both recurrent and capital expenditure take account of the budget constraint and the wider macroeconomic impact of enhanced levels of government expenditure and, (b) that planned levels of borrowing are constrained by the need to remain within the established parameters of debt sustainability.
- b) There are undoubtedly a number of areas of Government's operations where significant efficiency savings can be made.³⁷ Before allocating significant new resources to sectors or programmes, it is important that regular public expenditure reviews are carried out in order to determine whether existing resources allocated to specific institutions or services are being utilised effectively. Government also needs

³⁷ In 2003, it was estimated that Zambia lost around US\$ 50 million annually due to inefficient public procurement procedures, which resulted in government failing to achieve value for money for the goods and services that it procures See Country Procurement Assessment Review (CPAR), World Bank, 2003.

to improve the levels of accountability for the use of public funds at the local level to give service users access to information about budgetary allocations to front-line agencies.

- c) CPs will be concerned about any further decline in revenue to GDP ratios and in the level of commitment to increasing domestic revenue mobilisation. This is particularly important if the current reliance on ODA is to be replaced by increased domestic resource mobilisation in the medium- to long-term. Zambia possesses substantial endowments of mineral resources during a period of historically high commodity prices. CPs encourage the Government to ensure that the proposed revisions to the mining sector fiscal regime are implemented in a timely and effective manner. In addition, widespread and poorly targeted tax incentives and exemptions also currently significantly erode the corporate tax base, with the risk of over-reliance on the taxation of personal incomes, particularly for those on low incomes which is regressive.
- d) The CPs are also concerned about the pattern of consistent under-execution of the budget in recent years (as shown in the 2005 Financial Report) and what this says about absorptive capacity and Government's ability to utilise public resources effectively. While CPs observe that the degree of variance between budget allocations and actual expenditures differs greatly across sectors, in general these variances have been caused by one or more of the following: (i) differences in the capture of donor inflows; (ii) yearly emergency needs; (iii) the delayed or discretionary release of funds to different institutions, (iv) lack of absorptive capacity of the spending agencies.
- e) With the fiscal space created by the MDRI and HIPC, the Government will need to monitor carefully the volume and the terms of new external borrowing (projected at USD 50 – 60 million per annum) either from multilateral development banks or bilateral creditors, to ensure that the country does not return to an unsustainable debt situation.
- f) There is a consensus on the need for greater attention to the establishment of a set of clear rules, procedures and institutional checks on contracting external and domestic borrowing. The ongoing work at MoFNP on the establishment of comprehensive databases on Zambia's domestic and external debt portfolios is welcome. However, the CPs would recommend that the quarterly updates on Zambia's debt position be made public and a debt management strategy be completed which clearly defines a process by which Government's borrowing decisions are subjected to independent scrutiny, including parliament.

4.3 Risk assessment and mitigation measures

106. As Zambia's development stakeholders embark upon implementation of the JASZ, two sets of risks offer potential challenges. The first set rests with Zambia (Table 5a below). These include risks relating to institutional capacity constraints, weak procurement systems, policy developments, domestic resource mobilisation, the impact of HIV/AIDS, debt sustainability issues, external shocks and environmental degradation. Many of these risks are addressed in the FNDP.

107. The second set of risks lies more specifically with CPs (Table 5b below). These include the credibility of the JASZ process, the scaling up development assistance,

free rider practices, and shared understanding on aid delivery modalities. Table 5 below summarises the risk and actions to mitigate those risks.

Table 5a: Summarized risks and mitigating action – Country risks

Country Risks	Issues	Mitigation
Institutional capacity constraints	FNDP could be affected by the general weak institutional implementation and absorptive capacity across the public service	Capacity building under the PSM, PEMFA and decentralisation programmes. Commitment to demand-driven TA. Systemic response to capacity development and local government needs. Finalisation of the Public Private Partnership Framework under the private sector development programme. Roll-out of performance evaluations of programmes.
Governance	Slow progress in grand corruption prosecutions (Zambia is ranked in the third quintile in Africa on the Corruption Perception Index). Moreover, limited civil society involvement and oversight over the development process by Parliament and other democratically elected bodies could weaken ownership.	Adoption of the Constitutional Review Report. Implementation of the fiduciary reforms under the PEMFA. Implementation of the National Policy and Strategy on Anti-Corruption. Strengthening of integrity committees. Support to PSM.
Weak Procurement Systems	Perceived corruption and inefficiencies limit use of GRZ procurement systems.	The CPs will in certain instances use safeguards but design these so that they enhance reform and capacity building in this important area. Support to PEMFA, PSM and ACC.
Policy developments	Need to control expenditure to comply with PRGF. Review of Mining agreements and implementation of citizen's empowerment act could reduce investor confidence.	Support for analytical work in order to assess policy options and their implications. CP support help ensure reviews are conducted in a manner that reduces the risk of negative policy signals from government.
Country Risks Cont'd	Issues	Mitigation
Domestic resource mobilisation	The envisaged additional domestic revenue may not be realised if the projected economic growth and the tax effort is not attained during the plan period. Moreover, the pressure for mobilizing of resources could have a negative impact on infant industries and businesses. Further, monetary authorities have limited ability to manage the transitory macroeconomic effects of debt relief inflows and exports earning proceeds from mining. Also, the weak financial sector stifles private sector driven initiatives due to lack of structured finance to invest in new ventures or expand existing ones.	Initiatives to promote private sector development, such as the Economic Diversification Programme, the Tourism Expansion programme, the Private Sector and Financial Sector Development Plans. Implementation of a tax policy and administration review. Further, CPs will work with GRZ to review the Financial Sector Development Plan in order to enhance financial intermediation. Rigorous implementation of the PSD reform programme.
Impact of HIV and AIDS	HIV/AIDS threatens to reverse the gains of Zambia's economic growth and human development.	Integrate the economic, fiscal and social consequences of HIV and AIDS and budget adequate resources to tackle the emerging needs
Debt sustainability	Management of domestic and external debt to avoid a relapse to unsustainable debt levels particularly against huge infrastructure requirements.	CP assistance on debt management reforms should assist Government to conduct studies on sustainable external debt levels for the country and finalise the process of preparing a debt policy and management strategy.
Exogenous shocks	A combination of pronounced climate variability, significant increase in international oil prices and reductions in international copper prices.	For recurring droughts, irrigation development and a national social protection system is needed. Further, the CPs will strengthen GRZ' capacity to respond though support to (i) analytical and monitoring work and (ii) economic diversification.

Environmental degradation	Growth and increased social and economic welfare expectations are largely based on the assumption of uninterrupted ecosystem services provided by the environment. The fact that these services are being degraded may undermine the development efforts.	To mitigate the adverse environmental impacts, the CPs should, in line with the PD commitment, promote environmental sustainability and support the government in enhancing its capacity for environmental planning and mainstreaming the principles of sustainable development using strategic environment assessment, environment impact assessment, cumulative impact assessment, environment management planning, environment emergency response planning, environmental monitoring and auditing and environmental management systems tools in development planning in all economic sectors, i.e. Agriculture, Infrastructure, Tourism, industry and Trade, Energy and Natural Resources.
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Table 5b: Summarized risks and mitigation action – Cooperating Partners

Risk from Cooperating Partners	Issues	Mitigation
Credibility of JASZ process	Partners fail to subordinate their individual objectives and systems and approaches in favour of a harmonised approach. Further, the CPs might become more concerned with the ‘mechanics’ of their own engagements with each other and GRZ, than the substance and outcomes of their development cooperation. Related, is the risk around the compartmentalisation of aid-driven responses into sectors, sub-sectors or by theme, thereby inhibiting the quality of development results and the ability to integrate cross-sector or cross-cutting issues (the current sector based FNDP and DoL have the potential to reinforce this sector approach).	Discipline among partners to allow GRZ to take leadership on major development decisions. Monitoring including that of the IMG of the Paris Declaration creates opportunities for identifying specific donor coordination areas that needs strengthening. Moreover, refinement of Aid Architecture will respond to sector siloing as well as strengthened interface of CPs with GRZ at the higher political and strategic level.
Scaling up of development assistance	CPs differ in their views on the need for overall or sectoral scaling up of aid to the country, particularly in the context of the existing capacity constraints within Government which reduce development impact and the macroeconomic impact of scaled up aid.	Predictability of medium term commitments to Zambia by JASZ partners and common approach on specific circumstances required to trigger scaling up of assistance. Dialogue between GRZ and CPs on approaching Capacity Development holistically has been initiated.
Free riders	Provision of non-concessional funding to the Government and parastatals, overturning the recent gains in the country’s external debt stock. Low level of harmonization and coordination with other CPs.	Instituting corrective mechanisms amongst CPs carrying out such practices. Support GRZ in finalising the process of preparing a debt policy and management strategy and its implementation. Engage non-JASZ signatories in a dialogue on harmonisation.
Aid Delivery Modalities	CPs continue to cite country performance and institutional constraints to a harmonized approach to develop assistance.	Partners need to reconcile their commitments made under the international harmonisation initiative and streamline their procedures and conditionalities in line with PD principles. The GRZ needs to continue to improve system performance. The PEMFA programme provides an opportunity for adopting a common approach in addressing fiduciary weakness that exists in national systems. Other approaches will be needed to address non-fiduciary issues in managing for development results.

5 Working in partnership

108. The JASZ attempts to strengthen country ownership of the development process, enhancing official development assistance (ODA) effectiveness and mutual accountability in the spirit of the Monterrey Consensus on Financing for Development (2002), the Rome Declaration on Aid Harmonization (2003), the Marrakesh Agreement on Managing Results for Development (2004), and the Paris Declaration on Aid Effectiveness (2005). More than a statement of general principles, the Paris Declaration presents a practical, action-orientated roadmap for CPs to improve the quality of aid through partner country systems, including the following five pillars:

- Ownership: partner countries exercise effective leadership over their development policies, and strategies and co-ordinated development action.
- Alignment. Donors base their overall support on partner countries' national development strategies, institutions, and procedures.
- Harmonisation. Donors' actions are more harmonised, transparent and collectively effective.
- Managing for results. Managing resources and improving decision-making for results.
- Mutual accountability. Donors and partners are accountable for development results.

109. Below follows a presentation of the CPs' commitments across the five pillars of the Paris Declaration.

5.1 Ownership

110. Over the past year, the GRZ has strongly demonstrated its ownership by not only developing the required operational development strategy in the form of the Fifth National Development Plan 2006-2010 but also by stipulating Zambia's agenda and tempo towards making aid more effective in an *Aid Policy and Strategy*.

111. The development of an Aid Policy document emerged from the Wider Harmonisation in Practise (HIP) initiative, being one of the outputs described in the Memorandum of Understanding (MOU). The Aid Policy is the product of a series of consultations within the GRZ and with many stakeholders, including the country's CPs. The main goal for the process of developing the Aid Policy was to ensure that Zambia has a systematic and coordinated approach for soliciting and managing aid. Although initiated prior to similar developments at the global level, the process addressed the same perceived problems and resulted in a set of principles well in line with the Paris Declaration.

112. The policy recognises that, to the extent that external resources become part of Zambia's own funds, the strategies for aid management are fundamentally the same as for managing domestic resources. In the sections dealing with strategies, a number of reforms are proposed to enhance the systems and structures that manage local resources. These acknowledge that the degree to which the GRZ can effectively receive and account for aid is, to a large extent, dependant on the country's ability to manage its domestically generated resources. CPs, in turn, collaborate to improve predictability of funding and greater alignment with Zambia's own financial management systems where possible, thereby entrenching the principle of mutual accountability.

5.1.1 Principles for cooperating partners

113. In response to Zambia's aid policy and strategy, the following key principles based on the Paris Declaration, will guide the CPs' support to the objectives of the FNDP:

- a) CPs will respect Zambia's leadership and help strengthen the capacity to exercise it.
- b) CPs commit to provide timely, transparent and comprehensive information on aid flows so as to enable Zambia authorities to present comprehensive budget reports to their legislatures and citizens. CPs further commit to provide reliable indicative

commitments of aid over a multi-year framework and disburse aid in a timely and predictable fashion according to agreed schedules.

- c) GRZ proposed a division of labour between CPs in June 2006. CPs commit to make full use of their respective comparative advantage at sector level by delegating, where appropriate, authority to lead CPs for the execution of programmes, activities and tasks.
- d) CPs commit to base their overall support – country strategy, policy dialogue and development co-operation programmes – on Zambia’s national development strategies and periodic reviews of progress in implementing these strategies (e.g. FNDP, Sector strategies, etc.)
- e) Capacity development within the public sector and among non-state actors, including the private sector, is a key area for CP support, in line with the ambitions and commitment in the FNDP and the Aid Policy.
- f) CPs commit to use Zambia country systems and procedures to the maximum extent possible. Where use of the systems is not feasible, CPs will establish additional safeguards and measures in ways that strengthen rather than undermine the systems and procedures. Where feasible, CPs will progressively use the preferred modalities in the aid policy in their assistance to the public sector.
- g) As stated in the FNDP and the Zambian Aid Policy, non state actors including the private sector have an important role to play in Zambia’s development. CP’s will continue to support the involvement of these actors. CPs encourage the Government of Zambia to take the lead in co-ordinating aid at all levels in conjunction with other development resources in dialogue with donors and encouraging the participation of civil society and the private sector (e.g. the FNDP Poverty Conference and/or Sector Advisory Group General Conference).
- h) CPs commit to implement, where feasible, common arrangements at country level for planning, funding (e.g. Joint Financing Arrangements), disbursement, monitoring, evaluating and reporting to government on donor activities and aid flows. Increased use of programme-based aid can contribute to this effort.
- i) CPs commit to implement harmonised diagnostic reviews and performance assessment frameworks in public financial management. CPs further commit to use mutually agreed standards and processes to carry out diagnostics, develop sustainable reforms and monitor implementation of procurement system strengthening. CPs commit to progressively rely on Zambia’s systems for procurement when the country has implemented mutually agreed standards and processes. CP commit to adopt harmonised approaches when national systems do not meet mutually agreed levels of performance or donors do not use them.
- j) CPs commit to link country programming and resources to results and align them with effective partner country performance assessment frameworks, refraining from requesting the introduction of performance indicators that are not consistent with Zambia’s FNDP. CPs commit to link funding to a single framework of conditions and/or manageable set of indicators derived from the FNDP. This does not mean that all donors have identical conditions, but that each donor’s conditions should be

derived from a common streamlined framework aimed at achieving lasting results. CPs performance in moving toward the JASZ targets, including those of the Paris Declaration and WHIP Action Matrix, will be assessed.

- k) CPs commit to work together to reduce the number of separate, duplicative, missions to the field and diagnostic reviews.
- l) As conditions permit, CPs will continue to promote MDG-related cross-cutting priorities during FNDP implementation. This is consistent with a rights-based approach that includes gender equality, mainstreaming HIV/AIDS, governance, improving food security, and promoting environmental sustainability across the FNDP.
- m) In particular, the CPs commit to strengthen the application of Environmental Impact Assessments and deepen common procedures for projects, including consultations with stakeholders, and develop and apply common approaches for “strategic environmental assessment” at the sector and national levels.

114. While the JASZ seeks to improve the effectiveness of aid through joint, harmonized and aligned practices, cooperating partners recognize that efforts to coalesce around process do not imply the reduction of substantive choice for national counterparts. The signatories of this document reflect an enormous variety of perspectives that can be brought to bear to support national development priorities. They include bilateral donors that often bring country-specific technical and financial resources, international financial institutions that offer both technical and financial resources, and the United Nations system from which support is, for the most part, technical in nature. As such, the JASZ seeks to provide a channel through which a world of development experience can be channelled more effectively to serve the nationally-led development agenda.

5.2 Alignment

115. The CPs have already taken important steps to strengthen their alignment to Zambia's policies, systems and procedures (see Box 1 below). However, in order to improve the overall level of CPs' alignment to Zambia's systems and procedures critical next steps need to be taken. Firstly, the GRZ need to reintroduce the national planning cycle through the approval of the national economic planning cycle, to which the CPs will seek to adhere. Secondly, the Government in collaboration with CPs will develop a Code of Conduct which will guide how, in line with Government procedures and systems, Cooperating Partners will operate with respect to capacity development. There is a need for further capacity development of the government and implementing organisations as outlined in the FNDP and in the Aid Policy.

117. Support to capacity development will be an integral feature of CPs' harmonized and aligned assistance during 2007-2010. It is recognized that the implementation of the Public Sector Reform Programme is key in this respect and is a necessary provision for successful capacity development in the public sector. This particularly applies to the Public Service Management component, including comprehensive pay reform and the introduction of performance-based management. Cooperating partners also recognize that capacity development objectives go beyond the immediate objectives of the PSRP and are currently discussing with government the possibility

of a broader template on which to address the capacity development needs required to achieve the goals and objectives of the FNDP.

118. In the meantime, and in order to maximise the impact of available resources and to improve on past performance, CPs have committed themselves to jointly develop a set of principles or good practices (a code of conduct) on how best to support the Zambian government and non-state actors in its efforts to develop and retain capacity. Core elements of this would contain commitments by CPs, such as:

- Long-term thinking instead of searching for quick-fix solutions
- Delivering support for capacity development (short-term TA, long-term TA, support for managing processes and change) in a coordinated and transparent manner. This approach will be facilitated by using instruments such as joint analysis of capacity needs, joint training, preference for on-the-job training rather than pulling individuals out of their regular job environment, or by applying scales jointly decided upon for allowances and salaries in CP funded programmes.

119. CPs intend to accept the code of conduct and to discuss it with GRZ to create a shared understanding. They are also committed to working with GRZ on sector-specific capacity development and retention strategies, including incentives for public service employees and non-state actors.

Box 1 Good practices of alignment in Zambia

- Zambia's Education sector has led the way in aligning CPs to the Ministry of Education (MoE). Beginning in 2003, the MoE and 12 CPs signed a Memorandum of Understanding (MoU) to bolster the strategic plan through 2007. The MoU allowed the CPs to tightly align their support to Zambia's key priorities. The signatories included Canada, EC, Ireland, United Kingdom, Norway Finland, Denmark, Netherlands, UNICEF and the World Bank. A similar approach has been taken in the health sector.
- The 9 CPs providing Poverty Reduction Budget Support (PRBS) fully utilize Zambia's PFM and procurement systems. The World Bank, AfDB, EC, United Kingdom, Norway, Sweden, Finland, Netherlands and Germany participate in the PRBS. Ireland intends to join the PRBS group soon.
- The Ministry of Finance and National Planning (MoFNP) leads an annual process, the Medium Term Expenditure Framework (MTEF), which allows CPs to provide reliable indicative commitments to the budget. This framework enhances predictability of aid funds and improves government expenditure planning..
- An incentive for setting higher alignment targets in Zambia to speed-up aid effectiveness was stimulated by the EU declaration (March 2005) to provide 50 per cent of government to government assistance through country systems. EU member states, the EC, Norway, WB and AfDB work together with the MoFNP through strengthening the country's systems, provide budget support and investigate the options for sector budget support in Zambia..

summarized in Table 6 below.

121. At sector level, the Sector Advisory Groups (SAGs) or similar supporting structures are serving as the main entry point for alignment being the main fora for scrutinising spending plans and execution, and assessing performance in

implementing sector policies and strategies (including the effectiveness of CP supported programmes and projects). In support of this, the sector advisory groups require clearer terms of reference to ensure that their role in terms of monitoring, budgeting and generally overseeing the implementation of the FNDP is met.

Table 6. Key dialogue fora at national level

Forum	Actors	Issues to discuss	Output	Linkage to other processes
Annual Poverty Conference and SAG General Conference to revise NDP based on findings of Annual Progress Report	GRZ, CPs, NSAs	Assessment of progress in implementing FNDP, including sector reforms and cross-cutting issues	Annual FNDP	Feed into national budget and the preparation of plans, programmes, projects at national, sector, local levels
Presentation and Discussion of MTEF Green Paper and 2 nd SAG Conference	GRZ, CPs, NSAs	Government budget performance and resource allocation in line with FNDP, public financial management and procurement, macro economic issues, financial accountability and fiduciary risk, CP adherence to JAS aid predictability criteria	The Economic Report and the PEMFA bi-annual evaluation	Discuss and feed into the finalisation of the Annual Budget for the following year
PRBS process	GRZ, PRBS-CPs	PAF assessment, strategic and technical issues of PRBS, CP performance in meeting their commitments as outlined in the JASZ.	PRBS Joint Assessment Report	Inputs into national budget preparation and feedback into sectoral dialogue
Poverty Reduction and Growth Facility. IMF Missions	GRZ, IMF, BoZ, PRBS-CPs	Macroeconomic performance and structural benchmarks	Letter of Intent (to be posted in MoF website)	Provide inputs to PRBS process

122. Through the SAGs, the Cooperating Partners will endeavour to work with line ministries to ensure:

- Shared recognition on the division of labour among CPs at sector level including the responsibilities, involvement and mandate of the different CPs in different sub-sectors or sector themes (see also section 5.3.1 below)
- Establishment of effective ministry-CP communication and meeting structures, for example, regular management, monitoring and coordination meetings, an effective SAG, dedicated line ministry staff time for CP coordination; and
- Accepted annual harmonisation targets at the sectoral level and the mechanism for monitoring of them.
- Broad and balanced SAG participation including civil society members. In this regard the MoFNP is encouraged to carry out a SAG membership review to support this process. CP membership of SAGs will be decided at sector level.
- Strengthened role of the SAGs in the investment and programming process. In line with MTEF budget ceilings, the draft Sector Budget Framework Papers should be presented to the SAGs for discussion and comment. Further, the role of MoFNP

officers who sit in SAGs should be more significant in terms of status, knowledge of the sector and allocation of time to sector issues.

5.3 Harmonisation

123. The momentum towards harmonization in Zambia has increased significantly since 2003 with the signing of the MoU. The MoU outlined a number of actions (the WHIP Action Matrix) aimed at operationalising the harmonisation objective in Zambia. A key achievement in this regard is the establishment of a division of labour between CPs that clearly articulates the sectors in which they intend to operate. The CPs have also made significant progress towards the use of common arrangements and procedures for sector-wide approaches, joint financing, and a harmonised approach to budget support as outlined in Box 2 below.

*Box 2 Good practices of harmonization in Zambia*³⁸

Box 2 – Good practices of harmonisation in Zambia

- In 2006, Zambia's government and CPs established a new sectoral division of labour whereby individual agencies have chosen one of four participatory roles (lead, active, background, not present) within 15 key development sectors – see annex 3. Some CPs have decided to phase out from certain sectors.
- A number of donors, including WB, Norway and the Netherlands have selected to take “silent” positions within a sector, allowing other donors like Ireland, Norway and Sweden to represent their interests.
- The CPs, GRZ and the private sector in 2006 decided upon a joint coordination mechanism in support of the country reforms for private sector development. The approach allows the PSD to select between a variety of assistance modalities to achieve the needed results. Pooled basket funds and project assistance blend together to produce achievements under this arrangement.
- The PSD CP group has opted for a delegated structure of "contact CPs by reform area", such as trade, empowerment, immigration, telecom and mining. The contact CPs monitor the development in their area of responsibility and inform the other CPs. UNDP, WB, EC, Canada, United States, United Kingdom, Sweden, Finland and the Netherlands participate in this division of responsibilities.
- In education and health CPs have pooled funds to support the Ministries of Health and Education. EC Canada, United States, Ireland, United Kingdom, Norway, Sweden Denmark, Finland and the Netherlands participate in (at least one of) these programs. The funds are managed by MoE and MoH, respectively, providing un-earmarked support to the ministries for annual work plans and budgets.
- During the last national tri-partite elections in 2006, CPs established a civil society Election Fund of \$2.9 million. Managed by a separate agency, the fund allowed the CPs to cut administrative costs for both CPs and beneficiaries and focus more on supporting a free and fair election. The fund was supported by United States, Ireland, Norway, Sweden, Finland, the Netherlands and HIVOS-Southern Africa.
- Joint support frameworks have been elaborated for the development of the 5th National Development Plan, the reform of public financial management (PEMFA) and the reform of the public service (PSM).
- Under the JASZ framework, CPs started working with Government on developing national programmes in water and sanitation, decentralisation and environment.
- A good practice of setting higher harmonisation targets is the EU declaration (March 2005) to provide all capacity building assistance (100%) through coordinated programmes with an increasing use of multi-donor arrangements.

Particular efforts will have to be made at sector level to ensure a smooth transition in the future.

125. In terms of roles, three levels of involvement are envisaged: Lead, Active and Background partner. The roles and responsibilities of each category of partnership are described in generic terms of reference. CPs providing General Budget Support may take a Lead, Active or Background role in a particular sector following

³⁸ Note that not all best practices on harmonization in Zambia have been included in Box 2.

consultations with other CPs and GRZ. Sector specific Terms of Reference between GRZ and the CPs will be used to detail the roles, responsibilities, and the modalities for coordination, including coordinating with non-state actors which will primarily be through the SAGs. The Terms of Reference will also address cross-cutting issues, such as HIV and gender, at sector level. Annual reviews at sector and at overall levels will assess CP and GRZ performance in sector management in terms of reducing transaction costs and improving policy dialogue.

5.4 Use of common arrangements or procedures

126. The Aid Policy highlights a preference for budget support over other aid modalities.³⁹ CPs will respect GRZ's preference for direct budget support and will to the extent possible increasingly deliver aid to the government sector through this modality to the extent that GRZ's systems meet established guidelines and standards, and that CP policies support such assistance. A continued and strong commitment from GRZ to implement key reforms and strengthen capacity and institutional structures (especially for Public Finance Management), as outlined in the FNDP and the Aid Policy, will be required for CPs to advance in this direction.

127. At the same time, CPs note that, in some sectors, Sector Wide Approaches (SWAs) may be the preferred approach whether funded through sector budget support, pooled funding or project modality. Joint Financing Arrangements and Sector MoUs for Education and Health to this effect are already in use. CPs have committed themselves, to the extent possible, to increasingly participate in these common arrangements.

128. For the Poverty Reduction Budget Support and SWAs, the CPs commit to using common procedures for support and review including a common PAF (PRBS only). Further, the following four principles are guiding GRZ and the CPs in the MoUs for PRBS:

- Commitment to fight poverty, including through a pattern of public expenditure consistent with poverty reduction priorities
- Commitment to peace, democratic principles, the rule of law, good governance, integrity in public life, including the fight against corruption
- Commitment to public financial management reforms; and
- Commitment to pursuing sound macroeconomic policies, as evidenced by a positive IMF assessment of overall macro-economic performance.

129. The same principles will constitute the basis for sector development programme MoUs.

Box 3 Good practices of harmonised support to Civil Society in Zambia

³⁹ In the Aid Policy, aid modalities are not defined in detail. Therefore, when implementing the JASZ, Cooperating partners will use the definitions in the Paris Declaration on Aid Effectiveness, which refers to work on harmonisation of donor practices within DAC, i.e. DAC Guidelines and Reference Series: Harmonising Donor Practices for Effective Aid Delivery. Volume 2. Budget Support, Sector Wide Approaches and Capacity Development in Public Financial Management.

- One of the key NGO umbrella organisations, Civil Society for Poverty Reduction (CSPR), is supported by 12 cooperating partners (Germany, DfID, EU, CORDAID, DanChurchAid, DIAKONIA, Irish Aid, TROCAIRE, KEPa, MS Zambia) through a pooled funding mechanism which is based on a common MoU. CPs support CSPR financially on the basis of the organisation's strategic plan for 2006-2010.
- In order to harmonize and streamline, but still clearly mark the wide support for certain organisations, Sweden and the Netherlands are supporting on behalf of each other (using only the name of the other organisation but without physically channelling funds) Transparency International and Forum for Democratic Process (FODEP) respectively.
- To further harmonize and streamline support to CSPR, a silent partnership between the Department for International Development (DfID) and the German Development Cooperation through GTZ is currently being entered into, with DfID channelling funds through GTZ who is in support of CSPR's strategic plan.

5.5 Managing for results

130. The FNDP Key Performance Indicators (KPIs) serve as the principal result-oriented framework for national and sectoral monitoring and evaluation (M&E). Annual targets for each sector are scheduled for finalisation by end of April 2007 (see full list of KPIs in Annex 2). Building on the current good practices of results-based management (see Box 3 below) the CPs will apply the following basic principles in support of this framework:

- Support to the M&E framework as set out in the FNDP and alignment of CPs' M&E efforts and requirements accordingly
- Alignment of CPs' programmes to GRZ timetables for FNDP implementation
- Application of SAGs and similar structures as primary fora for discussion of sector level monitoring results and related policy relevant issues; and
- Institutionalisation of the NDP Monitoring Group as the sole coordinating and facilitating body with the objective of ensuring a common donor approach to monitoring support.

131. CPs will contribute, as far as possible, to reducing the monitoring and reporting requirements for GRZ regarding their own programmes by assessing FNDP outcomes on the basis of the Government's own assessment of the results of FNDP implementation in the form of progress reporting. In this respect, the CPs will support the Government in strengthening its M&E systems, including the establishment of KPIs for all sectors and review of the annual sectoral targets through the SAGs.

132. The need for the CPs to link the activities of sector programmes with the FNDP calendar and indicators is essential in order to contribute to the consultative frameworks that seek shared recognition and common assessment on targets/indicators for the entire FNDP.

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133. Each SAG will meet at least quarterly to discuss the results of various monitoring exercises being carried out in the sector and review progress towards meeting the FNDP targets. In this way, dialogue among the major development stakeholders will be institutionalised. CPs will encourage the government to engage non-state actors in its monitoring and evaluation efforts as an independent partner.

134. Sound statistical systems are a precondition for programme monitoring, evaluation, and informed decision-making. Support to the strengthening of statistical systems in Zambia, including linking these to general and sectoral planning, budgeting, implementation, and evaluation processes is therefore crucial for success in this area. To date, CP monitoring support has been uncoordinated, often leading to duplication of efforts, waste of resources, and non-usage of available data. In order to rectify this situation, the NDP Monitoring Group will serve as the coordinating body for CPs' inputs to monitoring at sectoral, central (through the Central Statistical Office) and decentralised levels.

Box 4 Good practices of management for results

- The Performance Assessment Framework (PAF) is a joint framework for monitoring and result-measurement and is a subset of the Key Performance Indicators under the FNDP. As part of the Poverty Reduction Budget Support (PRBS) approved by MoFNP in 2007, the framework bases its results on the FNDP indicators of the priority sectors (health, education, agriculture, infrastructure and industry/PSD). Water/Sanitation and public order and safety are the two FNDP priorities not yet included. The framework further monitors macro-economic performance and quality of the financial system.
- The health and education sectors have been conducting joint annual reviews for a number of years. Attended by the GRZ, civil society, and CPs, the Joint Annual Reviews provide an excellent opportunity for all stakeholders to engage actively in the challenges facing the sector and the plans for

6.6 Mutual accountability

135. In line with the Paris Declaration's commitment of mutual accountability, an Independent Monitoring Group (IMG) will monitor the annual performance of the GRZ and the CPs and their collective operational effectiveness, including under the Division of Labour. The review will be based on the commitments made by signatories to the Paris Declaration and the provisions for harmonisation and alignment made in the *Zambian Aid Policy*. The IMG will review progress towards the targets contained (i) in the Paris Declaration Matrix (see Annex 4), and (ii) in the WHIP Action Matrix in regard to issues specific to the *Zambian context*. An annual JASZ work plan will become a tool to set intermediary steps and targets and to form a dialogue on the various issues for the PD and the WHIP.

136. The results of the PD survey highlighted the areas where planned progress is most needed and also where CPs' definitions differ or GRZ's position is not fully clear. Examples of areas where clearer definitions and identification are needed include: coordinated capacity development programmes; parallel Project Implementation Units (PIUs); and programme-based approaches (notably in terms of sector programme frameworks, financial coordinated modalities linked to the general budget and sector budget support). Areas which need a particular effort in light of the weak situation recorded for 2005 include: the degree of aid reported on budget (both planned and executed); aid predictability; coordination of missions; and sound performance assessment frameworks. During 2006 there was some visible progress on some of these issues, such as the establishment of the Development Assistance Database (DAD) at the Ministry of Finance, and the adoption of a new Performance Assessment Framework (PAF) 2006-2008. However, further progress is required.

137. The WHIP Action Matrix targets for review include: common salary and allowance criteria for staff (project staff, civil servants and consultants) under CP

projects; a mission-free period; delivery of joint training programmes; and support to NGOs.

138. The overall assessment will be informed by a review of three selected sectors per year. This review will draw on the annual review work of the Special Partnership for Africa on the alignment of budget support with poverty reduction strategy processes. IMG reports will contain recommendations for the adjustment of targets, as deemed necessary. Subsequent to this evaluation, the Paris Declaration targets will be updated accordingly.

6 Next steps

139. The JASZ signatories will follow a series of next steps to progress towards the outlined results of the FNDP, the Aid Policy and the Paris Declaration. Below are summarized the main steps to be taken under the leadership of the Government, in line with the first CP principle under 5.1.1. The steps will be further detailed in an annual Joint Work Plan.

Target-setting

- Establish in collaboration with the GRZ missing country-specific Paris Declaration targets for quality procurement systems (indicator 2b); alignment to country public financial management and procurement systems (indicators 5a and 5b); and coordinated country analytical work (indicator 10b).

Paris Declaration sector baselines

- Conduct, with the Government, Paris Declaration baselines for selected sectors addressing in particular alignment and harmonization, including the phasing-out of Parallel Implementation Units (PIUs); the identification of Programme Based Approaches (PBAs); and the integration of ODA into sectoral budget allocations.

Alignment

- Develop together with the Government a Code of Conduct on Capacity Development for CPs to facilitate for example, the implementation of joint analyses of capacity needs; joint training, joint demand-driven technical assistance (TA) pools at sector/programme level; and harmonized scales for allowances and salaries in CP funded programmes.
- Align as needed the mission-free period to the national economic planning cycle.

Harmonisation

- Support Government in developing sector programme frameworks and coordinated financial CP responses for all sectors to progress towards PBAs/SWAPs, while ensuring aid modality complementarity.
- Together with the Government finalise sectoral TOR for donor coordination. Currently, draft sector specific terms of reference have been developed for health, education, decentralisation, tourism/natural resources/environment, agriculture, HIV/AIDS, water, governance, social protection, energy, and gender.
- Together with the Government define the Terms of Reference for the SAGs in the various sectors.
- Refine Aid Architecture to address (i) sector/theme compartmentalisation, and (ii) the need to engage with CPs which are not signatories to the JASZ.
- In a sectoral division of labour, cross-cutting issues (HIV/AIDS, Governance, Gender and Environment) are characterized by overlapping mandates of Ministries

and Sector Advisory Groups. This leads to an additional challenge for harmonisation and further alignment towards Zambia's policies. CPs will evaluate progress in cross cutting issues and if necessary formulate additional safeguards.

- For Zambia, the development of a Memorandum of Understanding regarding support to non-governmental institutions will further reduce transaction costs and enhance aid effectiveness. If possible, targets for harmonising CP's assistance to non-governmental institutions will be added to the localised Paris indicator list.

Results-based management

- Support finalisation of FNDP Key Performance Indicators through SAGs or similar fora.
- Finalise TOR for the CP NDP Monitoring Group to strengthen the coordination of CPs' input to monitoring at central (CSO), sectoral, and decentralised levels.
- Inform high-level policy dialogue with joint CP-GRZ executed Public Expenditure Reviews (PER) and Public Expenditure Tracking Surveys (PETS) or similar.

Mutual accountability

- Develop Terms of Reference for the Independent Monitoring Group to review annual CP and GRZ performance.
- Prepare evaluation of WHIP process to be carried out by end of 2007.

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ANNEX 1: MEMORANDUM OF UNDERSTANDING GRZ / DONOR CO-ORDINATION AND HARMONISATION

1st April 2004

Preamble

We, the Government of the Republic of Zambia (GRZ) and Zambia's Development Partners, whose representatives' signatures are appended hereto, subscribe to the Principles, Processes and Procedures embodied in this Memorandum of Understanding. The objective is to enhance aid effectiveness through Aid Harmonisation and Co-ordination, for the betterment of the Zambian people, both individually and corporately, in achieving poverty reduction and the Millennium Development Goals (MDGs).

The spirit of this understanding follows on from the work of the OECD/ DAC , the resolutions of the Monterrey Consensus (2002), the Rome Declaration on Harmonisation (2003), and the Strategic Partnership with Africa (SPA). It has been further developed in Zambia through the Harmonisation in Practice Initiative (HIP) and the HIP Framework of Actions (2003), and the World Bank Report on Donor Co-ordination (2003).

GRZ commits itself to the Principles, Processes and Procedures outlined below. It will take the lead through implementation of the Poverty Reduction Strategy (PRSP) and Transitional National Development Plan (TNDP), provision of solid structures for promoting and strengthening aid co-ordination and harmonisation, political decision-making, and the allocation of funds, personnel and time. It also welcomes the accession to this Memorandum of Understanding (MoU) of all donors who wish to support the co-ordination/harmonisation agenda, whether as signatory partners or not.

- a) The **principles** refer to ideals promoting, through the leadership of GRZ, the strengthening of government decision-making. To this end, the alignment of donors' development efforts to national policies and implementation procedures is cardinal.
- b) The **processes** refer to initial and intermediate stages of developing national strategies and policies such as reforms, reviews and capacity building processes, which constitute the framework within which aid co-ordination and harmonisation can take place.
- c) The **procedures** spell out how to implement the various processes resulting in national policies. At the core of these activities lies the Zambia Aid Policy currently being developed, and efforts aimed at donor/donor harmonisation.

On account of the foregoing, we the Government of the Republic of Zambia and the Signatory Development Partners commit ourselves to abide by this

MoU. However, existing bilateral agreements will take precedence over the MoU.

By signing this MoU, the signatories of the HIP 'Harmonisation of Donor Practices for Aid Effectiveness in Zambia' dated 19th March 2003, agree that the latter is replaced by this present MoU.

1. Principles of GRZ/Donor Co-ordination and Harmonisation

We commit to the following broad co-ordination / harmonisation principles:

- 1.1. Delivery of development assistance in accordance with Zambia's needs and priorities as outlined in her PRSP.
- 1.2. Alignment with GRZ systems such as national budget cycles, financial systems and PRSP/ MDGs monitoring processes, where these provide reasonable assurance that co-operation resources are used for agreed purposes.
- 1.3. Working with GRZ to address institutional capacity limitations and other constraints that prevent reasonable assurance on use of co-operation resources.
- 1.4. Review of the multiplicity of different donor missions, reviews, conditionalities and documentation with the aim of reducing transaction costs for GRZ.
- 1.5. Promotion of co-ordination and harmonisation at all levels.
- 1.6. Working towards delegated co-operation ("silent partnerships") among donors at country level where it is possible legally and administratively.
- 1.7. Improvement of information sharing and understanding of commonalities and differences in our policies, procedures and practices.
- 1.8. Further formulation of a division of labour, based on the PRSP themes and objectives, and formatted along the lines of a Comprehensive Development Framework (CDF).

2. Donor Co-ordination and Harmonisation with GRZ Processes

GRZ is committed to implementing the following key processes, as essential enablers for aid harmonisation and co-ordination, which donor partners will support and work with :

- 2.1. The PRSP/ TNDP as an overall framework for national planning, priorities and interventions for development, poverty reduction and achievement of internationally agreed MDGs.
- 2.2. Monitoring and tracking of progress in the PRSP through sectoral and thematic advisory groups, and an Annual Progress Report using an appropriate mix of intermediate and final indicators.
- 2.3. Improving information on and integration of donor assistance into the Medium Term Expenditure Framework (MTEF) process as part of ensuring the budget preparation process is transparent, accountable, comprehensive, predictable and consultative, including the reporting of actual and planned financial flows.
- 2.4. Public sector reforms including the following :

- i) Public expenditure management and procurement systems, including strengthening of the Auditor-General's office
 - ii) Rationalisation of roles, functions, size and costs of the public service in order to improve service delivery.
 - iii) Further development and implementation of the proposed decentralisation strategy.
 - iv) Restoration of integrity in the public service.
- 2.5. Development of structures for promoting and strengthening development co-ordination and harmonisation in alignment with the PRSP.
- 2.6. Development of an Aid Policy that will provide guidelines and procedures to govern co-ordination and harmonisation, ODA agreements, technical assistance, and financial and accounting systems.

3: GRZ /Donor Co-ordination and Harmonisation Procedures

These are Procedures that GRZ and the Signatory Development Partners will actively participate in formulating and implementing. It is recognized that not all Partners will be able to support each and every process, but will accept this as a monitoring framework for co-ordination and harmonisation as a whole, and as a guide to avoid duplicating or conflicting with government processes.

No.	Objective	Status	Success indicator	Time frame	Responsible
	A. Programming				
A.1.	Development of Aid Policy Framework including Aid Management Capacity Assessment	Reference group established and terms of reference for support consultancies framed	Aid Policy for Zambia completed and accepted; aid management capacity needs identified	March 2005	GRZ : Ministry of Finance and National Planning (MoFNP) Economic and Technical Co-operation (ETC) Donor :
A.2	Joint strategic planning exercises leading to a common multi-year strategic plan, based on PRSP	Preliminary discussions initiated.	Common strategic plan; Limited amount of work expected if new PRSP is good	Depends on PRSP re-formulation. End 2005	GRZ: MoFNP, Ministry of Foreign Affairs (MoFA) Donor:
A.3	Formulation of joint CDF-type matrix for division of labour.	Preliminary discussions initiated	CDF-matrix agreed. No individual donor strategic plans	Dependent on A.2; Mid-2006	GRZ : MoFNP Donor :
A.4	Common MoUs/agreements in substantive programmes, including Sector-Wide Approaches (SWAs) , incorporating procurement and financial management procedures.	Almost completed by HQs of 7 donors.	Completion and number of donors acceding.	Complete template by March 2005.	GRZ: MoFNP Budgets and Economic Affairs (BEA) Donor:
A.5	Establishment of a PRSP monitoring system with relevant performance indicators and baselines.	Some work has been done but more has to be completed	Established PRSP monitoring system which GRZ, donors and other stakeholders subscribe to and support	End 2004	GRZ: MoFNP Donor:

No.	Objective	Status	Success indicator	Time frame	Responsible
A.6	Co-operation on the implementation of a programme for improvement of public expenditure management and financial accountability	GRZ commitment to implement a prioritised action plan for public expenditure management reform	Programme approved	December 2004	GRZ: MoFNP (FMA) Donor :
A.7	Co-ordination and streamlining of support to NGOs, incl. possibly common contract template.	Has started for 8 donors.	Reduced number of overlaps/uncoordinated support	Complete list of present support by Oct. 2004.	GRZ : MoFNP, (BEA) Donor:
B. Funding mechanisms					
B.1	Increased sharing of resources and use of delegated co-operation ("silent partnerships")	Number of existing arrangements: 15	Increased number of "silent partnerships".	Increased to 25 by March 2005.	Donor:
B.2	Firmer commitment of resources by donors, including on a multi-year basis	Not much done	Increased share of total aid commitments accounted for by multi-year arrangements	For 2006 budget	GRZ: MoFNP (BEA) Donor :
B.3	Improved information on planned and actual resource flows for both GRZ and donors. GRZ to inform donors on format.	Not much done.	System established for information sharing.	Before 2005 GRZ Budget.	GRZ: MoFNP (BEA), Bank of Zambia (BoZ) Donor:
B.4	Improved integration of donor funds into GRZ budget. GRZ to inform on procedure.	Not much done. Baseline study proposed under Public Financial Management (PFM) programme.	Increased proportion of donor support to GRZ captured in the Budget.	Before 2005 GRZ Budget.	GRZ: MoFNP, Financial Management Affairs (FMA), BEA, Donor:
B.5.	Reduction of number of bank accounts used to manage donor flows	GRZ is working on the process	Reduction from more than 1,000 bank accounts in 2003 to less than 100	End 2005	GRZ: MoFNP Donor :
B.6	Increased use of Office of Auditor General (OAG) for audit of donor funded GRZ programmes. Sub-contracting by OAG encouraged.	Many donors request audits to be performed by other than OAG. Should be reduced for GRZ programmes/projects.	Reduced proportion of audits outside OAG responsibility.	Continuous	GRZ: OAG Donor:

No.	Objective	Status	Success indicator	Time frame	Responsible
B.8	Increased use of SWAps as a mechanism for disbursing funds and improved dialogue.	SWAps for Health and Education exist. PFM SWAp planned. Under consideration: Roads, Water, Energy, Wildlife, HIV/AIDS.	Increased number of SWAps and participating donors.	PFM SWAp established by end 2004.	GRZ: BEA; MoFNP Donor:
B.9	Possible increased use of Direct Budget Support (DBS) as a mechanism for disbursing funds and improved dialogue.	DBS presently provided by EC and under consideration by some other donors.	Increased number of participating DBS donors.	Additional donors in DBS possibly from 2005 onwards	GRZ: BEA; MoFNP Donor:
C. Human Resources					
C.1	Establishment of demand-driven technical assistance (TA) pools at sector/programme level	Too fragmented and donor-driven. Education and Health SWAps have initiated efforts.	Template should be established. Then increased number of TA pools.	Template by end 2004.	GRZ: Ministry of Education, Ministry of Health Donor :
C.2	Involvement of other donors and GRZ in joint training programmes	Initial steps taken, i.e. Dutch training on PFM.	System for information exchange established.	Oct. 2004.	GRZ: Cabinet Office Donor :
C.3	Agree on principles and practices of donor support to GRZ allowances and salaries	Fragmented approaches. Will be guided by GRZ guidelines.	Guidelines established by GRZ.	June 2005	GRZ: Cabinet Office Donor:
C.4	Agree on guidelines for remuneration of local consultants	Fragmented. Source of confusion and inequality.	Guidelines established among donors.	March 2005.	Donor :
D. "Housekeeping"					
D.1	Mission Schedule, to be co-ordinated at field and HQ level	Established among 7 donors.	System for information exchange established. Then co-ordination/ reduction of duplication.	System involving more donors: Sept. 2004.	GRZ: ETC, MoFNP Donor :
D.2	Respect silent/mission free periods, as defined by GRZ	In 2004 period Jan.-March identified by GRZ.	Period to be confirmed by GRZ and adhered to by donors.	Sept. 2004.	GRZ: ETC, MoFNP Donor:
D.3	Monitoring of harmonisation efforts	Discussion initiated. Indicators to be based on this MoU and OECD/DAC guidelines.	Indicators and baseline to be established.	Sept. 2004.	GRZ: ETC, MoFNP Donor :
D.4	Participate in information sharing of reports, analytical work etc., through a GRZ development web-site.	Reference Group established March 2004.	Web-site established and procedures agreed on.	Sept. 2004.	GRZ: ETC, MoFNP Donor :

4. Implementation and Review Arrangements

- 4.1 This MoU will be a “dynamic document”, mainly in two respects: a) the contents of the MoU may change in the light of experience, and b) additional signatory partners may choose to accede to and sign the MoU after 1st April 2004
- 4.2 A new forum, the Harmonisation Group, will be established. GRZ and all donors acceding to this MoU will be members of the Group, and this MoU defines the agenda for the work of the Harmonisation Group.
- 4.3 GRZ and the Harmonisation Group will periodically review the implementation of this MoU. Along with MoFNP representing GRZ, two co-ordinating donors will, on a rotating basis, be responsible for ensuring that the implementation of the MoU is monitored, and for arranging periodic reviews. The first such review will take place in October 2004, and the second is foreseen for April 2005. The World Bank and Denmark (assisted by Ireland) will be the co-ordinating donors through to April 2005.
- 4.4 Additional meetings of the Harmonisation Group, outside of the periodic reviews, may be called by GRZ and/or the co-ordinating donors described above as needed.
- 4.5 The responsible GRZ institutions and donor representatives identified under each procedure/activity in the matrix of Section 3 above may establish small working groups to take the various activities forward.
- 4.6 Allocation of donor responsibilities for leading the procedures/activities in the matrix of Section 3 will be decided at a meeting of the Harmonisation Group in one month’s time from the signing of this MoU.

We, the undersigned, hereby confirm our commitment to jointly work in accordance with the principles, processes and procedures set forth in this document in order to contribute to enhanced aid effectiveness and efficiency in Zambia.

Signed this day, 1st April 2004, in Lusaka

For the Government of
the Republic of Zambia:

Ng’andu P. Magande, MP
Minister of Finance and National Planning

For the Government of Denmark:

Peter Lysholt Hansen
Under Secretary, Ministry of Foreign Affairs

For the Government of Finland:

Ritva Jolkkonen
Director General,
Ministry for Foreign Affairs

For the Government of Ireland:

Frank Sheridan
Director of Programme Countries,
Development Co-operation, Ireland

For the Government of
the Netherlands:

Ron Keller
Director General,
Ministry of Foreign Affairs

For the Government of Norway:

Bjørn Skogmo
Deputy Secretary General,
Ministry Of Foreign Affairs

For the Government of Sweden:

Maria Norrfalk
Director General, Sida

For the Government of the
United Kingdom:

Mark Lowcock
Director General
Corporate Performance and
Knowledge Sharing, DFID

For the UN System:

Aeneas Chuma,
Resident Co-ordinator, Zambia

For the World Bank :

Hartwig Schafer,
Country Director, Zambia

For the Government of Germany

Dr. Erich Kristof
Ambassador, Federal Republic of Germany

ANNEX II: KEY PERFORMANCE INDICATORS FOR THE FNDP

	Sector	Key Performance Indicators	Baseline Value 2005	Target Value 2010
1	Macro-economics	Domestic borrowing as % of GDP	1.95	<0.5%
		Stock of domestic suppliers debt as % of GDP	19.0%	
		Annual broad money supply	0.4	
		Budgetary releases for key sectors as a ratio of their allocation	(a) 1.11	(a) ≥1
		(a) Health	(b) 1.16	(b) ≥1
		(b) Education	(c) .95	(c) ≥1
		(c) Energy	(d) .98	(d) ≥1
		(d) Agriculture	(e) --	(e) ≥1
		(e) Infrastructure	(f) .41	(f) ≥1
		(f) Water and Sanitation		
		Domestic tax revenue as a % of GDP	17.3%	>18%
		VAT reimbursements taking less than 30 days in		
		(a) Proportion of claims submitted (number of claimants)	(a) 29%	(a) >95%
(b) Volume of claims submitted (ZK)	(b) 91.5%	(b) >98%		
Debt Service to Export Ratio	6.8%			
Number of Ministries and Provinces operating the IFMIS system	0	48		
Per cent of heads whose total actual expenditures is between 95 percent and 105 percent of the total funding	73%	>95%		
Variance between original budget and primary budgeted expenditure across budget heads	18.5%	<5 %		
2	Agriculture	Growth rate in the agriculture sector	2.8%	49% increase over 5 years
		Contribution of Agriculture to GDP	18 - 20%	25%
		Contribution of Agriculture to foreign exchange earnings	8.9%	20%
		Proportion of the population assessed as food secure	84%	< 95%
		Reduction in number of districts that are food insecure	45 districts	> 5 districts
3	Mining	Number of large scale mining companies contributing to the improvement of social welfare of the communities	8	13
		Number of small scale mines in production	67	120
		Value of receipts generated by small-scale mining in dollar equivalent	30	65
		Annual growth rate of the mining sector	2.8%	14.5%
		Number of local manufacturing companies processing minerals into finished products	1	10
		Proportion of mining companies (both large and small scale) complying with environmental regulations	35%	85%
4	Communication & Meteorology	Telephone lines per 1,000 people	0.1 1,080,526 (total)	2
		Number of districts connected to fibre optic cables	7	
		Number of subscribers accessing daily, weekly and seasonal weather forecasts	1	
		Increase access to ICT services		

	Sector	Key Performance Indicators	Baseline Value 2005	Target Value 2010
5	Environment and Natural Resources	Total annual Green houses Emissions in CO ₂ equivalent	107,737.3	150,832
		Rate of domestic waste generation per capita (in tons per annum)	0.2	0.54
		% increase of amount of domestic waste ending up in dumps	15%	85%
		% reduction in the rate of infestation of invasive alien species (Mimosa Pigra)	30%	5%
		Rate of deforestations (Number of HAs per annum cut down)	850,000	700,000
		Extent of protected forest areas (ha)	44.6 million	
		Envroachment in wildlife protection area	7	0
		Total elephant population (number)	24,000	30,000
6	Infrastructure and Transport	Number of kilometres of roads rehabilitated (a) Paved Roads (b) Unpaved Roads		Annual targets provided to 2008
		Number of kilometres of roads maintained (a) paved (b) unpaved	(a) + (b) 3398	Annual targets provided to 2008
		Number of vehicles on the road		
		Number of road accidents per year		
		Number of pontoons operational		
		Number of (a) People (b) Vehicles Using pontoons		
		Number of passengers transported on Railways	1,173,399	2,000,000
		Volume of Cargo Transported on Railways	1,755,899	2,000,000
		Number of Passengers moved on flights (a) domestic / internal and (b) International and Regional	(a) 124,684 (b) 550,241	1,500,000 (total)
		Volume of cargo transported on flights	14,301	15,000
		Number of passengers transported on inland waterways	9,631	15,000
		Volume of cargo transported on inland waterways	57,255	100,000
7	Tourism	Number of Tourist Arrivals	515,000 (2004)	736,450
		Direct Tourism earnings (US \$ millions)	174	304
		Employment levels in Tourism (Number people)	19,650	30,404
8	Manufacturing and Industry	Direct Foreign Investment in manufacturing	\$20 million	15% increase
		Growth rate of manufacturing GDP	5.1%	7.5%
		Employment Levels in manufacturing sector	54,000	15% increase
		New products entering the market that are certified		
9	Commerce & Trade	Volume of trade (a) merchandise exports (b) merchandise imports	(a) \$2,095m (b) \$2,068m	
		Value of export earnings coming from non traditional exports in (a) regional markets (b) European Market (c) North American Market (d) Other (e) Total	(a) (b) (c) (d) (e) \$538m	
10	Energy	Alternative Energy Source consumption (Tonne of Oil Equivalent)	897,594	992,344

	Sector	Key Performance Indicators	Baseline Value 2005	Target Value 2010
		% of Population (HH) with access to electricity (%)	20% (estimate)	
		Consumption of Petroleum products (Tonnes)	<500,000 mt pa	
11	Science and Technology	Number of R and D professionals Receiving further training	161	308
		Number of R and D units Rehabilitated	40	173
		Number of R and D units Developed	0	287
		Number of technologies developed by R and D institutions for commercialisation	74	215
		Number of entrepreneurs using developed technologies	8	53
12	Land	% of land mass of country covered by updated administrative maps.	40% of total land mass already updated	60% of total land mass
		Per cent of cadastral diagrams produced within the agreed time frame		
		% of eligible Zambians with access to land		
		Per cent of land applications processed within the agreed time frame		
		Per cent of title deeds processed within the agreed time		
		% of eligible people in Zambia with Titled Land		
13	Education and Skills Development	Net Enrolment ratio (a) Grades 1 – 7 (b) Grades 8 – 9 (c) Grades 10 – 12	(a) 94.77% (b) 23.5% (c) 21.32%	(a) 97.3% (b) 48.5% (c) 32.6%
		Completion Rate (a) Completion Rate at Grade 7 (b) Completion Rate at Grade 9 (c) Completion Rate at Grade 12	(a) 80.93% (b) 42.73% (c) 17.55%	(a) 90.0% (b) 65.4% (c) 29.6%
		Pupil Teacher Ratio (a) Grades 1 – 4 (b) Grades 5 – 7 (c) Grades 8 – 9 (d) Grades 10 – 12	(a) 80.3 (b) 37.5 (c) 32.5 (d) 21.7	(a) 60.1 (b) 41.1 (c) 36.8 (d) 27.6
		Teacher Qualification (a) Grades 1 – 7 (b) Grades 8 – 9 (c) Grades 10 – 12	(a) 98% (b) 98% (c) 31.4%	(a) 100% (b) 100% (c) 50%
		Gender Parity Index (a) Grades 1 – 7 (b) Grades 1 – 9 (c) Grades 1 – 12	(a) 0.96 (b) 0.95 (c) 0.81	(a) 0.98 (b) 0.97 (c) 0.82
		District Performance Index		
14	Health	Percentage of deliveries assisted by midwives, nurses, doctors or Clinical Officers	43%	60%
		Percentage of fully immunized children under one year of age in 20 worst performing districts	50%	70%
		Malaria case fatality rate among children below five years	24 / 1,000	15 / 1,000
		Utilisation rate of PHC facilities	0.48	0.8
		% MoH releases to district level	55%	65%
15	Water Supply and Sanitation	Volume of treated water produced (m ³) by commercial utilities		
		Newly installed water points in (a) Peri-urban areas (b) Rural areas	(a) (b)	(a) (b)

	Sector	Key Performance Indicators	Baseline Value 2005	Target Value 2010
		(c) Total	(c)	(c)
		Number of new appropriate sanitary facilities provided in	(a)	(a)
		(a) Peri-urban areas	(b)	(b)
		(b) Rural areas		
		Population with adequate sanitary facilities (as % of total population) in	(a) 10% (2000)	(a) 35%
		(a) Peri-urban areas	(b) 4% (2000)	(b)
		(b) Rural areas	(c)	(c)
		(c) Total		
		Population with access to safe water (as % of total population) in	(a)	(a)
		(a) Peri-urban areas	(b) 44% (2005)	(b) 60%
		(b) Rural areas	(c) 37% (2000)	(c)
		(c) Total		
16	Housing	Number of low cost housing units constructed		100 in each of 72 districts (7,200)
		Number of Medium Cost Housing units constructed		
		Value of rents accruing to the local authorities from leasing		
		(a) Low Cost		
		(b) Medium Cost		
		(c) High Cost		
		Housing		
		Proportion of population in unplanned urban settlements who have access to clean and safe water		
		Proportion of population in unplanned urban settlements who have access to safe means of sanitation		
17	Social Protection	Number of HHs receiving (a) fertiliser and (b) fertiliser and seed	700,000	72,000 per annum
		Number of informal sector workers on social security scheme	50,000	50,000
		Number of HH on cash transfer schemes	200,000	168,000
		Number of street children reintegrated with families <i>and communities</i>	25,000	5,000
		Proportion of cases of	--	--
		(a) Sexual and Gender Based Violence		
		(b) Property grabbing		
		Reported that are prosecuted		
		Total expenditure on social protection as a % of the total budgetary allocations to sector in a calendar year	--	--
18	Youth and Child Development	No. of children and youth equipped with relevant skills		7,500 (cumulative)
		No. of youths receiving training in small scale business	1,000	4,000 (cumulative)
		No. of young inventors supported	0	3,600 (cumulative)
		No. of children and youth trained in leadership skills	1,000	4,000 (cumulative)
		Number of birth certificates issued (disaggregated by gender and district)	0	
		Number of sports administrators, coaches and community facilitators trained	1,000	9,000 (cumulative)
		Number of child and youth development workers	300	3,000

	Sector	Key Performance Indicators	Baseline Value 2005	Target Value 2010
		trained		(cumulative)
19	Employment and Labour	Formal Sector Employment Rate	19%	
		Number of days lost through industrial disputes	18,351	12,085
		Number of individuals covered by social security schemes	618,455	934,388
		Number of labour inspections taken in a year (a) Labour Inspections (b) Factory Inspections	(a) 550 (b) 1,068	(a) 8,640 (b) 1,950
		Number of industrial accidents in a year	787	350
		Productivity Improvement Indices (a) Labour Productivity (b) Labour Cost Competitiveness (c) Capital Productivity (d) Profitability	(a) 170 (b) 101 (c) 90 (d) 85	(a) 195 (b) 116 (c) 140 (d) 160
		20	Central Administration (Public Sector Management)	Percentage of (a) government ministries (b) Provincial Administration (c) District Administration (d) Local Authorities with staffing complements appropriate to their agreed mandates
Proportion of government employees whose salaries is described as being "Performance Based"				100%
Number of (a) ministries (b) local authorities with a Service Delivery Charter	(a) (b)			(a) 12 (b) 18 (Target 2008)
Proportion of (a) central agencies and (b) Provinces where Payroll Management and Establishment Control (PMEC) is operational	(a) (b)			(a) (b)
Number of employees in the Public Service receiving ARVs				
Proportion of key decision making positions in the civil service that are occupied by women	12%			30%
21	Local Government and Decentralisation			No of devolved functions undertaken by the Local Authority
		% annual increase in direct transfers to local authorities		
		Number of valuation roles updated on an annual basis	22	19 pa
		Value of revenues accruing to local authorities from rate collection		
		No of Housing Units constructed by Local Authorities	63	1,440 pa
22	Information Services**	Number of provincial centres able to publish newspapers locally		9 (all)
		Number of districts able to receive ZNBC TV and Radio signal	24	73 (all)
		Number of district centres linked to the sector wide network	10	73 (all)
		Number of community media organisations in operation	19	30
		Number of media friendly laws implemented	2	16
23	Foreign Relations	Number of visas issued by Foreign Missions		
		Number of foreign investors in Zambia who's		

	Sector	Key Performance Indicators	Baseline Value 2005	Target Value 2010
		initial point of contact was a foreign mission		
		Number of General agreements of cooperation signed and implemented		
		Number of Missions in strategic regions	29	35
		Level of technical assistance (financial and in kind) accrued to Zambia as a direct initiative of Missions		
24	Defence**	Number of Housing Units / Quarters rehabilitated		3,230 (Cumulative)
		Number of Housing Units / Quarters developed		2,719 (Cumulative)
		Agricultural Production of Specified Products		
		Proportion of those identified as needing training who receive the identified training		100% (Cumulative)
		Kilometres of Road Constructed		100 (Cumulative)
25	Law and Order	Annual percentage increase in reported offences to (a) Zambia Police (b) Drug Enforcement Commission (c) Registrar of Societies (d) Immigration (e) National Registration	(a) 98,709 (b) 3,106 (c) 10,000 Societies (d) – (e) 33	Annual increase of 2 per cent
		Annual percentage increase in the number of arrests made as a result of reported offences to (a) Zambia Police (b) Immigration (c) DEC (d) National Registration	(a) 57,384 (b) 2,768 (c) 2,679 (d) 30	Annual increase of 2 per cent
		Annual percentage increase in the number of arrests that result in prosecution (a) Zambia Police (b) Immigration (c) DEC (d) National Registration	(a) 38,858 (b) 1,323 (c) 2,665 (d) 18	Annual increase of 2 per cent
		Annual percentage increase of the number of prosecuted cases resulting in a successful verdict (a) Zambia Police (b) Immigration (c) DEC (d) National Registration	(a) 28,580 (b) 1,058 (c) 1,389 (d) 3	Annual increase of 2 per cent
		Staff Ratio to appropriate population (a) Zambia Police to total population (b) Immigration Officers to PI (c) DEC officers to population (d) Registrar of societies to Societies (e) National Registration to total population (f) Civil Servants to National Archives (g) Prison Staff to prison in-mates (h) Commission for Refugees to refugees	(a) 1:700 (b) 1:10 (c) 1:27,186 (d) 1:2,500 (e) 1:20,000 (f) 1 :10,000 (g) 1:9 (h) 1:2,000	(a) 1:500 (b) 1:1 (c) (d) 1:1,500 (e) 1:18,000 (f) 1 :5,000 (g) 1:4 (h)
		Prevalence of HIV and AIDS amongst Prison Inmates	Current total number = 2,755	
		Proportion of Staff in key MPSAs who are women (a) Zambia Police (b) Immigration (c) DEC (d) Prisons	(a) (b) (c) (d) 20.4%	(a) (b) (c) (d) 30.4%

	Sector	Key Performance Indicators	Baseline Value 2005	Target Value 2010
26	Governance	Average time taken to dispose of cases (criminal and civil) at each stage of the administration of justice process.	100%	55%
		Backlog of cases.	--	10%
		Remand/convict ratio.	--	25%
		Number of verifiable interactions between MP's and their constituencies/citizens or civil society organisations	100	125
		Proportion between human rights cases reported and investigated	--	100%
		Proportion of recommendations from the Public accounts committee based on OAG reports that have timely and adequate action taken by responsible government institution	--	100%
		Proportion of Registered Voters compared to eligible	TBD	80%
27	HIV and AIDS	Number tested for HIV at VCT and receiving the test results	150,000	500,000 (cumulative)
		Number of HIV+ pregnant women receiving a complete course of ARV prophylaxis		50,000 (cumulative)
		Number of persons with advanced HIV infection on ART (a) men (b) women (c) total	(a) 12,656 (b) 17,456 (c) 30,112	250,000
		Number of workplaces, including line ministries, with developed workplace policies and programmes for HIV and AIDS	628	
		Amount of funds spent on HIV and AIDS in the past 12 months		
28	Gender	% Declarations and conventions domesticated	2	5
		% of women with titled land	5%	30%
		% Women in decision making positions (in civil service)	12%	30%
		Ratio of boys to girls at (a) Primary (b) Secondary (c) Tertiary levels of education	(a) (b) (c)	(a) (b) (c)
		Percentage reduction in number of cases of gender violence	100% = 2520 cases	5% reduction
		Number of sectors with gender disaggregated data bases	1	8
29	Food and Nutrition	% Stunting (0 – 59 months)	47%	37%
		% Underweight (0 – 59 months)	23%	13%
		Prevalence Vitamin A Deficiency (6– 59 months)	54% (2003)	44%
		Prevalence iron Deficiency (6– 59 months)	52% (2003)	42%
		Proportion of women attending ante-natal classes who are malnourished. Disaggregated by (a) rural and (b) urban	(a) (b)	(a) (b)

Proposed Sector CP Presence by GRZ, June 13th 2006

Sector from NDP	Lead Ministry	China (proposed)	ADB	BADEA	EC (excl. EIB)	IMF	KUWAIT Fund	OPEC	UN Systems	WB	Canada	Denmark	Finland	France	Germany	Ireland	Japan	Netherlands	Norway	Sweden	UK	USA	Total lead/active	
Agriculture	MACO		A		A				A	L			A				A	P	B	L		L	8	
Decentralization	MLGH								A	L		B			L	A	L	B				A	B	6
Education	MoE		B	B	A				A	A	P	A	P			L	A	L	A			A	A	10
Energy	MEWD				B				B	L							A		A	A				4
Gender	CO-GIDD								L									A	A				A	4
Governance	MOJ				A				L	A		A	B		A	A		A	L	P	L	A	10	
Health	MOH				A				L	A	A	F				F	A	A		L	L	A	9	
Housing	MLGH, MOL								A											P			A	2
HIV/Aids	MOH								L	A	B					B	A	A	A			L	L	7
Macro-economics	MOFNP				L	A			B	L		B	A		A	B		A	A	A	L	B	9	
Private Sector Dev.	CO-DSC/MCTI				L				A	L	B		A			B	A	L		P	B	A	7	
Social Protection	MCDSS		A						A	B					L							L	4	
Science and Tech.	MTEVT									P														0
Tourism	MTENR								L								A		L				A	4
Water (WR and WSS)	MEWD/MLGH		A		B				A	A		L		L	A	A	A	B						7
Transport	MWS/MCT		A		L		A	A	A		A			P		A		B						7
Environment	MTENR								A	A		B	L						A					4
Total lead responsibilities					3				4	6		1	1		2	1	1	2	2	2	2	5	2	

XXX Non-signature to the WHIP MoU.

- L Lead CP
- A Active CP
- B Background CP
- P Phasing out

ANNEX 4: PARIS DECLARATION BASELINE AND TARGETS

INDICATORS	2005 Baseline	2010 Indicative Target	Management arrangement	Assumptions
Ownership – Operational PRS	C	B or A		
Quality of PFM systems	3.0	3.5		
Quality Procurement systems	not any	TBA		
Aid reported on budget	53%	85%	Lead CPs Macroeconomics; PRBS group. WHIP lead troika.	GRZ maintains commitment to implement the FNDP; PEMFA, improvement in MTEF and annual planning and budgeting. DAD operational; GRZ provides sufficient funding and staffing.
Coordinated capacity development	32%	50%	- WHIP Lead Troika for overall discussion on CD. - Sectoral lead CPs for sector-specific discussions.	New PBAs/SWApS (see Indicator 9).
Use of country PFM systems (aid flows)	34%	TBA	- Lead CPs Macroeconomics; PRBS group. - Sectoral lead CPs.	Progress in PEMFA implementation
Use of country PFM systems (donors)	7	TBA	- Lead CPs Macroeconomics; PRBS group. - Sectoral lead CPs.	Progress in PEMFA implementation
Use of country procurement systems (aid flows)	41%	TBA	Sectoral lead CPs.	Progress in PEMFA implementation
Use of country procurement systems (donors)	12	TBA	- Lead CPs Macroeconomics - Sectoral lead CPs.	Progress in PEMFA implementation.
Parallel PIUs	30	10	- WHIP lead troika. - Sectoral lead CPs..	Progress on PSRP/PSM; GRZ implementation capacity strengthened.
In-year predictability	52%	76%	Sectoral lead CPs .	GRZ adheres to underlying principles of PRBS-MoU and meets PAF-indicators; improved GRZ annual planning and budgeting to enable realistic planning/budgeting on the CP-side; GRZ meets its own financing obligations (releases) for supported projects/ programmes.
Untied aid	81%	progress	- WHIP lead troika. - Sectoral lead CPs.	
Use of programme-based approaches	42%	66%	- WHIP lead troika; sector leads. - Sectoral lead CPs	GRZ adheres to underlying principles of PRBS-MoU and meets PAF-indicators; sectoral commitment to programme-based approaches across line-ministries.
Coordinated missions	15%	40%	- WHIP lead troika based on reports from sectoral lead CPs.	New PBAs/SWApS (see Indicator 9).
Coordinated country analytic work	61%	TBA	WHIP lead troika based on reports from sectoral lead CPs.	Individual CP's needs are accommodated through NDP/JASZ processes.
Sound performance assessment framework	D	B or A	- Technical WG on NDP Monitoring. - Sectoral lead CPs.	GRZ/CP-commitment to NDP-implementation.
Reviews of mutual accountability	No	Yes	WHIP lead troika in collaboration with selected sector lead CPs.	