



**Co-operation between
The European Union
and
The Republic of Zambia
Joint Annual Report¹
2004**

Annual report on the implementation of the ACP-EU Conventions and other co-operation activities

¹ Prepared jointly by the NAO and the Head of Delegation on the basis of the Annex 4, Article 5 of the Cotonou Partnership Agreement.

TABLE OF CONTENTS

| | | |
|------------|--|-----------|
| 1 | EXECUTIVE SUMMARY..... | 4 |
| 2 | UPDATE ON THE POLITICAL, ECONOMIC AND SOCIAL SITUATION..... | 6 |
| 2.1 | Political Situation | 6 |
| 2.2 | Economic Situation | 8 |
| 2.3 | Social Situation..... | 12 |
| 3 | DEVELOPMENT AGENDA OF ZAMBIA | 16 |
| 3.1 | RSP/NDP..... | 16 |
| 3.2 | Public Sector Reform..... | 16 |
| 3.3 | Poverty Reduction and the Budget..... | 17 |
| 3.4 | Private Sector | 19 |
| 3.5 | Natural Resources | 19 |
| 4 | OVERVIEW OF PAST AND ON-GOING COOPERATION | 20 |
| 4.1 | Focal Sectors..... | 20 |
| | 4.1.1 INFRASTRUCTURES | 20 |
| | 4.1.2 CAPACITY BUILDING | 23 |
| 4.2 | Projects and Programmes Outside Focal Sectors | 25 |
| | 4.2.1 HEALTH SECTOR | 25 |
| | 4.2.2 EDUCATION SECTOR | 28 |
| | 4.2.3 AGRICULTURE | 30 |
| | 4.2.4 OTHER ACTIVITIES | 31 |
| 4.3 | Utilisation of Resources for Non-State Actors..... | 32 |
| 4.4 | Utilisation of Envelope B | 33 |
| 4.5 | Other Instruments, Budget Lines | 33 |

5 PROGRAMMING PERSPECTIVES FOR THE YEARS 2005-200634

**6 DIALOGUE IN COUNTRY WITH THE NAO AND NON STATE ACTORS, AND
DONOR COORDINATION35**

7 CONCLUSIONS37

8 ANNEXES I

LIST OF ABBREVIATIONS:

| | |
|---------|---|
| ABC | African Banking Corporation |
| ACIS | Advance Cargo Information System |
| ACP | African, Caribbean, Pacific Group of States |
| ADB | African Development Bank |
| AGOA | African Growth and Opportunity Act |
| AIDS | Acquired Immuned Deficiency Syndrome |
| ARSO | African Regional Standards Organisation |
| ARVs | Anti-Retroviral Drugs |
| ASIP | Agricultural Sector Investment Programme |
| ATI | African Trade Insurance |
| AU | African Union |
| AWP | Annual Work Plan |
| BIS | Backbone Information System |
| BoP | Balance of Payment |
| BESSIP | Basic Education Sub-Sector Programme |
| BoZ | Bank of Zambia |
| BWI | Bretton Woods Institutions |
| CARITAS | Catholic Health Initiatives |
| CAFOD | Catholic Fund for Overseas Development |
| CBoH | Central Board of Health |
| CDE | Centre for the Development of Enterprise |
| CLA | Community Livestock Auxiliaries |
| COMESA | Common Market for Eastern and Southern Africa |
| CP | Cooperating Partners |
| CRS | Catholic Relief Service |
| CSP | Country Support Paper |
| DANIDA | Danish International Development Authority |
| DFID | Department for International Development |
| DNR | Department of National Registration |
| DRC | Democratic Republic of Congo |
| EBZ | Export Board of Zambia |
| EC | European Commission |
| ECHO | European Commission Humanitarian Aid Office |
| ECOWAS | Economic Community of West African States |
| ECZ | Electoral Commission of Zambia |
| EDF | European Development Fund |
| EDP | Export Development Programme |
| EESM | Enhanced Export Support Mechanism |
| EFF | Export Financing Facility |
| EIA | Environment Impact Assessment |
| EIB | European Investment Bank |
| EIB-FF | European Investment Bank Financing Facility |
| EBA | Everything But Arms |
| EAC | East African Community |
| EFA | Fast Track Initiative |
| EOM | Election Observation Mission |
| EPA | Economic Partnership Agreement |
| ESAF | Enhanced Structural Adjustment Facility |
| ESIP | Education Sector Investment Programme |
| EU | European Union |
| EUOM | European Union Observer Mission |
| EUR | EURO |
| FA | Financing Agreement |
| FAO | Food and Agriculture Organisation |
| FODEP | Foundation for Democratic Process |
| FTA | Free Trade Area |

| | |
|--------|---|
| GDP | Gross Domestic Product |
| GMO | Genetically Modified Organisms |
| GRZ | Government of the Republic of Zambia |
| HBC | Home Based Care |
| HDR | Human Development Report (by UNDP) |
| HIPC | Heavily Indebted Poor Countries |
| HIV | Human Immunodeficiency Virus |
| HOD | Head of Delegation |
| ICC | Industrial Credit Company |
| IFMIS | Integrated Financial Management Information System |
| IGAD | Intergovernmental Authority on Development |
| IHSTC | In-House Service Training Centre |
| IMF | International Monetary Fund |
| IOC | Indian Ocean Commission |
| IRCC | Inter-Regional Co-ordinating Committee |
| IT | Information Technology |
| JAR | Joint Annual Report |
| KCM | Konkola Copper Mines |
| LDC | Least Developed Countries |
| LSCS | Livestock Services Co-operation Society |
| LT | Long Term |
| LWF | Lutheran World Federation |
| MCDSS | Ministry of Community Development and Social Services |
| MDG | Millennium Development Goals |
| ME | Medium Enterprises |
| MMD | Movement for Multiparty Democracy |
| MoFED | Ministry of Finance and Economic Development |
| MoH | Ministry of Health |
| MoU | Memorandum of Understanding |
| MP | Member of Parliament |
| MPP | Micro-Project Programme |
| MPU | Micro-Project Unit |
| MSDP | Mining Sector Diversification Programme |
| MSF | Medecins Sans Frontieres |
| MTE | Medium Term Expenditure |
| MTEF | Medium Term Expenditure Framework |
| MTEFF | Medium Term Financial Framework |
| MTR | Mid Term Review |
| NAO | National Authorising Officer |
| NEPAD | New Partnership for African Development |
| NGO | Non-Governmental Organisation |
| NGOCC | Non-Governmental Organisations Co-ordinating Committee |
| NIP | National Indicative Programme |
| NSA | Non-State Actors |
| NTB | Non-Tariff Barriers |
| NTEs | Non-Traditional Exports |
| NRDC | Natural Resources Development College |
| OAU | Organisation of African Unity |
| PA | Producer Associations |
| PAF | Performance Assessment Framework |
| PE | Personal Emoluments |
| PEMFAR | Public Expenditure Management And Financial Accountability Review |
| PEMS | Public Financial Management System |
| PMU | Project Management Unit |
| PPF | Pre-Production Facility |
| PRBS | Poverty Reduction Budget Support |
| PRGF | Poverty Reduction and Growth Facility |
| PRSP | Poverty Reduction Strategy Paper |
| PSCAP | Public Service Capacity Building Project |
| PSDP | Private Sector Development Programme |

| | |
|---------|---|
| PSRP | Public Sector Reform Programme |
| PWAS | Public Welfare Assistance Scheme |
| RIFF | Regional Integration Facilitation Forum |
| RIP | Regional Indicative Programme |
| ROADSIP | Road Sector Investment Programme |
| RTTCP | Regional Tsetse and Trypanosomiasis Control Programme |
| SADC | Southern African Development Community |
| SAF | Structural Adjustment Facility |
| SAG | Sector Advisory Group |
| SAP | Structural Adjustment Programme |
| SEEDCO | Seed Company |
| SIP | Sector Investment Programme |
| SME | Small and Medium-sized Enterprises |
| SPA | Strategic Partnership with Africa |
| SQMT | Standardisation, Quality, Metrology and Testing |
| STD | Sexually Transmitted Diseases |
| TA | Technical Assistance |
| TAZ | Tobacco Association of Zambia |
| TB | Tuberculosis |
| TCF | Technical Cooperation Facility |
| TDP | TEVET Development Programme |
| TESF | Trade and Enterprise Support Facility |
| TEVET | Technical Education, Vocational and Entrepreneurship Training |
| UK | United Kingdom |
| UNCTAD | United Nations Conference on Trade and Development |
| UN | United Nations |
| UNDP | United Nations Development Programme |
| UNHCR | United Nations High Commission for Refugees |
| UNICEF | United Nations Children's Fund |
| UPND | United Party for National Development |
| USA | United States of America |
| USD | United States Dollar |
| WFP | World Food Programme |
| WHO | World Health Organisation |
| WTO | World Trade Organisation |
| ZMK | Zambian Kwacha |
| ZAHVAC | Zambian Association of High Value Crops |
| ZAMRAIL | Zambia Railways |
| ZANACO | Zambia National Commercial Bank |
| ZAWA | Zambia Wildlife Authority |
| ZCCM | Zambia Consolidated Copper Mines |
| ZCGA | Zambia Coffee Growers Association |
| ZECAB | Zambian Education Capacity Building |
| ZEGA | Zambia Export Growers Association |
| ZESCO | Zambia Electricity Supply Corporation |
| ZMM-GT | Zambia-Malawi-Mozambique Growth Triangle |
| ZNBTS | Zambia National Blood Transfusion Service |
| ZNCB | Zambian National Commercial Bank |

1 Executive Summary

On 11 July 2002, the EC and the Government of Zambia signed the CSP/NIP for Community aid with the main objective of supporting the government's Poverty Reduction Strategy Paper (PRSP) approved the same year. As an LDC country (in terms of the Human Development Index, Zambia ranked 164th out of 177 countries in the 2004 HD report). The country in the period July 2002 and December 2004 received substantial programmable financial aid of €240 million (A envelope) plus an amount of €111 million (B envelope). The initial Country Strategy Paper focused on three main areas: macro-economic support (€90m), transport infrastructure (€90m), and capacity building and institutional development (€40m), with education (€10m) and health (€10m) as main non-focal areas.

Social sector indicators in general showed a positive trend in 2003 and 2004, but in comparative terms, the social situation in Zambia remains worse than the Sub-Saharan average. The last recorded HDI (UNDP) for Zambia of 0.389 for the year 2002, was lower than the Sub-Saharan average of 0.465. According to the 1st PRSP progress report (January 2002-June 2003), several of the 2015 MDGs social targets are probably or potentially attainable by Zambia. The report indicates that these targets could be reached if certain conditions would be met: (i) average annual growth rates in excess of 8%; and (ii) better prioritisation, scaling up, and stronger effectiveness of poverty reduction expenditures related to the MDGs.

Zambia's economic performance improved with annual real GDP growth averaging 5 % in the period 2002-2004. The growth rate of 5 % in 2004 was above the projection of 3.5 %.. This performance relied mainly on external factors, such as favourable weather conditions (second year of bumper crop harvest), high international metal prices and growing private investment (especially in the mining sector). For the fourth consecutive year, real GDP growth was positive and above the population growth rate.

The main political issue at present is the process for the constitutional review in relation with the elections planned for 2006. Zambia's new Constitution is currently being drafted. This is the fourth time Zambia is reviewing its Constitution since independence from Britain in 1964. President Mwanawasa and his government announced in November 2004 two different processes for the next years:

- a long procedure(so-called "16 Step Road Map") for the constitutional review, with a referendum in 2006, the adoption by a special "popular body"(to be defined) in 2007 and final enactment/assent in 2008;
- the normal process towards presidential/legislative elections by end 2006, with some previous electoral reforms, updated voter registration and a new delimitation of constituencies; a specific technical group composed by lawyers and election experts (the Electoral Reform Technical Committee, ERTC), in charge of proposing electoral reforms, presented its report in August 2004.

On the other side, the opposition and civil society have been also arguing for a constitutional reform aimed at protecting civil liberties and reducing what they call the "excessive powers" of the president. But most importantly, they want the new Constitution enacted before the

2006 general elections as the current Constitution wouldn't leave enough space to campaign freely. The opposition also wants the views of the people to be vetted by a more representative Constituent Assembly, rather than the current Constitutional Review Commission (CRC).

Zambia had committed 75 % of the initial 9th EDF A envelope plus previous EDF transfers by the end of 2004. In line with the MTR conclusions, the Commission endorsed on 21st December 2004 a transfer of € 80 million from envelope B to envelope A. At the same time, it was confirmed that the EC-Zambia strategy had proven to be appropriate and that there are thus no reasons to change the choice of focal sectors.

On the basis of the assessment of performance, needs and absorptive capacity, it was proposed to increase the A envelope allocation for Zambia for the remaining period by an amount of €80 million (comprising €65 million in the form of general budget support and €15 million to support food security within the framework of the current capacity building and institutional development focal sector and support to NSAs). This increase is mainly achieved through a transfer from the B envelope. Under the B envelope, €7.77 million will remain for emergency response to refugees and other humanitarian crisis-related needs. The B envelope will, lastly, be reduced by the residual balance of €6.44 million.

In order to align it with the periodicity of the TNDP, the Government extended the validity of the PRSP (2002-04) by one year. It announced a "zero" draft of a new National Development Plan (NDP) for June and the final document for December 2005. The NDP will merge the current PRSP with the NTDP and it is expected to cover all PRSP relevant sectors for the period 2006-2010. The HIP (Harmonisation in Practice) members are preparing a Joint Assistance Strategy linked to the NDP in order to define in a coordinated way future donor support.

2 Update on the political, economic and social situation

2.1 Political Situation

The 2001 presidential elections were won by Mr Levy Patrick Mwanawasa, SC from the ruling Movement for Multiparty Democracy Party (MMD).. He managed to secure just under 30% of the votes, whilst Mr Mazoka from the United Party for National Development (UPND) received approximately 27% of votes cast. The elections benefited from substantial sums of money from the international donor community (including EDF, € 6.55 m). Nevertheless, the results were criticised by some segments of society.. Three opposition candidates formally submitted petitions against the results of the presidential elections. In February 2005, the Supreme Court finally ruled that President Mwanawasa was indeed duly elected. Although initially, a parliamentary majority was held by opposition parties, the MMD has in the meanwhile won a number of by-elections and recovered its parliamentary majority, the latest being three vacant parliamentary seats in the beginning of March 2005.

Mr Mwanawasa's government had to deal with the political and economic heritage of the former administration under President Chiluba. Advocating a policy of "zero tolerance of corruption", President Mwanawasa gave the green light to investigations into alleged plunder of public resources during the Chiluba era and supported a parliamentary motion to lift Mr Chiluba's immunity from prosecution. A special Task force (co-funded by cooperating partners) operates with the mandate of investigating and prosecuting these alleged acts of corruption. Investigations in 14 cases have been concluded and referred to the courts. Chiluba and other former government officials have faced charges of misappropriating important sums from the State during his 1991 to 2001 presidency. The High Court in London has issued a freezing order related to assets of Mr. Chiluba and other senior officials of his administration, amounting to £ 13 million. The anti-corruption campaign was discredited in 2004, after the two important suspects of connivance with Chiluba (former intelligence chief X. Chungu and former Ambassador A. Shansonga) managed to leave the country. To the great dissatisfaction of the "new deal" administration, Zambia has not managed to achieve a recognition of its anti-corruption efforts through an upward promotion in its rankings in the Transparency International index over the last couple of years: After a CPI score of 2.6 in 2002, and of 2.5 in 2003, it only raised slightly to 2.6 again in 2004.

The main national political issue in recent times has been the process for the constitutional review in relation with the elections planned for 2006. Zambia's new Constitution is currently being drafted by a Constitutional Review Commission (CRC) of more than 40 members, appointed in 2003 by President Mwanawasa. A first draft of the new Constitution is expected to be available in May 2005. This is the fourth time Zambia is reviewing its Constitution since independence from Britain in 1964. The last review took place in 1996. President Mwanawasa and his government announced in November 2004 two different processes for the next years:

- a long procedure (so-called “16 Step Road Map”) for the constitutional review, with a referendum in 2006, the adoption by a special “popular body”(to be defined) in 2007 and final enactment/assent in 2008;
- the normal process towards presidential/legislative elections by end 2006, with some previous electoral reforms, updated voter registration and a new delimitation of constituencies; a specific technical group composed of lawyers and election experts (the Electoral Reform Technical Committee, ERTC), in charge of proposing electoral reforms, presented its report in August 2004.

On the other side, the opposition and civil society have also been arguing for a constitutional reform aimed at protecting civil liberties and reducing what they call the "excessive powers" of the President. The opposition and civil society also want the new Constitution enacted before the 2006 general elections as, according to them, they do not have the space to campaign freely under the current Constitution. The views of the people should be vetted by a more representative Constituent Assembly (CA), rather than the current Constitutional Review Commission (CRC). The government has repeatedly dismissed the proposed Constituent Assembly as overly "expensive, cumbersome, and lacking the legitimacy".

At the end of 2004, some opposition parties (in particular UPND) and civil society associations (including trade unions) started the organisation of mass demonstrations to put pressure on government to enact a new Constitution before 2006.. But these demonstrations have lacked massive support and were suspended in the beginning of March 2005.

President Mwanawasa has reiterated that he is open to discuss with the different stakeholders over the amendment of the Constitution and a meeting to this effect with civil society organisations has been announced for the 1st April 2005. During the last months, the debate was mainly conducted through the press. One possible option, mainly considered by some opposition leaders, would be the amendment of some specific constitutional provisions by parliamentary procedure (for example replacing the current simple majority for winning presidential elections by the requirement of an absolute majority, suppression of parentage clause, reduction of the number of nominated MPs...). The current Electoral Act and its subsidiary legislation should also be amended. But recent government reaction (February 2005), rejecting many of the most important recommendations of the Electoral Reform Technical Committee (ERTC), do not seem to lead to a compromise in the near future.

The consequences for public finances of planned elections and constitutional review are significant. The foreseen financial allocations to cover both processes (with figures from the Budget submitted to Parliament for 2005 and from MTEF for 2006 and 2007) would represent 0.49% of GDP in 2005, 2.02% of GDP in 2006 and 0.76% of GDP in 2007. The total cost for the 3 years would amount to almost € 200 M. To fund the constitutional referendum and the general elections in 2006, the Electoral Commission (ECZ) would that year absorb 7% of the total public current and capital expenditures (excluding debt amortisation) and would command a budget well above the one allocated to the Ministry of Health. A request for support from the ECZ (January 2005) presents a € 80 M budget of which some 60% is to be spent on allowances.

The Electoral Commission's budget for 2005 (K 146 billion, € 24 M) has already been approved by Parliament. A large part of this sum is set aside for the voter registration and for a new delimitation of constituencies (by partitioning some of the existing ones) to be carried out this year. Many MPs have insisted on the very sensitive nature of both exercises for political parties and the need of ensuring ECZ's autonomy.

According to the 2nd PRSP Progress Report July 2003-June 2004, the cost of elections in 2006 could affect spending on Poverty Reduction Programmes (PRPs), unless cooperating partners provide additional budget support.

A Joint Group on Elections has been agreed between the government and main external partners. The Group will consider government proposals for donor support to the electoral process. Possible EU support is coordinated with the United States, Canada, Norway and UNDP.

Political dialogue

A certain lack of continuity is noted in the progress of Zambia-EU political dialogue since 2003. The normal approach on political dialogue with ACP countries (by contrast with crisis situations) is not fully understood. EU representatives have recently explained through different ways to Zambian authorities the importance of a systematic and regular application of this political instrument, to constantly address all matters of mutual concern at the appropriate level. It has also been indicated that the exhaustive function to give to article 8 of the Cotonou Agreement (independently of a possible article 96/97 procedure) is being formally clarified under the Cotonou revision.

2.2 Economic Situation

Zambia's economic outlook has considerably improved in the last four five years with an average growth of 4.7% for the period 2000-2004. Other macroeconomic indicators related to the fiscal and external sectors have also markedly improved. In 2004, the economy grew by 5% (above the projection of 3.5%). This favourable performance relied mainly on external factors, such as favourable weather conditions (second year of bumper harvest), high world market prices for Zambia's metal exports and growing private investment (especially in the mining sector). It should be mentioned that sound macroeconomic policies have also played an important role in the improved economic outlook. Thus, for the fourth consecutive year, real GDP growth was positive and above the population growth rate.

Inflation performance has also generally improved with the overall end year inflation dropping to 17.5% at end2004 from 26.7% in 2002. The improved availability of food items and relative stability in the exchange rate of the Kwacha against other currencies, especially the US dollar has been important factors in the drop in in the period 2002-2004. This favourable inflation outcome was achieved despite the substantial increases in the prices of petroleum products during 2004.

Recently agricultural production for both the staple maize and cash crops (tobacco, cotton, and coffee) has improved mainly as a result of improved weather conditions, improved input distribution and significant private sector investment outlays, especially with regard to cash crop production. However, owing to poor irrigation systems, agricultural performance remains vulnerable to rainfall patterns and is threatened by lack of access to credit and infrastructural deficiencies, translating into very high transport costs, and lack of proper and consistent marketing channels.

In the mining sector, there has been a phenomenal rise in copper production since the privatisation of ZCCM in 2000. Total copper output reached 410,971 mt in 2004, reflecting an increase of 16.2 % above the 349,814 mt produced in 2003 and 21.7 % above the 337,743 mt produced in 2002. The increase in annual copper production has mainly been attributed to the continued favourable conditions on the international metals market, as reflected in higher realised copper prices. Average realised copper price was 120 US cents per pound in 2004 from 78 US cents per pound in 2003. High prices enabled mining companies to undertake investments and refurbishment of plant and equipment, and this assisted to improve productivity and total output.

The sale of a 51% stake in Konkola Copper Mines (KCM) to Vedanta Resources was finalised in November 2004, bringing to an end the uncertainty over the future of Zambia's largest copper mine. Similarly, the formerly RAMCOZ mines in Luanshya was sold to J and W Holdings A.G. A major development in the mining sector in 2004 was however, the completion of the first phase of the development of Kansanshi mine in the north-western province. The mine hosts one of the largest copper-gold deposits in the world and production was scheduled to commence in April 2005.

Non-traditional exports (NTEs) registered an increase of 27% in 2004. The development is attributed to the increased volume in the export of such products as copper rods and cables which accounted for 18.1%, cotton lint 11.30% and tobacco 10.5%. Other products included sugar, maize, petroleum oil, cotton yarn, and fresh flowers, which accounted for 7.9%, 5.9%, 5.8%, 5.2%, 5.1% and 5.0% respectively.

The tourism sector has also continued to record positive growth, though more could be achieved. The key tourist destinations Livingstone and Mfuwe recorded increases in annual passenger arrivals by 39% and 35% to 126,304, and 19,708 over the same period in 2003, respectively. As at end-2004, the country's four international airports (i.e. Lusaka, Ndola, Livingstone and Mfuwe) recorded, on an aggregate basis, a total of 615,606 passenger arrivals. This was 18% higher than the 522,904 arrivals recorded in 2003. . It is worth mentioning that traffic at the Livingstone International Airport has shot up by over 1,000% since 2000 when it handled only 9,000 passengers. Notwithstanding the improved marketing and private investments in tourism activities in the Livingstone area, the rehabilitation and development of the Livingstone International Airport using the EDF funding has positively contributed to the increased utilisation of the Livingstone international airport. Overall, the tourism sector has registered an average growth of 5% over the period 2001-2003.

With regard to the implementation of the economic programme, 2004 started with a shadow programme with the IMF, the Extended Staff Monitored Programme. But in June the government successfully negotiated a new three-year Poverty Reduction and Growth Facility (PRGF) arrangement with the IMF. The country's first review of

performance under the new PRGF arrangement through end-September 2004 was approved by the IMF Executive Board in December 2004. This led to the disbursement of about US \$127.2 million under the arrangement.

The harsh fiscal adjustment measures included in the 2004 budget have been effective. The public wage bill was contained at 7.9% of GDP (8.4% in 2003), thereby remaining within the target zone. Government funding of poverty reducing expenditures was, for the first time since it started implementing the PRSP in 2002, at about 99% of the budget provision. In 2003, only about 50% of budgeted amount was actually released (24% in 2002).

For the first time in more than 20 years, Government's domestic borrowing was reduced dramatically (to about 2% of GDP compared to over 5% in 2003), with the consequent downward pressure on interest rates (which declined from an average commercial banks' base rate of 40-45% in 2003 to about 28% in 2004) and a significant increase in lending to the private sector. Nonetheless lending rates are still considered to be generally too high for sustainable and meaningful stimulation of economic growth in the economy.

Further progress has been made towards meeting the triggers for the HIPC completion point. Triggers regarding poverty reduction and social sectors have been met; a PRSP progress report July 2003-December 2004 prepared by the government should detail this progress. With regard to structural reforms, most of the measures to commercialise ZESCO (national power company) have been undertaken and the partial privatisation of Zambia National Commercial Bank (through the sale of 49 percent of its shares) is being negotiated. Delays in pilot implementation of IFMIS (Integrated Financial Management Information System) are not considered grave. This situation should pave the way for a positive assessment for the HIPC initiative completion point in March 2005. The achievement of this objective would entail the cancellation of \$3.8 billion of foreign debt (as against a \$ 6.6 billion stock of government foreign debt by end December 2004)*. But the on-going debt sustainability analysis could show that Zambia's external debt might still not be sustainable at HIPC completion point, requiring a further increase of the proposed relief.

Looking ahead, fiscal policy will be key in preserving macroeconomic stability. Domestic revenue is expected to average 18.3% of GDP, public wages will attain 8 % of GDP over the period 2005-2007, while domestic financing is expected to decline to 0.6% of GDP by 2007. Inflation is expected to slightly slow down (15% at end 2005) thanks to contained government fiscal operations, a relatively stable exchange rate of the Kwacha and adequate food supply situation. But inflationary pressures could rise with the expected increases in world oil prices. New investments in mining, tourism,

* Japan has written off in January 2005 an amount of \$ 688.8 million owed by Zambia, to be effected at completion point. This cancellation represents the highest bilateral write-off received since the country acceded to the HIPC initiative in December 2000. UK has also announced in February 2005 the cancellation of its remaining stock of bilateral debt (£ 128 million) and the decision of paying 10.14 % of the debt service owed by Zambia on outstanding WB and ADB loans until 2015; Canada will join this initiative and pay a further 4%.

The United States has also announced that it is ready to cancel 100% of the remaining US\$500 million bilateral debt when Zambia reaches the HIPC completion point.

agriculture and other sectors are expected to raise annual real GDP growth in excess of 5% in 2005, although Zambia remains vulnerable to droughts and to terms of trade shocks. This 5% growth is maintained as medium term (2007) objective under the current PRGF, as well as reducing inflation to single digits.

But higher annual growth in the range of 5-8% in the medium-term (and 8-10% in the long-term), improvements in public service delivery and governance, increased investment and export diversification are required for sustainable poverty reduction (to achieve MDGs). Recent studies show that at the current growth pattern, Zambia is unlikely to achieve the MDG of halving poverty by 2015. Under a 4.1% growth scenario, Zambia will not be able to halve poverty until after 2040^{**}. These studies also indicate the importance of targeting traditional and non traditional agricultural crops (staple food crops as well as cash crops with strong links to foreign markets) as the best way to enhance growth and household welfare. The pro-poor outcomes of agricultural expansion would be greatly enhanced if market access (road network) was widened on a large scale.

^{**} World Bank.Zambia, Country Economic Memorandum, Policies for Growth and Diversification, October 20, 2004
“Operationalising Pro- Poor Growth” A joint initiative of AFD, BMZ (GTZ, KfW Development Bank), DFID, and the World Bank A Country Case Study on Zambia, James Thurlow and Peter Wobst, October 2004

2.3 Social Situation

Table 1: Key MDGs

| Type | Indicator | Previous Years | 2000 | 2001 | 2002 | 2003 | 2004 | Target 2015 |
|---------|--|--|--------------------|--------------------|--|--------------------|--------------------|-------------|
| Impact | 1. Proportion of population living in extreme or moderate poverty ² | 72.9% (1998) ³ | na | na | na | 66.5% ² | na | 29.1% |
| | 2. Prevalence of underweight children (under-five years of age) | 25.0% (1998) ² | 24.2% ³ | 23.3% ³ | 24.1% ³ 28.1% ⁵ | 21.5% ⁶ | 18% ⁷ | 12.5% |
| | | 28.1% (1999) ⁴ | | | | | | |
| | 3. Under-five mortality rate per 1000 live births | 191‰ (1992) ⁸ 197‰ (1996) ⁹ | na | na | 168‰ ⁴ | 136‰ ⁹ | 131‰ ¹⁰ | 63‰ |
| Outcome | 4. Net enrolment ratio in primary education ¹¹ | 76.8% (1994) | na | 70.45% | 72.10% | 74.71% | 85.08% | 100% |
| | 5. Primary Completion Rate ⁹ | | na | 65.27% | 65.95% | 66.95% | 72.04% | 100% |
| | 6. Ratio of girls to boys in ⁹ : | | | | | | | |
| | | - Primary education | 0.92% (1998) | na | 0.96 | 0.96 | 0.97 | 0.99 |
| | - Secondary education | 0.76% (1998) | na | 0.86 | 0.85 | 0.88 | na | |
| | 7. Proportion of births attended by skilled health personnel ¹² | 52% (1996) ⁷ | 41.1% ³ | 42.3% ³ | 47.3% ³ 54.9% ⁴ | 54% ⁵ | 59.5% ⁶ | |
| | 8. Proportion of 1 year old children fully immunised | 60% (1996) ⁷ | na | na | 69.9% ³ 57.1% ⁴ | 73% ⁵ | 74.5% ⁶ | |
| | 9. HIV/AIDS prevalence (ANC women all-ages & total population 15-49) | 20% (1998) ¹³ | na | na | 20% ¹⁴ 15.6% ⁴ | na | na | 16% |
| | 10. Population with sustainable access to an improved water source | Na | 49.1% ⁸ | na | 51.3% ⁴ | 53% ² | na | 74% |

Note: Primary completion rate is defined as the ratio between enrolment (irrespective of age) in the final year of the lower basic cycle (grade 7), and the size of the age cohort for the final year of the cycle (13-year olds).

² The Living Conditions Monitoring Survey 2002-2003 (November 2004) considers moderate poverty levels of expenditure capacity below 92.185 Kwacha (\pm \$ 19)/per head/month, and extreme poverty levels below 64.530 Kwacha (\pm \$13.3)

³ CSO: Living Conditions Monitoring Survey in Zambia, 1998 and 2002-2003; changes in methodology makes difficult to compare the results from the two surveys

⁴ CBoH, HMIS 2002 annual statistical bulletin

⁵ ZDHS, 2001/2002

⁶ CBoH, HMIS 2003

⁷ CBoH, HMIS 2004, 1st semester

⁸ ZDHS, 1992

⁹ ZDHS, 1996

⁹ Second PRSP Progress Report July 2003-June 2004

¹⁰ Second PRSP Progress Report July 2003-June 2004

¹¹ MoE, EMIS, 2003 and 2004

¹² In spite of insistence from several stakeholders, CBoH insists in providing only figures that include TBA-supervised deliveries. For ease of comparison, even the figures from ZHDS refer to the same.

¹³ ANC sentinel surveillance, 1998

¹⁴ ANC sentinel surveillance, 2002

Social sector indicators are in general showing a positive trend in 2003 and 2004 (table 1). In the health sector, the prevalence of underweight children is decreasing (for 2004, only 1st semester available), while the percentage of supervised deliveries (including traditional assistance) rose to 59% in 2004 (1st semester) and the proportion of 1 year old children fully immunised reached 74% in 2004 (1st semester). The drug situation generally improved with 0.79 kits opened per 1,000 patients in 2004, as compared to 0.73 kits opened per 1,000 patients in 2003. Data on under-five mortality and HIV/AIDS prevalence is not available for 2003-2004. But other indicators which are not included in the table show a less positive picture: the malaria incidence rate per 1,000 people rose from 387 in 2002 to 428 in 2003, and a similarly high level was also recorded for the 1st semester 2004; and the maternal mortality rate is still very high.

HIV/AIDS is a significant determinant of the social situation in the country. It severely affects Zambia's economy, diminishing economic growth by approximately 1%. It does not, however, affect all areas of the country and all social groups in the same manner. While the nationwide average prevalence for the population aged 15-49 is 15.6% (DHS 2002), women (17.8%) record a significantly higher prevalence rate as men (12.9%); the urban population average is a 23.1% prevalence as compared to 10.8% among rural people. For urban women in the age group of 30-39 the prevalence is over 40%. The DHS 2002 also showed the association of HIV with high adult mortality. Lusaka, Copperbelt and Southern provinces appear to have both the highest adult mortality rates and are also associated with high HIV levels. The adult mortality levels in these areas are 60% higher than in the Northern and North-Western provinces. The relationship between poverty and HIV/AIDS is mutually reinforcing. On one hand, poverty increases the vulnerability to the disease. On the other hand, the manifestation of HIV/AIDS leads to poverty.

Specific response policies have been only partially implemented. Much hope for people living with HIV is undoubtedly generated by the Government's announcements on ARVs, started in 2003 on a pilot scheme basis and supposed to be extended significantly to 100,000 patients by the end of 2005, as part of the global 'three by five' commitment sponsored by WHO. By the end of 2004, only 15,000 patients were on antiretroviral treatment and it seems quite unlikely that the target of 100,000 recipients will be achieved. There is also need to establish proper guidelines for the exemption of vulnerable people from paying for ARVs. Other important challenges for government are to develop routine and regular survey-based systems of monitoring output and outcomes of HIV/AIDS programs. In order to better address some of those issues, the National Aids Council (NAC) commissioned a functional review of its own organizational structure in 2004, including an evaluation of its effectiveness.

The education sector indicators have been improving in a more uniform trend. At the lower and middle basic school level (grades 1-7) net enrolment rates have equally increased from 70.7% in 2002 to 85.1% in 2004. Grade 1-7 completion rate also improved from 61.8% in 2002 to 72% in 2004. Further, the ratio girls/boys has almost attained a level of 1 in primary education in 2004. Out of the 40,744 pupils who have been selected to grade 10(secondary education) for 2005, 20,877 were boys and 19,887 were girls. This progress in sector objectives, especially at basic school level, is the positive consequence of the introduction of free primary education policy in

February 2002, which saw all user fees abolished for grades 1-7, while uniforms should no longer be compulsory. But if enrolments are encouraging, there is concern that these gains are at risk because of the teacher employment crisis. Improvements in teacher pupil ratios were hampered due to budgetary constraints. The number of basic school teachers which had increased to 40,488 in 2002 from 37,793 in 2001, fell back to 38,891 in 2003. There were about 9,000 teaching vacancies, mostly in rural areas in 2003. This situation was largely attributed to budgetary constraints. At the end of 2004, some 7,000 qualified teachers were available to join the service, while a similar number were no longer in service but remained on the pay roll because the government couldn't afford to pay their terminal benefits until an external support (NL) was provided. The 2005 budget should allow the recruitment of at least 5,000 new teachers.

As already indicated, the maternity mortality remains high and its drastic reduction is considered difficult to achieve. Halving poverty and the proportion of people suffering from hunger are estimated unlikely to meet (see "Economic situation" on prospects for reduction in poverty levels).

Table 2: MDGs attainability

| Target | Will the target be met | State of national support |
|---|------------------------|---------------------------|
| • Halve, between 1990, and 2015, the proportion of people living in extreme poverty | Unlikely | Weak but Improving |
| • Halve, between 1990 and 2015 the proportion of people who suffer from hunger | Unlikely | Weak but Improving |
| • Ensure that by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling | Potentially | Strong |
| • Eliminate gender disparity in Primary and Secondary Education preferably by 2005 and to all levels of education no later than 2015 | Probably | Fair |
| • Reduce by two thirds, between 1990 and 2015, the Under 5 mortality rate | Potentially | Fair |
| • Reduce by three quarters, between 1990 and 2015, the maternal mortality ration | Unlikely | Weak but Improving |
| • Have halted by 2015, and began to reverse the spread of HIV/AIDS | Potentially | Fair |
| • Have halted by 2015, and began reversing the incidence of malaria and other major diseases | Potentially | Fair |
| • Integrate the principles of sustainable development into country policies and programmes to reverse the loss of environmental resources | Potentially | Weak but Improving |
| • Halve by 2015 the proportion without sustainable access to safe drinking water and basic sanitation | Potentially | Weak but Improving |

In comparative terms, the social situation in Zambia remains worse than the Sub-Saharan average. Using the synthetic UNDP HDI indicator, Zambia has deserved a rather stable HDI in the more recent available years (2000: 0.389; 2001: 0.386; 2002: 0.389) at a lower level than the Sub-Saharan average (0.465 in 2002).

According to the 1st PRSP progress report (January 2002-June 2003)^{*}, a series of 2015 MDGs social targets are probably or potentially attainable by Zambia (table 2). The report indicates that a subset of the MDGs could be reached by 2015, if certain conditions would be met. In particular: (i) average annual growth rates in excess of 8%; and (ii) better prioritisation, scaling up, and stronger effectiveness of poverty reduction expenditures related to the MDGs.

As already indicated, the maternity mortality remains high and its drastic reduction is considered difficult to achieve. Halving poverty and the proportion of people suffering from hunger are estimated unlikely to meet (see “Economic situation” on prospects for reduction in poverty levels).

In November 2004 the Central Statistical Office (CSO) published the final results of the 2002/2003 Living Conditions Monitoring Survey (LCMS III) in Zambia. On the basis of the standard WHO minimum caloric requirement, the Survey fixes the moderate poverty line at 92.185 Kwacha (\pm \$ 19)/per head/month, and the extreme poverty at a level 30% below: 64.530 Kwacha (\pm \$13.3). According to these definitions, 21% of Zambians are considered moderately poor and 46 % extremely poor (with a total of 67% of the national population considered poor). The severity of poverty is measured through the poverty gap (27.1%), implying that the incomes of the poor population are on average 72.9% of the poverty line. Some methodological changes make difficult to directly compare these results with those of the previous survey (1998) that estimated that 73% of the country’s population was poor. In any case, the PRSP target of reducing to 65% by 2004 the proportion of poor population is not met.

According to the 2002/2003 LCMS III, the incidence of poverty is much higher in rural areas, at 74%, than in urban areas, at 52%. Regional analysis of the incidence of poverty reveals high proportions of poor in certain provinces: Northern (81%), North-Western (72%), Eastern (71%) and Luapula (70%), and lower proportions in the more urbanised “rail-line” provinces: Lusaka (57%), Copperbelt (58%). But unemployment is a serious social problem in these urban areas (Lusaka: 29% of potentially active population; Copperbelt: 22%) and particularly high for young people (at national level, 47% for age group 20 to 24, and 30% for age group 25 to 29).

The 2002/2003 LCMS III survey also estimates the Gini coefficient to measure income inequality in Zambia. The result (coefficient of 0.57) implies that the bottom 50% of the population have a share of only 15% of the total income, while the top 10% claim 48% of the total income. This level of income inequality (that can be relevant for the distribution of the effects of economic growth) is among the highest in Sub-Saharan Africa, and has been sharply increasing since 1991.

^{*} The 2nd PRSP Progress report (July 2003-June 2004) and the addendum for the period July 2004-December 2004 do not assess MDGs attainability in precise terms.

3 Development Agenda of Zambia

3.1 RSP/NDP

In July 2002, the Zambian Government officially launched its first Poverty Reduction Strategy Paper (PRSP) for the period 2002-2004. The PRSP has the overriding objective of attaining sustained and high economic growth, improving access and quality in the provision of social and public services (especially education, health and water and sanitation), and mainstreaming the cross cutting issues of HIV/AIDS, gender and the environment. The strategy correctly recognises that little can be achieved to reduce poverty unless measures are taken to revive Zambia's economy. Diversifying the economy is considered key to reviving the economy with agriculture and tourism, particularly given priority. Attaining macroeconomic stability, improving supportive infrastructure and good governance are also given priority in attaining high growth envisaged in the PRSP.

In October 2002, the Government adopted the Transitional National Development Plan (TNDP) for the period 2002-2005 incorporating and expanding the scope of the PRSP. The TNDP encompasses all the areas in the PRSP and includes other areas such as the Judiciary, Law and Order, and Defence and Security. The two companion documents PRSP/TNDP capture the core elements of the Government strategy for reducing poverty.

The time period for the PRSP (2002-04) was extended by one year to overlap with the TNDP. The GRZ has announced a "zero" draft of a new National Development Plan (NDP) for June and the final document for December 2005. The NDP will merge the current PRSP with the TNDP and it is expected to cover all PRSP relevant sectors for the period 2006-2010. The HIP (Harmonisation in Practice) members are preparing a Joint Assistance Strategy linked to the NDP in order to define in a coordinated way future donor's support.

At sector level, the Sector Advisory Groups (SAGs) should play an essential consultative role for the government on matters concerning budgeting, monitoring and evaluation of Poverty Reduction Programmes (PRPs), using inputs received from district and provincial coordinating structures.

3.2 Public Sector Reform

In parallel, the Government revived in 2003 the Public Sector Reform (PSRP). The priority areas in the revised PSRP are: (i) public expenditure management and financial accountability (PEMFA); (ii) right sizing and pay reform (RSPR); and (iii) decentralization and strengthening of local government.

With regards to PEMFA, the Review finalised in 2003 showed that significant shortcomings in many public sector reform areas remain: the laws and institutions for public expenditure and accountability in Zambia are weak; the budget lacks credibility as actual spending differs considerably from the planned amounts; budget

execution is weak due to lack of enforcement of expenditure controls, lack of proper recording of commitments, and weak procurement practices and regulations; and the weak oversight and scrutiny of the Executive's financial management by the Office of the Auditor General and the Parliament undermines transparency and accountability. Although the Zambian Constitution gives it nominal independence with which to conduct its work, at a practical level the OAG has been constrained by regulations that limit its ability to operate optimally. Its recruitment and remuneration policies are linked to the broader public service regulations and its budget is subject to approval from Ministry of Finance and National Planning.

The PEMFA Review also showed that Zambia must significantly improve its public expenditure management practices in order for public expenditures to have a significant impact on poverty. The introduction of a MTEF (Medium Term Expenditure Framework) based upon an ABB (Activity Based Budgeting) system in 2003 and used for the 2004 budget, can also improve the Government's ability to monitor and evaluate the impact on poverty of its expenditure programs. After some delays, the implementation of a pilot phase of the integrated financial management information system (IFMIS) should start in 2005.

The technical and financial assistance needed to implement each component of the revised PSRP is to be provided through a comprehensive pooling of funds by several donors, which is to allow for earmarking towards a specific component without delaying implementation of the overall PSRP. For PEMFA Reform, a Memorandum of Understanding was signed in December 2004 between the government and a group of cooperating partners, including the EC and World Bank. The government has incorporated into the 2005 budget a total PEMFA expenditure of K 131.96 billion (± \$ 27.5 M) to be totally funded by external resources.

In the area of pay reform, the government put in place during 2004 a Payroll Management and Establishment Control system that improves payroll management, provides better data and establishment control mechanisms, accuracy of the payroll and tighter budget control. These measures should ensure fiscal discipline and performance in this essential budget area. During the process of reducing the numbers in the civil service, civil servants who were retrenched were maintained on the payroll due to the non-payment of their terminal benefits. A significant amount has been budgeted for 2005 to pay off all civil servants already retrenched as at December 2004.

Progress in the area of decentralisation is still limited. The Ministry of Finance has started in 2004 a programme of capacity building for district officers to enable them to assist local communities (district councils) in planning and budgeting development activities. This training programme will continue in 2005 in readiness for allocation of more decentralised funds.

3.3 Poverty Reduction and the Budget

Progress with the implementation of the Zambian PRSP was disappointing in 2002 and 2003. After the adoption of PRSP in May 2002, the capacity of government to finance the PRSP was severely limited due to spending pressures resulting from the 2002 drought and food security situation and budgetary overruns on non-PRSP areas

in 2003, which led to a higher than planned deficit (4.2% of GDP against a targeted 1.6% in 2003) and high domestic borrowing. The fiscal policy slippage resulted in failure to reach a new PRGF with the IMF and the HIPC completion point in December 2003.

The only funds that were, therefore, available for implementation of the PRSP were those linked to the interim debt relief granted at the HIPC decision point (called Poverty Reduction Programmes, PRPs). However, the mentioned factors even put this category of expenditure under pressure. The GRZ released much less than budgeted for the PRPs: 24% of budget allocations in 2002 and 50% in 2003

But the implementation of the 2004 budget and the proposed structure for the 2005 budget (now in Parliament) improve the situation in different aspects:

- Out of the total poverty reduction expenditures (PRPs) of K 532.6 billion in 2004 (6.25 % of the total budget), 100% was released; releases to social sectors (most of them not included in the 2004 PRPs definition) increased to K 1,371 billion, above target by K 69,1 billion; nevertheless, funding to the health sector dropped from 12% (2003) to 11.5% (2004) of the discretionary budget; releases for the public welfare assistance scheme (K 5,3 billion), providing support to the most vulnerable groups, was higher than in previous years but still below budget allocation (K 7,8 billion)
- For 2005, the earlier PRPs definition linked to HIPC related expenditures has been expanded to cover all public expenditures related to PRSP implementation (including emoluments for teachers and health workers wages). Under the new classification, allocations for PRPs account for almost 43% of the total budget and 26% of the domestically financed spending; around 20% of this PRPs allocation is for personal emoluments for health and education service providers; PRPs expenditures are split in 3 categories according to their direct/indirect link with poverty reduction
- In order to remedy the shortage of teaching and health staff, an increase of K 114.25 billion has been allocated in the 2005 budget. GRZ has by this way increased the allocation to the education sector from the discretionary budget to 24.0% from 20.5% in 2004; the allocation to the health sector has retrieved its 2003 level: 12% (but still below the recommended 15%)
- Agriculture is also beneficiary of poverty reduction expenditures. Of the mentioned amount released for PRPs in 2004, K 96.7 billion was for the fertiliser support programme to provide subsidised inputs to farmers(150,000), K 47.2 billion went to the procurement of maize(61,000 mt) from small-scale farmers and a further K 29 billion was funded towards the Food Security Pack programme for vulnerable but viable farmers. Under the 2005 budget, an amount of K 140 billion has been allocated to continue the fertilizer support programme(with 50% subsidy), K59 billion for purchasing maize, rice and cassava, and an additional K 20 billion for fertiliser and seed under the Food Security Pack.

Even if fertiliser subsidies is not a strategy defined by the 2002 PRSP, it is generally felt that, together with improved weather conditions, this programme has contributed to the increase in food production since 2002/2003. Nevertheless, the importance of this type of expenditure compared to more

productive investments and service provision can raise sustainability problems in the future.

- It must also be noted that in the period 2003 to 2004, the domestic debt stock only grew by 6 percent, which is an improved situation compared to the 31 percent increase in the period 2002 to 2003. However, the internal debt service amounted to K 734 billion in 2004 (8.61% of the total budget), in spite of lower interest rates, and is expected to reach K 850 billion in 2005; this high charge for the budget can still constitute a significant constraint for expanding poverty reduction expenditures in the coming years
- The 2004 and 2005 budgets have been planned and allocated on an activity basis (ABB). The effect of this is clearly felt by opening up the possibility for Parliament and civil society to raise questions about uses of funds which did not seem priority; budget execution and monitoring are also being aligned to the ABB; much has still to be done at sector level through the Sector Advisory Groups (SAGs)

3.4 Private Sector

In 2003 the Government, in partnership with the private sector through the Zambia Business Forum, decided to prepare a draft Private Sector Development Initiative (PSDI). The PSDI Reform Program was officially presented at a meeting held in Livingstone in June 2004. An articulation of principles that will guide government efforts with regard to PSD would be an important step and could help with the prioritisation of the many identified activities. Additional important steps would be (i) to effectively deal with the fragmentation of the current institutional set up that is to facilitate the interaction with the private sector, in particular for new businesses (merging the existing statutory bodies into a single body, the Zambian Development Agency, ZDA); (ii) to implement key priority actions identified in collaboration with the private sector, as a way to establish credibility; (iii) to set up an institutional framework which ensures private sector participation during the implementation and facilitates effective delivery of the agreed actions during the Livingstone consultations.

3.5 Natural Resources

The practise of destructive cultivation methods that rely on mining out fertility is quite common in Zambia, leading to the abandonment of thousands of hectares and the destruction of woodland for new alternative areas. This has given Zambia the fourth fastest per capita rate of deforestation in the world and it has contributed to food insecurity in Southern and Central regions in recent years. In 2003 the Government instituted a ban on the exploitation, conversion and processing, conveying and exporting of indigenous timber. However, on 1 October 2003, the Government lifted the ban on timber cutting in order to allow utilisation of the harvested timber. Any fresh harvesting now requires acquisition of new licences bearing the forestry department seal. In August 2003, the Ministry of Tourism, Environment and Natural Resources confirmed the need for a National Environmental

Policy to ensure that the use of natural resources would be kept within sustainable levels. A first draft of the Policy was presented in December 2004. The objectives of the policy are: to promote the sound management of Zambia's environment in its entirety without compromising the need for social and economic development; to manage the environment by linking the activities and interests of all groups both at central and local level; to accelerate environmentally and economically sustainable growth; and to ensure broad-based environmental awareness and commitment to enforce environmental laws and the promotion of environmental accountability. .

4 Overview of Past and On-going Cooperation

4.1 Focal Sectors

4.1.1 INFRASTRUCTURES

Results

The transport sector is a top priority in the development agenda of the Government. This is demonstrated by the approval of the Transport Policy Document by Cabinet in May 2002, followed by the submission to the Donors of a Letter of Road Sector Policy signed by the Minister of Finance and National Planning in December 2003.

The Transport Policy Document will have a strong impact on the management of the road sub-sector with the setting up of three Road Authorities: The Road Development Agency under the Min. of Works and Supply, the Road Fund Agency under the Min. of Finance and the Road Traffic and Safety Agency under the Min. of Communication and Transport. These bills were approved by Parliament in December 2002.

By the end of 2004 the Board Members of all the three Agencies were appointed and the Government is taking steps to recruit permanent staff of the Agencies, while skeleton temporary staff has been nominated.

The Government has set up the Road Sector Investment Programme (ROADSIP), a ten-year programme (1997 to 2007) with an original budget estimate of US\$860 million. The 1st phase of ROADSIP ended in December 2003 when ROADSIP II commenced. The plan of the 2nd phase, which has been extended to 2013, is now under implementation. The programme document is improved by the inclusion of a chapter detailing the links between the road sector and the poverty reduction and by giving more importance to social issues (environment, gender, road safety, HIV/AIDS).

The Road sector budget for 2005 amounts to US\$198.6 million; substantially over the ROADSIP financial plan (US\$ 148.3 million) and in line with the Budgets 2004 (US\$196.9 million) and 2003 (US\$212.5 million). Out of the budget total cost, donors

are contributing 53%, GRZ 34% and the fuel levy 13%. The disbursement against the Budget 2004 was US\$68.5 million against US\$71.3 million in 2003. But it shall be noted that for 2004 the figures about donors' contributions may be incomplete (US\$20.5 million in 2004 against US\$51.6 million in 2003).

It is very interesting to compare the Government disbursement and the fuel levy remitted to the road fund in 2004 (US\$ 23.6 million and US\$24.4 million) with the ROADSIP financial plan (US\$25 million and US\$21.3 million). It is observed that the ROADSIP financial plan seems to be more realistic than the various annual budgets for the road sectors; this is because the former, unlike the latter, was made by taking in consideration the realistically available resources for the road sector. Indeed, for the first time, from its inception, the Road Fund received, throughout 2004, timely and full remittance of the fuel levy revenues, while the GRZ contribution are slightly under the ROADSIP estimate. Completely absent is the funding from license fees and other road users charges, but the new Road Fund Agency is preparing the necessary Statutory Instruments to address the issue and reduce the financial gap.

The actual road maintenance carried out in 2004 (Km. 11,801) is 70% and 61% of the targets set in the ROADSIP document and the Budget 2004, respectively. Concerning rehabilitation, the performance seems to be slightly worse, although complete figures, especially on feeder roads, are not yet available.

The road sub-sector has taken a larger share in the cargo haulage business, which has resulted in increased pressure on the roads, contributing to rapid deterioration of the road network. Currently, over 60 percent of cargo is hauled by road, which covers the remotest areas of the country where other modes do not operate. The increase in heavy goods vehicles linked with poor and ineffective enforcement of axle load regulations as well as inadequate levels of road maintenance also contributes to the deterioration of the network. It shall be noted that the Ministry of Works and Supply to address the above problem, launched an Axle Load Control Programme in mid 2004.

Progress in activities

The EDF contributed to ROADSIP with the implementation of two important road projects. The Monze-Zimba Road concerns the rehabilitation of a 205-Km section in the middle of the trunk road between Lusaka and Livingstone. Works on this project were completed in October 2002. The Kabwe–Kapiri Mposhi and Chisamba Roads concern the rehabilitation of a 62 Km section of the trunk road between Lusaka and the Copperbelt, and a 21 km section of road into the agricultural area of Chisamba. Works on this project were completed by December 2003. Furthermore, a feeder roads rehabilitation programme was carried out in the Central and Copperbelt provinces and completed in September 1998.

Other projects in the transport sector include the rehabilitation of the Mpulungu Harbour completed in 2002 and the rehabilitation and development of the Livingstone and Lusaka Airports whose implementation started in 2003 and is now under full implementation.

A Financing Agreement under the 9th EDF was signed in December 2004 for a €70 million Road Sector Budget Support Programme. The programme will disburse three financial tranches of M€ 25.4, 21.0 and 16.9, in 2005, 2006 and 2007, respectively, and will have a capacity building component through technical assistance to the Road Fund and Road Development Agencies. The first tranche shall be disbursed as soon as the GRZ makes further progress in the recruitment and secondment of staff in the three Agencies and the technical assistance is in place. This will be the very first programme of budget support to the road sector in Zambia and its implementation will be closely monitored by other donors and used as a model for future donor contributions to ROADSIP, if successful.

The feasibility study for a €20 million feeder roads programme is on going with the target of presenting a proposal to the EDF Committee by the first quarter 2006.

In addition, following the NAO's request, it is being considered the increase of the infrastructure programme by including the funding of the Zimba – Livingstone road using funds decommitted from the 7th and 8th EDF. This road remains the only section in poor condition of the entire corridor connecting Zambia with Tanzania at Nakonde and with Zimbabwe at Victoria Falls.

The infrastructure sector includes also the programme of rehabilitation and development of Urban Markets which started in 2003. The programme combines a physical component of rehabilitation of eleven markets in Lusaka, Kitwe and Ndola with a soft component of capacity building, training and micro credits for marketers and review and improvement of the markets legislation. The design of the markets rehabilitation works was completed in December 2004 and the tenders for works will be launched in the second quarter 2005.

Degree of integration of cross-cutting themes (gender, environmental issues, capacity building and NSA involvement) and donor coordination.

Generally, implementation of road rehabilitation projects negatively affects the environment and contributes to the spread of the HIV/AIDS pandemic in the communities. For this reason in the ROADSIP document and, consequently, in the EDF funded projects a lot of emphasis is given to the inclusion in the works contracts of special clauses for the environment, gender and HIV/AIDS.

Any damage arising from road works, excavation, use and abandonment of gravel borrow pits is mitigated by relying on topsoil and planting of vegetation. Contract clauses also take account of HIV/AIDS, especially to carry out awareness campaign and prevention at local level in coordination with Provincial and District Authorities. Distribution of condoms and provision of antiretrovirals obtained at subsidized price, can be financed through works contracts and implemented by NGOs and CBOs.

Periodic maintenance schemes and projects are directed so as to encourage the employment of women in local areas. Maximising women's employment opportunities can directly assist poor households and avoid the use of transient labour by contractors which has a strong tendency to carry with it HIV/AIDS. This is in line with the Government's gender policy in the transport sector.

Construction projects provide ideal conditions for training of young engineers and technicians. The new EDF programme has a strong component of capacity building through Technical Assistance to the new Road Agencies.

Outside the transport sector, it is worth mentioning that the Urban Market Programme, in addition to its capacity building, has a strong focus on environment and health with the implementation of a new system of collection and disposal of waste for all the rehabilitated markets.

ROADSIP has provided a well established focal point for policy formulation, implementation and evaluation. Its annual review involving all road stakeholders, are a forum where the entire sector, including high level representation of the Government, meets, exchanges views and contributes to the way forward.

There is also a donor coordination forum in the road sector, currently chaired by the European Commission, which meets bi-annually with the Committee of the Permanent Secretaries of the Road Maintenance Initiative and the other road stakeholder. Since 2000 the donor group has been able to actively support the Government in the preparation of the Transport Policy and the resulting legislation that creates the three Road Agencies and in the preparation of the ROADSIP documents.

4.1.2 CAPACITY BUILDING

PRIVATE SECTOR

Results

The private sector continues to suffer from the macro-economic situation with high inflation and high interest rates, which has rendered the access to affordable capital virtually impossible. The Government's economic policy aims at creating an enabling environment for private sector led growth. This includes support to export oriented industries in general and the mining sector in particular. During the 90's most of the earlier state-owned mines on the Copperbelt were privatised, but continued to struggle with poor results. A 2003 study by the World Bank, the "Investment Climate Assessment" concluded that main barriers to investment in Zambia include: financing cost and access, macroeconomic instability, tax rates and administration, regulatory policy and uncertainty, crime & corruption, and infrastructure (telecom and electricity). In 2003 the Government, in partnership with the private sector through the Zambia Business Forum, launched the Private Sector Development Reform Program and it was officially presented by the President of the Republic at a meeting in Livingstone in June 2004. The conclusions from the meeting formed the basis for the PSD Reform Action Plan and Implementation Framework, jointly prepared by the Ministry of Commerce, Trade and Industry (MCTI) and the Zambia Business Forum. To implement the Action Plan, the Government, with WB funding, is preparing a PSD Reform Project which donors will be able to support through a basket fund. A recent G-8 decision to assist committed countries to launch comprehensive programs and reforms to improve their business and investment climates is also likely to benefit Zambia, which has been selected as one of 4 pilot countries for this initiative.

Progress in activities

The **Mining Sector Diversification Programme (MSDP)** aims at increasing export earnings through economic diversification by improving the utilisation of natural resources in the non-copper/non-cobalt mining sector. This is to be achieved through credit financing, training and capacity building and provision of technical expertise over 5 years until 2007. Since its inception in 2002, this programme has, however, been poorly accessed. Of the total Euros 16.5 million earmarked for loan application, only Euros 2.5 million had been accessed by end 2004. In 2004 a mid-term review of the project recommended better integration of the project with the Ministry of Mines and Minerals Development (MMMD). A workshop was held in October 2004 with participation from MMMD, Mining Associations, EIB, MSDP, NAO and the Delegation resulting in a proposal to modify and extend the Financing Agreement by 6 months.

The **Private Sector Development Programme (PSDP)** is a comprehensive answer to the problems faced by businesses in Zambia in that it provides loans to MEs and SMEs as well as capacity building and infrastructure support. The project ended in October 2004 although the APEX loan facility is likely to run until 2009, either under the management of Grant Thornton or an alternative institution, with the objective of recovering the outstanding loans. A Final Evaluation of the project confirmed a high success rate for the private sector companies who benefited under the project. The recommendations from the report helped to feed in to the development of the new PSD programme under the 9th EDF.

The third pillar of the EC support to private sector development is the **Export Development Programme II (EDP)**. Its objective is to build on the success of the first Export Development Programme and further improve the performance of the non-traditional export sector. EDP II is a four-year EUR 6.5 million programme. The activities will be based on two pillars: an Export Financing Facility that will provide credit to exporters through their respective Producer Associations; and the provision, on a demand-driven basis, of short-term technical assistance.

In 2004 MCTI submitted a first **9th EDF project proposal** for support to the private sector under the 9th EDF, which will focus on the meso level i.e. on the policies and regulatory framework in which the private sector operates in. The project will be based in MCTI but will provide support to statutory bodies such as the Export Board of Zambia, Zambia Investment Centre, Zambia Bureau of Standards and Zambia Competition Commission. Private Sector intermediary organizations will also benefit. After extensive consultations with Government and other donors the € 15 million Financing Proposal was submitted to Brussels in September 2004.

Degree of integration of cross-cutting themes (gender, environmental issues, capacity building and NSA involvement) and donor coordination.

The EC support to the Private Sector under the 9th EDF contributes to the achievement of cross-cutting objectives as follows: *Environment*: An improved legal framework will promote environmental issues and improvements in regulatory enforcement will assist in reducing uncontrolled industrial development. *Gender*: Improved services for the private sector will provide services to businesses owned by

women. Key areas are access to land, employment and small business development. At the level of micro and small scale businesses, gender issues are often highlighted in terms of access to credit and business opportunities. Special interest groups exist: Zambia Women in Agriculture, Zambia Women in Mining, Women's Finance Trust. These intermediary organisations could play a strong two way role, dialoguing with GRZ and training members. *HIV/AIDS*: Capacity building, support and organisational development advice could be provided to private sector intermediary organisations and civil society organisations addressing HIV/AIDS in the workplace.

Donors involved in private sector development include USAID, whose ZAMTIE project will finish end of 2004. ILO runs a Business Development Services Programme for SMEs, funded by SIDA. SIDA, DFID and Netherlands are supporting the Business Forum. Netherlands is also supporting intermediary organizations representing the agricultural sector. In 2004 the PSD Reform Sector Programme received a strong push and a sector programme is under preparation. Likely donors to support this new "SWAP" are SIDA, DFID and Netherlands. There is currently an informal coordination mechanism between donors involved in PSD.

NAO SUPPORT

The support to the NAO was radically revised in 2004, leading to a shift away from the outsourced provision of NAO services by an external team of TAs. A smaller team was recruited with full involvement of Ministry of Finance and started work within Ministry of Finance premises.

With this, the degree of Government ownership has been significantly increased. However, this change in approach also implied that the team leader has often been consulted by the Ministry on a wider range of issues than originally envisaged. This has been done partly to the detriment of effectiveness in dealing with standard NAO functions and responsibilities, especially because the Ministry of Finance failed to second counterparts for all members of the team, as initially agreed upon.

The support provided from February 2004 is part of a pilot 2-years small project. A mid-term review is due by April 2005 and will have to assess the success of this new approach and propose the way forward.

4.2 Projects and Programmes Outside Focal Sectors

4.2.1 HEALTH SECTOR

Results

The Ministry of Health formulated a 5-year National Health Strategic Plan (NHSP), for the period 2001-2006. Dialogue on the next 5-year plan will start in 2005 and will take into account the PRSP/NDP process, the MDGs and new challenges to the basic health care package such as treatment for People Living with HIV/AIDS (PLWHs). The main success of the health reform processes in Zambia since the early 1990s is decentralisation down to the district level. In 1996, the Central Board of Health (CboH) was established as implementing body. However, failure to implement the

delinkage of public health workers from the civil service, led Government to decide in 2004 to put an end to the dualism Ministry of Health/Central Board of Health. The Ministry has presented in 2004 an institutional strategic plan that should guide the restructuring and definition of a new establishment list (that should have about 40,000 posts). The hard ceiling on government wage bill affected health and there is now an estimated 6,000 qualified health professionals who are waiting for recruitment (have they not fled the country already). MoH expects to employ 1,500 of them in 2005.

Government budget for Health in 2004 has been released at 100%, and MoH disbursed regularly to the institutions, according to MoH. The Auditor General report for 2003 has raised no queries on malpractice in health and has outlined no unconstitutional expenses.

Donors accept that higher level hospitals need to be supported and expansion of the donors basket fund goes hand in hand with measures aiming at improving efficiency, from HR retention, to financial management systems, drugs supply systems, and MIS.

Outcome and impact indicators provide a mixed picture. Long term features of the burden of disease in Zambia do not change, like malaria and respiratory infections. Lack of monitoring systems on HIV does not allow detecting meaningful trends on prevalence. The European Commission will contribute to improving the M&E situation with significant support to HMIS from 2005. Indicators from routine monitoring at health centre facilities show considerable progress in 2004 on supervised deliveries, immunization rate for children under 1 year, and percent underweight among children under 5.

Capacity at the MoH and at CBoH is higher than the average government department in Zambia. The annual workplans presented by MoH are better detailed than what other government departments are able to produce. Reporting is of acceptable standards. Sector dialogue is articulated in quarterly Health Steering Committees, six-monthly Consultative meetings, monthly MoH-Donors policy meetings, and other technical meetings.

The scope of the basket fund supported from Co-operating Partners (CPs) was originally restricted to recurrent expenditure at district level (health centres and first level hospitals). Since 2002 Government and the Co-operating Partners are progressively moving towards an expansion of the basket, both “vertically” (higher level hospitals, Central Board of Health, other autonomous boards) and “horizontally” (capital expenditure, technical assistance etc). This started being implemented from mid-2003 with the inclusion of general hospitals. In 2004 discussions covered the creation of a jointly funded drugs budget line, which will be in place from early 2005. At the same time, a framework for the introduction of sector budget support, and general budget support partially linked to output/outcome indicators in health has been developed.

Progress in activities

The European Commission, through the EDF, completed in 2004 the support to the Zambia National Blood Transfusion Services (ZNBTS). Between 2003 and 2004 the ZNBTS made significant progress towards full integration into the Zambian public health system, and in mid-2004 was finally accepted as eligible beneficiary of the

health basket fund, with significant improvement of its sustainability prospects. The ZNBTS manages to screen 100% of collected blood for HIV, Hepatitis B and Syphilis, with independent quality control (1% error rate). It manages to cover about 60% of demand for blood in the country. Problems remain in donor recruitment and reliance on relatives is still too high. From 2004 ZNBTS has been declared eligible for further funding from both the Global Fund and the USA President's Emergency Plan for Aids Relief. This will enable ZNBTS to introduce screening for Hepatitis C and Malaria. The institution has also streamlined its structure nationwide, with centralisation of blood treatment and screening at 9 provincial centres, reducing exceptions to remote hard to reach localities.

The Commission completed in 2003 its support to the health basket under 8th EDF. In December 2003 the Delegation was ready to submit a new 10 Meuro FP that was considered non receivable by EuropeAid pending legal clarifications on the feasibility of basket funding under decentralized modalities (cfr 9th EDF Financial Regulation). Throughout 2004, this clarification has not been provided. The Delegation will present a sector budget support proposal for the same amount in 2005.

The implementation of the new EC Poverty Reduction Budgetary Support culminated in 2004 in the assessment of health indicators against set targets. This new approach, entirely new to both Government and other donors, has brought new meaning to planning and the use of indicators and targets as tools to drive resources and agenda. In 2005 the participation of four more donors to budget support mechanisms will further strengthen the links between budget/MTEF preparations and sector planning, one of the weak points of sector dialogue in the past in Zambia.

Degree of integration of cross-cutting themes (gender, environmental issues, capacity building and NSA involvement) and donor coordination.

The HMIS does not provide gender disaggregated data and this affects considerably the capacity to monitor a potential gender bias in the provision of basic health care. The decision to impose a cost-sharing mechanism for ARVs is affecting a larger proportion of women than men. The Government had the opportunity to integrate ARVs in the PMTCT scheme, providing it free of charge to women who accepted testing and subsequent PMTCT, but this was not done.

The proliferation of vertical initiatives (Global Fund, President Initiative, and the large number of international NGOs) in the HIV subsector affects capacity as these initiatives offer better job opportunities for the limited number of public health managers. Brain drain is a major concern in health and one may argue that the more urgent need is capacity retention, rather than capacity building.

The network of Church health facilities is well coordinated and participates actively to sector dialogue. It represents a solid interlocutor even for donors (principal recipient of the GF; partner of international NGOs benefiting from EC budget lines funding). Private sector health facilities are not very developed in Zambia. Out of pocket payment for health staff can hardly be quantified (no reliable national health accounts), but it is obvious that they are common, in particular in an informal manner along public health facilities, rather than in private ones.

Coordination of donors at sector level is assured through monthly donors meetings, a SWAP coordinator and a division of labour along thematic lines.

4.2.2 EDUCATION SECTOR

Results

The Government has implemented an Education Strategic Plan (ESP) which was presented to the donor community in February 2003. A Memorandum of Understanding was signed at the same occasion, providing the legal and sector dialogue framework for sector support. Several EU-Member States (Denmark, Ireland, the Netherlands, Finland, and the United Kingdom) already signed the MoU.

The ESP is articulated in an Annual Work Plan that follows a National Implementation Framework. In 2003 these developments still overlapped with the previous pool-supported modality (of which the EC was not part), BESSIP (Basic Education Sub Sector Investment Programme). In 2004 the AWP experienced however delays in implementation, basically due to capacity problems in the Ministry of Education, both at central and decentralised level. In order to address more incisively these problems at the end of 2004 the MoE agreed to create joint task forces with donors, each focused on one specific implementation problem. The Delegation is represented in three of them (textbooks, procurement and infrastructures). These task forces will complete their work and present proposals to MoE for adoption within the first semester 2005.

In spite of an increasing shortage of teachers, enrolment figures went up, beyond the 80% net enrolment target for grade 1-7 set for 2007 in the ESP. This is a testimony to the success of the free basic education policy. Completion rates are also going up. The challenge for the future is to adapt the system to the new setup. For instance the curriculum for grade 8 and 9, now part of basic education, is still the old, academic one, with no inclusion of life skills. As intake capacity in grades 10 to 12 is very limited, Zambia starts experiencing large numbers of grade 9 leavers with practically no job perspectives. The Ministry of Science and Technology, responsible for vocational and technical education is plagued by capacity problems and in 2004 some donors have effectively pulled out of that subsector. This is unfortunately further affecting the perspectives for basic school leavers.

High pupil/class, pupil/teacher ratios and lack of textbooks seriously affect the quality of education. This is a very serious problem that is particularly evidenced by experiences of pilot initiatives such as the primary reading programme (DFID-sponsored) which shows stark differences in academic achievement when modest inputs are actually provided.

Progress in activities

The EDF-supported Zambia Education Capacity Building Programme (ZECAB) was completed in June 2004. While ZECAB did not contribute to the basket fund, its interventions were totally in line with the policy and strategy of BESSIP. The two main interventions were the setting up of a Basic Education Bursary Scheme and the construction of 30 Community Schools, as well as continued support to technical and vocational education.

The EC signed the MoU on the 17th of June 2004, following the signature of the FA for 9th EDF support to education, and joined the pooled funding mechanism.

The Delegation was already attending sector dialogue meetings, articulated in semi-annual Joint Steering Committee, quarterly Sector Plan Coordinating Committees, monthly Financial Technical Committees and other specialised meeting, plus a Joint Annual Review. At the end of 2004, after the approval of the progress reports and cash flow forecasts by the Joint Steering Committee, the Delegation requested the first disbursement to the education pool, amounting to about 2.3 Meuro

Even in the education sector, the introduction of the EC PRBS and the assessment of output/outcome indicators have had a significant impact.

Starting in 2005, the envisaged 9th EDF support to EMIS (Education Management Information System) will support the integration of the community schools into the annual school census exercise.

Degree of integration of cross-cutting themes (gender, environmental issues, capacity building and NSA involvement) and donor coordination.

Gender imbalances emerge in particular when looking at basic school completion rates and secondary education rates. There is no significant gender disparity at basic enrolment level.

The reasons often cited are early marriages and pregnancies. The MoE has a specific policy for readmission of pregnant students but this is often contrasted by parents. Massive enrolment figures also increase pressure on school infrastructures, in a way that particularly affects girl-pupils. Gender imbalances are also evidenced among the teachers, with a very small proportion of female head teachers.

These issues are actually featuring in the MoE annual workplans and require constant monitoring.

Capacity problems at MoE are felt at both HQs and district level. Lack of expertise in financial and procurement management at district level has a special impact in the context of a decentralized system. MoE reporting is very often behind schedule and of poorer quality than health. At central level, lack of planning in major activities such as textbooks procurement and curriculum development significantly affect the quality of education. Donors constantly monitor the situation and enter into dialogue with MoE on proposed provision of long term technical support. The task force approach that has been undertaken in 2004 will also identify technical support needs in a number of key areas.

The major basic education provider in Zambia is government, but there exists also a large network of community schools, partly grant-aided, that are coordinated by two large umbrella organizations, ZCSS and

4.2.3 AGRICULTURE

Results

The Government approved the new National Agricultural Policy for 2004-2015 in November 2004. The objective is to improve national and household food security, income generation and improved employment, sustainable industrial development and increased contribution to the national balance of payments. To achieve these objectives the Government will promote market liberalization and support for private sector development (i.e. credit provision, marketing, input supply, outgrower schemes, agro-processing), review of the legislative and regulatory framework (i.e. improved standards and sanitary requirements to promote exports), agricultural diversification (including promotion of fisheries), strengthened provision of agricultural services (i.e. extension services, research and capacity building of farmers organizations), irrigation development and prevention and control of pests, crop and livestock diseases. Emphasis is also put on the promotion of trade both in the region and beyond in view of recent developments in NEPAD, COMESA, SADC, WTO and EU/ACP.

Progress in activities

Conservation Farming project. The € 1.97 million 9th EDF Conservation Farming Project was finally approved at the end of 2004. The inclusion of this programme under the 9th EDF was agreed upon during Commissioner Paul Nielson's visit to Zambia in 2003, but due to various changes of staff, both in the Delegation and at AIDCO, the project suffered a considerable delay in the preparation phase. The project will be implemented by the Conservation Farming Unit, under the umbrella of the Zambia National Farmers Union (ZNFU), over a period of 3 years. The main objective is to support rural farmers in the Central, Southern and Eastern provinces in the use of conservation farming techniques to improve their yields and income (crop rotation, minimum tillage, minimal fertiliser input). Food Security Packs and Oxens will be distributed through field level involvement of the two main cotton companies in Zambia. These companies cooperate in a public-private partnership arrangement, with the interest of improving the food security situation of their cotton outgrowers through a sustainable production of their staple food crop, maize, in rotation with cotton and a leguminous crop to maintain soil fertility.

9th EDF Food Security/Agriculture programme. At the mid-term review of the CSP/NIP it was decided to transfer € 15 million from the B-envelope to the A-envelope in favour of a new food security/agriculture programme. Rather than to create a new focal sector, it was agreed to integrate this new support under the existing focal sectors of capacity building and support to non-state actors. A 6-week

feasibility study was carried out in October-November 2004 by the consultancy company Italtrend, which was contracted under the Framework Contract AMS/451. The initial proposal included support at three levels: 1) development of a national, multisectoral food security strategy 2) improved provincial planning and activity-based budgeting as well as support to public extensions services, and 3) use of non-state actors to implement food security programmes and income generating activities. This draft proposal was still under discussion at the end of 2004.

4.2.4 OTHER ACTIVITIES

Social welfare

Commission support to the Public Welfare Assistance Scheme (PWAS) under 8th EDF ended in February 2004. The PWAS is a community-based safety net that is linked to a government scheme decentralized at district level. While the project successfully created the new system, and rolled it out to most districts, training government staff as well as members of the constituted Community Welfare Assistance Committees, the Government did not honour its pledges in terms of budget allocations to the PWAS.

Other donors (UNICEF, Danmark, GTZ) have shown interest in the PWAS as method for channelling support, for instance, to the incapacitated households. These initiatives, on a small scale pilot basis, keep alive an interest in a concept that seemed particularly adapted to the specificities of Zambia. The Delegation will launch in 2005 a final project audit with ToRs specifically oriented at assessing system and organization of the PWAS, one year after end of the project. This input will be especially valuable for other donors.

Culture

The Cultural Sector Support Programme was completed in November 2004, from 8th EDF resources. During the three years of implementation, in spite of several administrative bottlenecks, the programme provided substantial support to the National Association of Media Arts and the National Theatre Arts Association of Zambia (Film Festivals and Performing Arts Festivals), collaborated in both modern and traditional exhibitions and festivals for women artists, worked with the Education Department of the Lusaka National Museum, and other museums in Zambia (including the museum in Livingstone), supported the creation of the Artist's Union and gave support to 61 Zambian traditional ceremonies that became national emblems.

Forestry

The EC also financed a programme of €1,900,000 to support the Forestry Department. The project came to an end in September 2004. The Forestry Support Programme (FSP) was tasked with facilitating the creation of an autonomous, statutory forest management entity within the Ministry of Tourism, Environment and Natural Resources (MTENR). The project was executed within the general context of the

implementation of the Public Service Reform Programme (PSRP) policy of "hiving off" potential stand-alone governmental departments to create more autonomous, grant-aided institutions, with the flexibility to provide enhanced services at reduced direct cost to government. A final evaluation on the project was carried out in November 2004, indicating that the project had been essential in preparing for a new Forestry Commission. However, Government's outstanding debts by the Forestry Department and other related costs, which first have to be settled by the Government, have caused a delay in the actual start-up of the Commission.

4.3 Utilisation of Resources for Non-State Actors

So far, support to non-State actors has been channelled through the micro-project programmes. Implementation of the provisions foreseen in the Cotonou Agreement regarding non-State actors are likely to start only in 2006, in view of difficulties encountered in closing previous projects.

The micro-project programmes have been implemented in Zambia since 1985, for an amount of €46.2 million. The primary beneficiaries have been the most vulnerable groups in rural communities in Zambia. Particular gender sensitisation measures have included a requirement for a 50:50 membership of men and women on project committees and control of bank accounts. Needs of women and children have systematically been taken into account in the establishment of community priorities. A total of 567 projects were funded under the 6th and 7th EDF. Under the 8th EDF an additional 152 projects were approved under phase I, while the target to be achieved under 8th EDF MPP phase II was a further 240 projects. More than half of the funds have been committed to projects in the education sector, whilst the health sector accounted for the second largest proportion of projects implemented (16%) and funds committed (20%).

The Court of Auditors carried out a monitoring mission in March 2003. The results highlighted several problems including bottlenecks in the implementation of the approved projects, ineffectiveness, lack of sustainability and financial viability, decentralisation difficulties, payments without formal legal basis, excessive administrative costs, poor management capacity and the approval of fewer and more expensive projects than what had been foreseen in the Financing Agreement. The Mid-Term Review launched in 2003 confirmed the findings, but nevertheless recommended the formulation of a new programme under the 9th EDF. However the new programme would have to include major modifications to the present implementation set up that should provide for a considerable reduction in administrative costs. The last Microprojects Programme under the 8th EDF ended on 31 December 2004. However, administrative problems related to the management of the various micro projects both under the 7th and 8th EDF have caused tremendous difficulties in proceeding with the required closures.

4.4 Utilisation of Envelope B

€ 11.49 M were drawn under the FLEX window and utilised for additional budget support in 2004.

With respect to humanitarian assistance (with an allocation of 7% of the overall portfolio), the main focus of Zambia ECHO-funded interventions in 2004 has been the care and maintenance of refugees from Angola and Congo DRC and repatriation of Angolan refugees. Ongoing operations in Zambia are funded under a 2004 decision of € 2.0 million with the implementing partner being IOM. The funding has been deducted from the B-envelope. Funding commitments amounted to €12 million for 2002 and €3.8 million for 2003.

In October/November 2004 the Delegation was informed by WFP of a serious food shortage for the more than 100.000 Angolan and Congolese refugees residing in Zambia. The Delegation tried to explore with AIDCO and ECHO of funding possibilities and it was eventually agreed that a food component would be included in the new ECHO 2005 decision for IOM, which would be financed from Zambia's B-envelope. Discussions on how this support would be channelled were still ongoing at the end of 2004.

4.5 Other Instruments, Budget Lines

The process of devolution implied that from 2004 the Delegation has been formally in charge of implementation of budget line projects. This has however not materialised in practice because of administrative/logistical problems in EuropeAid in securing all necessary accesses to the IT applications (CRIS, SI2), and also because of lack of human resources.

On the basis of available documentation, Zambia is concerned by a significant amount of projects. It is however too early to include reporting on actual activities in this 2004 report.

The Delegation will work along the following principles:

- monitor project progress and control good management
- ensure there are no inconsistencies between actions supported through budget lines and outcomes of sector support dialogue
- ensure that beneficiaries work along principles of complementarity with public service providers (when applicable)
- provide qualified Delegation support to the selection process still led by EuropeAid

Food Aid

In 2004 the EC continued to finance Euronaid for support to several church based NGOs in the provision of food aid to people affected by HIV/AIDS, households

caring for the chronically ill, elderly, orphans, high risk and other vulnerable groups. These contracts ended in September 2004 and no further assistance through Euronaid is foreseen.

At the end of 2004, it was confirmed that Zambia's allocation under the complementary allocation under the food security budget line for 2004 would be € 1 million, with 60% earmarked to food aid. A Call for Proposals will be launched by the Delegation in early 2005, most likely continuing to target HIV/AIDS affected persons.

5 Programming Perspectives for the Years 2005-2006

MTR

The 9th EDF CSP/NIP MTR conclusions decided by the Commission on the 21st December 2004 considered that the EC-Zambia strategy had proven to be appropriate and that there were thus no reasons to change the choice of focal sectors. On the basis of the assessment of performance, needs and absorptive capacity, the MTR decided to reallocate the available B-Envelope funds (originally € 111 M) as follows:

- = € 5.3 M as contribution to the AU Peace Facility (already committed in 2004)
- = € 11.49 M from triggered FLEX and utilised for additional budget support in 2004
- = € 80 M to be transferred to A-Envelope and used for additional budget support (€ 65 M) and for a new project supporting food security and NSAs in the agriculture sector (€ 15 M)
- = € 7.77 M to be maintained in envelope B for emergency response to refugees and other humanitarian crises
- = the residual balance of € 6.44 M was withdrawn

Forecast 2005-2006

Two global commitments originally planned for 2004 were postponed to 2005: 1) the health sector support project (€ 10 M), because of the lack of concrete decisions on modalities for EDF contribution to sector basket funds, and 2) the capacity building programme for private sector (€ 15 M) that needed additional revisions after the Private Sector Development Initiative (PSDI) reform program was officially presented in June 2004. Apart from the 2 projects mentioned, the other global envelope A commitments planned for 2005 are:

- Capacity building: support to capacities of agriculture public services and NSAs in developing food security/agriculture promotion actions (€ 15 M)
- Capacity building: a support programme for public sector (€ 15 M) will integrate 2 components: support to PEMFAR (Public Expenditure Management and Financial Accountability Reform) and support to NAO (pursuing the current 2004-2005 project).
- Infrastructure sector: rehabilitation of the Zimba-Livingstone road (€ 15 M)

The conditions and modalities for a possible support to the electoral process (technical or financial) will be considered on the basis of the results from the Joint Working Group government-cooperating partners and on concrete agreement with other partners.

The following envelope A commitments are planned for 2006:

- Infrastructure sector: the rehabilitation of feeder roads (€ 20 M), after a feasibility study to be carried out in 2005
- Macro-economic support: the continuation of budget support (€ 65 M) for a new phase (2007-2008)
- Non State actors: a micro-project programme involving NSAs (€ 5 M)

These forecasts involve an over programming of 4% in relation to the available resources that could only partially be covered by de-commitments. A gap of about € 8M is expected and additional resources for this amount are necessary to achieve the programmed activities. It is proposed that these additional resources be envisaged from the new reallocation of the funds planned in 2006 within the framework of the final review of the 9th EDF.

Envelope B: It should be noted that all the "humanitarian component" of the envelope B – Zambia has been used up to now for the Angolans' refuge repatriation (ECHO); that an amount of €6.44M was cut down from the envelope B at the 9th EDF MTR in 2004, and that the government of Zambia, which coordinates the assistance to the refugees (now especially coming from DRC following new surges), is bemoaning important deficits in this assistance (in particular for food aid in the short term).

6 Dialogue in country with the NAO and non state actors, and donor coordination

EC-NAO coordination

Positive aspects must be recognised in the working relationship between the NAO, other national services and the Delegation. The results of the MTR 9th EDF have been appreciated for adapting the programme to the evolving needs. Regular meetings between the NAO Office and the Delegation are held. But a certain gap is arising between the capacities and responsiveness on the Delegation side (reinforced after devolution) and the capacities on the Ministry of Finance & National Planning side. Considering the high financial amount of the EDF programme (EUR 360 M under 9th EDF) and the performance-based financial reallocations under Cotonou, increasing the resources devoted to EDF management into the Ministry (Economic and Technical Cooperation Department, ETC) could be a convenient measure. If financial or resource constraints restrain an EDF area reinforcement, rationalised operations and more efficiency should improve the working flow with the Delegation as well as with the line-Ministries and the projects. Important issues to address are the availability of the national counterparts meant to work with the NAO technical support team, the co-ordination with other departments of the Ministry (Budget,

Planning...) and with line-Ministries, a more efficient administrative flow of dossiers, the suitability of a shared NAO-Delegation monitoring/information system on EDF implemented operations (ideally as part of a global system with cooperating partners)...

At the same time, it is recognised that the relationship and support to the NAO must take into account the global context and functions of the Ministry of Finance & National Planning. The role of this Ministry is vital in ensuring dialogue with cooperating partners on budget matters, public finance management and harmonisation. It must also develop an efficient coordination with other areas of the government involved in poverty reduction actions and expenditures. NAO capacity building should target a correct balance in covering EDF management needs, in coherence with these other more global functions (to be technically and financially addressed by other means, in particular PEMFAR).

Relations with Non-State Actors

There have been in 2004 different consultations with NSA during the preparation of projects involving their participation (private sector, food security...), under current activities in social sectors and on the governance area. A special conference was organised in July 2004 regarding the Mid-Term Review of the Zambia-EC 9th EDF co-operation. The conference was held in July 2004 and re-grouped some 30 organisations from the civil society. Four thematic groups produced recommendations:

- Budget process and financial management;
- PRSP process and budget expenditures related to the poverty reduction programme (PRP);
- Social services (health and education); and
- Private sector support.

Different approaches are being considered in supporting NSAs. The private sector support goes through NSAs, including private sector intermediaries. The future food security and microproject programmes will also involve NSAs. The necessary coherent link must be established with support to NSAs from EU budget lines (in particular for food security, social sectors, democracy/human rights...).

A mapping study of the NSAs in Zambia is also envisaged. On the basis of the mapping study, the EC delegation will discuss with the NAO how to progress towards NSAs capacity building in Zambia.

Donor co-ordination

The GRZ and the cooperating partners signatory to the Harmonisation in Practise (HIP) Memorandum of Understanding (April 2004) have committed themselves to "Joint strategic planning exercise leading to a common multi-year strategic plan, based on NDP/PRSP" and a "Joint CDF type matrix for division of labour". The HIP signatory cooperating partners include the Netherlands, Sweden, Norway, Finland, Denmark, United Kingdom, Ireland, Germany, Japan, Canada, France, the World

Bank, and the UN system. The Commission will shortly sign the MOU after it has been signed by most of EU Member States. USAID is co-operating informally but actively.

The harmonisation in practice framework and the MOU should provide the basis for greater donor coordination and harmonisation, though clear technical leadership within the government is still to be established. Progress towards harmonisation in the health and education sectors is good. Government ownership of the harmonisation process is beginning to be established, but the lack of government resources committed, and capacity to follow-up actions, may hamper progress. Zambia's PRSP has been generally accepted as a framework for the provision of donor assistance, although in its review process it is recognised that improvements could be made with regard to clarifying targets, action plans and monitoring. The indicator framework needs to be more consistent and rigorous in order to be used as key instrument for monitoring and evaluation.

There is substantial scope for a joint cooperating partner approach to strategic planning to reduce transaction costs for both cooperating partners and government, and increase the quality of assistance. A Joint Assistance Strategy (JASZ) may improve division of labour between cooperating partners, ensure better co-ordination of support between sectors, and enhance overview and predictability of the support for both cooperating partners and government thereby making it easier to reach overall development objectives, including MDGs. The NDP/PRSP 2006-2010 is expected to outline the way in which Zambia plans to finance the poverty reduction activities to be funded from internal resources or from cooperating partners - overall and on a sector basis. Further the NDP/PRSP is expected to reflect the future Zambian Aid Policy which would outline the preferred modes of support from external cooperating partners.

Co-ordination between cooperating partners and GRZ is also deserving an increasing significance in the area of public finance management and reform (PEMFAR), budget support and other macroeconomic issues (PRSBS group), social sectors, road construction and maintenance, agriculture/food security.... For PEMFAR, a Memorandum of Understanding was signed in December 2004 between the government and a large group of cooperating partners (Denmark, Ireland, Norway, Netherlands, Sweden, Japan, European Commission, Finland, United Kingdom, Germany, IDA and UNDP).

Another important area of coordination is governance/elections, through the agreed Joint Working Group GRZ-external partners that will be in charge of following electoral reforms and preparing support for elections.

7 CONCLUSIONS

- The main current political issue is the process for the constitutional review in relation to the elections planned for 2006. Zambia's new Constitution is currently being drafted. This is the fourth time Zambia is reviewing its Constitution since

independence from Britain in 1964. President Mwanawasa announced in November 2004 a long procedure for the constitutional review, with a referendum in 2006, the adoption by a special “popular body” in 2007, and final enactment/assent in 2008. On the other side, many opposition parties and civil society organisations want the new Constitution enacted before the 2006 general elections as, according to them, they do not have the space to campaign freely under the current Constitution.

The consequences of planned elections and constitutional review for public finances are significant. The foreseen financial allocations to cover both processes (according to the figures in the Budget for 2005 as submitted to Parliament and MTEF allocations for 2006 and 2007) would represent 0.49% of GDP in 2005, 2.02% of GDP in 2006 and 0.76% of GDP in 2007. The total cost for the 3 years would amount to almost M€ 200. According to the 2nd PRSP Progress Report July 2003-June 2004, the cost of the elections in 2006 could affect spending on Poverty Reduction Programmes (PRPs), unless cooperating partners provide additional budget support. A Joint Working Group on elections has been agreed between the government and its main foreign partners. EU action is coordinated with the United States, Canada, Norway and UNDP. The conditions and modalities for a possible EDF support to the electoral process (technical or financial) will be considered on the basis of the results from the Joint Working Group between Government and the cooperating partners.

- Zambia experienced a significant economic growth of 4.6% in 2004 (above the projection of 3.5%). This performance relied mainly on external factors, such as favourable weather conditions, high international metal prices, and growing private investment (especially in the mining sector). New investments in mining, tourism, agriculture and other sectors are expected to raise the annual real GDP growth in excess of 5% in 2005, despite the fact that Zambia remains vulnerable to droughts and to terms of trade shocks. Apart from reducing inflation to single digits, this 5% growth is maintained as medium term (2007) objective under the current PRGF.

But an even higher annual growth, in the range of 5-8% in the medium-term and 8-10% in the long-term, as well as improvements in public service delivery and governance, increased investment and export diversification, would be required for sustainable poverty reduction and for achieving the MDGs. Recent studies show that at the current growth path, Zambia is unlikely to achieve the MDG of halving poverty by 2015. Under a 4.1% growth scenario, this objective would not be reachable before 2040. These studies also indicate the importance of targeting traditional and non traditional agricultural crops (staple crops and cash products which have strong links to foreign markets) as the best way to enhance growth and household welfare. The pro-poor outcomes of agricultural expansion would be greatly enhanced if market access (road network) was widened on a large scale.

Further progress has been made toward meeting the triggers for the HIPC completion point. Triggers regarding poverty reduction and social sectors (PRSP progress) are considered met. Most of the structural measures have been undertaken. This situation should pave the way for a positive assessment for the HIPC initiative completion point in March or April 2005. The achievement of this

objective would entail the cancellation of \$3.8 billion of foreign debt (\$ 6.8 billion stock by end of December 2004).

- Social sector indicators are in general showing a positive trend in 2003 and 2004, but in comparative terms, the social situation in Zambia remains below the Sub-Saharan average: the last recorded HDI (UNDP) for Zambia (0.389 for 2002) was lower than the Sub-Saharan average (0.465). According to official sources, a number of 2015 MDGs social targets are probably or potentially attainable by Zambia if certain conditions would be met: (i) average annual growth rates in excess of 8%; and (ii) better prioritisation, scaling up, and stronger effectiveness of poverty reduction expenditures related to the MDGs.

In November 2004 the Central Statistical Office (CSO) published the final results of the Living Conditions Monitoring Survey for the period 2002-2003. According to this report, 21% of Zambians are considered moderately poor and 46 % extremely poor (with a total of 67% of the national population considered poor). Some methodological changes make it difficult to directly compare these results with those of the previous survey (1998) that estimated that 73% of the country's population was poor. The incidence of poverty is much higher in rural areas, at 74%, than in urban areas, at 52%. The survey CSO 2002-2003 also estimates the Gini coefficient to measure income inequality in Zambia. The result (coefficient of 0.57) implies that the bottom 50% of the population have a share of only 15% of the total income, while the top 10% claim 48% of the total income. The time period for the PRSP (2002-04) was extended by one year to overlap with the TNDP. The GRZ has announced a "zero" draft of a new National Development Plan (NDP) for June and the final document for December 2005. The NDP will merge the current PRSP with the NTDP and it is expected to cover all PRSP relevant sectors for the period 2006-2010. The HIP (Harmonization in Practice) members are preparing a Joint Assistance Strategy linked to the NDP in order to define future donor support in a coordinated way.

In 2003 the Government revived the Public Sector Reform (PSRP). The priority areas in the revised PSRP are: (i) public expenditure management and financial accountability (PEMFA); (ii) right sizing and pay reform (RSPR); and (iii) decentralization and strengthening of local government. The technical and financial assistance needed to implement each component of the revised PSRP is to be provided through a comprehensive pooling of funds by several donors, which is to allow for earmarking towards a specific component without delaying implementation of the overall PSRP. For PEMFA Reform, a Memorandum of Understanding was signed in December 2004 between the government and a group of cooperating partners, including the EC and World Bank. The government has incorporated into the 2005 budget a total PEMFA expenditure of K 131.96 billion (±M\$ 27.5) to be totally funded by external resources.

- Progress with the implementation of the Zambian PRSP was disappointing in 2002 and 2003, but the execution of the 2004 budget and the proposed structure for the 2005 budget have improved in different aspects: effective releases of 2004 budgetary allocations for poverty reduction expenditures (PRPs) and social sectors, increase in the 2005 budgetary allocations for education and health, reduction of financing through domestic debt in 2005. The 2004 and 2005 budgets

have been planned and allocated on the basis of planned and prioritised activities (ABB). The effect of this is clearly felt by opening up the possibility for Parliament and civil society to raise questions about uses of funds which did not seem priority. Budget execution and monitoring are also being aligned to the ABB. However, quite some work has still to be done at sector level through the Sector Advisory Groups (SAGs).

Results and activities in Infrastructure. The Transport Policy Document will have a strong impact on the management of the road sub-sector with the setting up of three Road Authorities: The Road Development Agency under the Ministry of Works and Supply, the Road Fund Agency under the Ministry of Finance and National Planning, and the Road Traffic and Safety Agency under the Ministry of Communication and Transport. These bills were approved by Parliament in December 2002. By the end of 2004 the Board Members of all the three Agencies were appointed and the Government is taking steps to recruit permanent staff of the Agencies, while skeleton temporary staff has been nominated.

The actual road maintenance carried out in 2004 (11,801km) corresponds to 70% and 61% of the targets set in the ROADSIP document and the Budget 2004, respectively. Concerning rehabilitation, the performance seems to be slightly worse, although complete figures are not yet available.

A Financing Agreement under the 9th EDF was signed in February 2005 for a M€ 70 Road Sector Budget Support Programme. The programme will disburse three financial tranches of M€ 25.4, 21.0 and 16.9, in 2005, 2006 and 2007, respectively, and will have a capacity building component through technical assistance to the Road Fund and Road Development Agencies. The feasibility study for a M€ 20 feeder roads programme is on going with the target of presenting a proposal to the EDF Committee by the first quarter 2006. In addition, following the NAO's request, it is being considered to increase the infrastructure programme by funding the Zimba-Livingstone road through funds decommitted from the 7th and 8th EDF.

- Results and activities in Public Finance Management (PEMFA). In 2004, the EC has participated with other cooperating partners (NW, DFID, WB) and the Government in the PEMFA (Public Expenditure Management and Financial Accountability) Technical Working Group. The PEMFA action plan was approved by the Government in June 2004. In July 2004 the cooperating partners launched an appraisal analysis of the document and in December 2004, a MoU, to support the PEMFA reform, was signed between the Government and eleven cooperating partners, including the EC. The overall objective of the programme is to contribute to the efforts of the Government in improving capacity to effectively and efficiently mobilise and utilise public resources (improve public expenditure management) and to strengthen overall financial accountability. The EC will support the implementation of the PEMFA through the PRBS and a specific programme to be approved in 2005.
- Results and activities in Private Sector Development. The conclusions from a meeting in Livingstone in June 2004 form the basis for the PSD (Private Sector Development) Reform Action Plan and Implementation Framework, jointly

prepared by the Ministry of Commerce, Trade and Industry (MCTI) and the Zambia Business Forum. To implement the Action Plan, the Government, with WB funding, is preparing a PSD Reform Project which donors have agreed to support through a basket fund. A recent G-8 decision to assist committed countries to launch comprehensive programs and reforms to improve their business and investment climates is also likely to benefit Zambia, which has been selected as one of 4 pilot countries for this initiative.

In 2004 MCTI submitted a first 9th EDF project proposal for support to the private sector under the 9th EDF, which will focus on the meso level, i.e. on the policies and regulatory framework in which the private sector operates. The project will be based in MCTI but will provide support to statutory bodies such as the Export Board of Zambia, Zambia Investment Centre, Zambia Bureau of Standards and Zambia Competition Commission. Private Sector intermediary organizations will also benefit. The project has been approved by the EDF committee in February 2005.

- Results and activities in Budget Support. The Financing Agreement of the Poverty Reduction Budget Support I (PRBS I, M€ 117) was signed in July 2004. The PRBS approach addresses the importance of sound Financial Management as well as the results in the implementation of the PRSP/TNDP, particularly in the social sectors (health and education), as well as at regional level. In this way, the PRBS I linked to a set of indicators on PFM, Health and Education which are drawn from the PRSP indicator system adopted by the Government. Disbursements will depend upon the achievement of targets that were jointly agreed between the Government and the EC.

In 2004 the EC disbursed a total amount of M€51.0 under the FLEX facility (M€ 11.5) and the PRBS (M€39.5). The assessment of the performance indicators for the 2nd and 3rd variable tranches of the PRBS I in 2004 showed that there are still some shortcomings regarding public financial management, particularly budget execution and reporting. The Government sees the need to also improve the performance regarding the social indicators, enhancing the monitoring and evaluation framework of the PRSP as well as aligning the PRSP implementation with the budget cycle. First results on the indicators to be used for the 2005 assessments, however, suggest that Government performance in these fields has considerably improved.

In early April 2005, a Memorandum of Understanding for Poverty-Reduction Budget Support that also includes a Joint Performance Assessment Framework (PAF) has been signed by a number of committed donors (United Kingdom, Netherlands, the World Bank, and the EC, with Norway and Sweden expected to join soon). For 2005, the Government performance will only be assessed on the basis of an interim PAF. The intention is that in the future, such a joint PAF will supersede individual assessment mechanisms of the various donors. Since the indicators considered in the PAF discussions have been drawn extensively from the PRBS01 indicators with the EC, the change towards a joint PAF is not seen as a major problem, but will lead to a harmonised and more effective approach of donor support.

- Results and activities in Health. The implementation of the new EC Poverty Reduction Budgetary Support culminated in 2004 in the assessment of health indicators against set targets linked to variable disbursements to the budget. This approach, entirely new to both Government and other donors, has brought new meaning and importance to planning and the use of indicators and targets as tools to drive resources and agenda. In 2005 the participation of four more donors to budget support mechanisms will further strengthen the links between budget/MTEF preparation and sector planning, one of the weak points of sector dialogue in the past in Zambia.

The Commission completed in 2003 its support to the health basket under the 8th EDF. After considerable delays in considering the continuation of this type of support (because of lack of decisions in Brussels on modalities for 9th EDF contribution to sector basket funds), a sector budget support proposal for M € 10 will be presented in 2005.

- Results and activities in Education. The EDF-supported Zambia Education Capacity Building Programme (ZECAB) was completed in June 2004. While ZECAB did not contribute to the basket fund, its interventions were totally in line with the policy and strategy of BESSIP. The two main interventions were the setting up of a Basic Education Bursary Scheme and the construction of 30 Community Schools, as well as continued support to technical and vocational education.

The EC signed the MoU on the 17th of June 2004, following signature of the FA for 9th EDF support to education, and joined the pooled funding mechanism. The Delegation was already attending sector dialogue meetings, articulated in semi-annual Joint Steering Committee, quarterly Sector Plan Coordinating Committees, monthly Financial Technical Committees and other specialised meeting, plus a Joint Annual Review. At the end of 2004, following approval at the JSC of the progress reports and cash flow forecasts, the Delegation requested the first disbursement to the education pool, amounting to about M€ 2.3.

Also in the education sector, the introduction of the EC PRBS and the assessment of output/outcome indicators has had a significant impact. From 2005 the envisaged 9th EDF support to EMIS (Education Management Information System) will support integration of the community schools into the annual school census exercise and improve overall reliability of the education information system..

- It is premature to design the future of the EC support to Zambia. The GRZ is still preparing the NDP/PRSP 2006-2010 that is expected to outline the way in which Zambia plans to finance the poverty reduction activities to be funded from internal resources or from cooperating partners (overall and on a sector basis). Under this framework, a Joint Assistance Strategy (JASZ) may improve division of labor between cooperating partners, ensure better co-ordination of support between sectors, and enhance overview and predictability of the support for both cooperating partners and government, thereby making it easier to reach overall development objectives, including the MDGs. The GRZ NDP/PRSP 2006-2010 and the mentioned JASZ will be the base for discussions on the new EC support programme that could start in the second half of 2005

In 2005, the EC Delegation activities will focus on the budget support implementation (through different projects), capacity building efforts (PEMFA, PRSP monitoring in health and education, Private sector, NAO) and the preparation or submission of new 9th EDF projects in 2005 and 2006 (including those resulting from the MTR reallocation). Main issues to consider during this period are:

- a) The continuation of the Poverty Reduction Budget Support I (PRBS I) with the 4th and 5th tranches planned for 2005 (potential amount of M€ 40), with some possible minor technical adjustments in the indicators framework.. The PRBS I will need a 2 years extension of its implementing period to allow the adequate implementation of the technical assistance support for developing the PRSP monitoring and improving the information system in health (HMIS) and education (EMIS). The available PRBS I financial balance (amounts not disbursed from previous variable tranches) are added to the final tranche to be assessed in May 2006 and can be very useful and opportune to maintain EDF budget support in 2006.
- b) The submission/commitment of a new budget support programme (PRBS II, M€ 65) is foreseen in 2006. In the context of the post-HIPC completion point and the PRGF 2004-2007, the design of this programme will assume lessons learnt from PRBS I. Its implementation (planned for 2007 and 2008) should benefit from progress achieved in areas like PEMFA, social sectors monitoring and statistical systems, and be aligned with the budget support mechanism of other donors.
- c) the implementation (Road sector) or submission (Health, PEMFA) of sector budget support projects, in coherence with the main general budget support operation (PRBS I); important questions to elucidate are related to the issue of “additionality” (in particular in the Road sector because of the high relative importance of the EDF support) and the use of indicators from existing limited statistical systems. For PEMFA, an essential point is a correct coordination of support (financial, technical) to Government in improving capacities to effectively and efficiently mobilise and utilise public resources (improve public expenditure management) and to strengthen overall financial accountability.
- d) Capacity building activities in other areas (Private sector, NAO, Agriculture/Food security) also face new conditions and challenges. The project supporting the public-private interface institutions must be able to adapt technical support to a changing environment (creation of a new Zambia Development Agency after merging of current bodies) and to involve NSAs from private sector. The new phase of NAO capacity building must be conceived and implemented on the basis of accurate evaluation of the previous phase (2004-2005). Resumed activities in agriculture/food security must adequately target and balance technical and financial support to public services (at national, provincial and district level) and to NSAs.

The total foreseen global commitments (M € 71.4 in 2005 and M € 90 in 2006) involve an over programming of 4% in relation to the available resources that could only partially be covered by de-commitments. A gap of about M€ 8 is expected and additional resources in this magnitude are necessary to fund the programmed activities. It is proposed that these additional resources be envisaged from the new reallocation of the funds planned in 2006 within the framework of the final review of the 9th EDF.

Envelope B: it should be noted that all the "humanitarian component" of the envelope B Zambia has been used up to now for the repatriation of the Angolan refugees (ECHO); the government of Zambia is bemoaning important deficits in the assistance to refugees in Zambian territory (in particular in covering food needs).

- In 2004, there have been a number of consultations with NSA, in particular during the preparation of projects envisaging a significant NSA participation (private sector, food security...), as well as with respect to ongoing activities in social sectors and in the field of governance. A special conference was organised in July 2004 regarding the Mid-Term Review of the Zambia-EC 9th EDF co-operation. The conference involved some 30 organisations from the civil society, re-grouped to work on specific topics. Four thematic groups produced recommendations: a) Budget process and financial management; b) PRSP process and budget expenditures related to the poverty reduction programme (PRP); c) Social services (health and education); and d) Private sector support.

Different approaches are being considered in supporting NSAs in the future. The private sector support goes through NSAs, including private sector intermediaries. The future food security and micro project programmes will also involve NSAs. A coherent link must be established with support to NSAs from EU budget lines (in particular for food security, social sectors, democracy/human rights...).

A mapping study of the NSAs in Zambia is also envisaged. On the basis of the mapping study, the Delegation will discuss with the NAO how to progress towards NSAs capacity building in Zambia

8 ANNEXES

| | |
|--|--------------|
| 1-Rationale for the focal sectors interventions and macroeconomic support | II |
| 2-Chronogram of 9th EDF activities and global commitments 2003-2007..... | X |
| 3-Indicative timetable for commitments and disbursements..... | XI |
| 4-Donor matrix..... | XII |
| 5-Forecasts 2005-2006 payments, decommitments & extensions on ongoing projects. | XIII |
| 6-Forecats 2005-2006, new individual commitments..... | XIV |
| 7-Forecats 2005-2006, new global commitments..... | XXIII |
| 8-Forecats 2005-2006, summary sheet | XXIV |
| 9-Regional projects | XXV |
| 10-Budget Support..... | XXVI |

Annex 1-Rationale for the focal sectors interventions and macroeconomic support

1. Programme Planning Matrix – Institutional Development and Capacity Building Focal Sector

| Intervention | Performance Indicator | Means of Verification | Assumptions |
|--|--|--------------------------------------|---|
| Overall Goal: To Strengthen the Institutional Capacities of the Zambian public and private sectors to manage the economy and promote private sector led development | -Financial and Economic Management capacities of the Zambian Public Service Strengthened. -Capacities for public-private dialogue built as a basis for improving the policy and institutional environment for private sector development. -capacities of Non-State Actors to participate and benefit from EU-Zambia Cooperation developed. - access of private and public actors to the distance learning courses of the BOZ increased. | See Below | See Below |
| Objective 1: To Strengthen the Financial and Economic Management capacities of the Zambian Public Service | See Below | See Below | -Government maintains its commitment to the reform of the Public Service. -Pay reform and economic growth create the opportunity to offer more competitive salaries as a basis for recruiting and retaining qualified staff, and for offering necessary operating budgets to government departments. |
| Results: a) Organisational capacities of the Planning and | Ability of Department to perform core functions | -Products: reports, policy documents | - PEMFAR is implemented according to |

| Intervention | Performance Indicator | Means of Verification | Assumptions |
|--|---|--|--|
| Economic Management Dept, MOFED, strengthened. | improved in terms of delivery of key products and services; eg: preparation of MTFE and long-term vision; introduction of activity-based budgeting system etc; | available for review, and systems operational. Services: client satisfaction. | plan.. -MoFNP progresses with implementation of agreed restructuring process. -Adequate budget is provided by GOZ to enable basic functioning of the department. |
| b) Systems and procedures for the management of public expenditure re-habilitated | IFMIS fully integrated into the functions of the Accountant General's office and the financial and accounting units of line ministries, and outputs delivered on time | -Operators fully conversant with the operations of IFMIS -Periodic outputs of the IFMIS available for inspection -User satisfaction with the outputs of IFMIS (govt depts, donors etc) | -PEMFAR is implemented according to plans. -Phases 1 & 2 of the IFMIS project are approved. -Donor funding towards costs of IFMIS forthcoming. -Adequate budget is provided by GOZ to enable basic functioning of the department. |
| c) Reform and restructuring of the National Statistical System completed | -Restructuring of the CSO completed. -Statistical units in line ministries operational & staff trained. -Mechanisms for the collection and dissemination of statistical data between public and private users established. -Relevant and high quality statistical data produced on time. | -Physical evidence of new structures in place and operational. -Physical evidence of new systems functioning. -Reports, statistical bulletins etc available for inspection. -Client/user satisfaction with performance of the system. | -GOZ/MoFNP approves and is committed to the implementation of the reforms of the system. -Line ministries are willing and able to cooperate. -Adequate budget is provided by GOZ to enable basic functioning of the CSO. -Other donors are willing to pledge support to the restructuring/reform process. |
| Objective 2: To build capacities for public-private dialogue as a basis for improving the policy and institutional environment for private sector development | See Below | See Below | -Government maintains its commitment to economic recovery through private sector led growth. -Government continues the process of reform of the Public sector. |
| Results: a) Capacities for National level Dialogue Strengthened | -Mechanisms for structured dialogue at the national level are in place and in use. -Organisational capacities of public and private actors to engage in dialogue are strengthened. | -Physical evidence / organisation of structured dialogue processes & mechanisms. -Public and Private actors willing and | -Government is committed to entering into dialogue with the private sector. -Private sector is willing to explore opportunities for dialogue with the public |

| Intervention | Performance Indicator | Means of Verification | Assumptions |
|--|--|---|--|
| | -Processes of dialogue result in the review, formulation and discussion of relevant laws, policies rules and regulations. | able to prepare and defend arguments, positions etc, and to participate on a regular basis in dialogue. -Evidence of the outcome of dialogue in terms of new, revised laws, policies, rules and regulations | sector. -Reform process of MCTI is fully implemented and qualified staff can be retained. |
| b) Capacities for Local level Dialogue Strengthened | -Mechanisms for structured dialogue at the local level are in place and in use. -Organisational capacities of local public and private actors to engage in dialogue are strengthened. -Processes of dialogue result in the review, formulation and discussion of relevant local laws, policies, rules and regulations. | -Physical evidence / organisation of structured dialogue processes & mechanisms. -Public and Private actors willing and able to prepare and defend arguments, positions etc, and to participate on a regular basis in dialogue. -Evidence of the outcome of dialogue in terms of new, revised laws, policies, rules and regulations | -Provincial government and local authorities are willing to enter into dialogue with the local business community. -The business community is willing to explore opportunities for dialogue with the public sector. -Adequate resources are made available to facilitate exploration of these processes. |
| Objective 3: To build the capacities of Non-State Actors to participate and benefit from EU-Zambia Cooperation | See Below | See Below | All parties (Government, EC Delegation, NSAs) willing to explore opportunities for cooperation; |
| Results: a) Capacities of Non-State actors strengthened in terms of participating in dialogue, programme planning and project management. | -NSAs are better informed about the opportunities for participation. -Mechanisms and procedures for participating in EU-Zambia cooperation are developed. -capacities of NSAs for dialogue, programme planning and project management have been strengthened. | -Examples of mechanisms/instruments for information dissemination. -Participation of NSAs in consultative and monitoring processes. -Approved Decentralised Cooperation proposals. -Reports on training courses, organisational strengthening assignments. -Client satisfaction. | Adequate resources / capacities set aside by Delegation to explore and develop new modes of cooperation. |

2. THE GOVERNMENT'S POLICY FOR THE TRANSPORT SECTOR

| | Performance Indicators | Sources of Verification | Assumptions |
|---|--|---|-------------|
| Long-term National Sector Targets | | | |
| Availability of an adequate transport infrastructure is focal point in Gvt. policy for economic growth and poverty reduction. | Adequate provisions in budget for both recurrent and capital expenditure. Detailed Transport Policy in place. Policy implementation actively pursued. | Budget and expenditure records. Government publications | |
| Road network in rationally maintainable condition by 2008 | Percentage of paved roads in good condition increased from 48% to 95% Percentage of gravel and dirt roads in good condition increased from 24% to 75% | Highway Management System of the Roads Department. Feeder Road reports of the Ministry of Local Government & Housing | |
| Improve financial and physical conditions and privatise management by 2002 | Share of rail transport increased to 25% by 2010 and to 40% by 2015 for all imports and exports | Central Statistical Office | |
| Maintain and enhance present service levels and expand facilities to support tourism | Increase number of airports capable of handling international flights with aircraft of up to 225 passengers from 3 airports to 5 (Lusaka, Ndola, Livingstone, Mfuwe and Mbala) and continue the development of Lusaka Int. Airport as the only facility capable of handling intercontinental flights with aircraft with in excess of 400 passengers. | Annual reports of the Civil Aviation Department | |

LOGFRAME FOR THE PROPOSED INTERVENTIONS IN THE TRANSPORT SECTOR (1)

| | Performance Indicators | Sources of Verification | Assumptions |
|--|--|---|--|
| <p>Intervention Objective</p> <p>1. Trunk, Main and District Roads Reduction of the backlog in periodic maintenance;</p> <p>Increased national funding of road maintenance;</p> <p>Substantial decrease of vehicle over-loading</p> <p>Improved capacity in management of road maintenance</p> <p>2. Feeder Roads Improved access to rural areas with a high productive potential in agriculture, mining, tourism or other.</p> <p>3. Transport mode Co-ordination To make available relevant factual information that will facilitate improved decision making concerning future railway development in relation the development of other transport modes .</p> | <p>Backlog reduced from 960 km to zero</p> <p>100% of fuel levy (less cost of collection) remitted to the Road Fund</p> <p>100% of routine maintenance and at least 50% of periodic maintenance of the core road network financed there from</p> <p>Incidence of over-loading reduced from widespread to incidental.</p> <p>Highway Management System completed and kept up to date; Improved analytical capacity at Roads Department/ NRB</p> <p>Traffic flows in all seasons increased; Increased activities in agriculture, mining and tourism.</p> <p>Improved institutional capacity for the management of the national rail network and regional integration of rail transports.</p> | <p>HMS surveys, NRB reports</p> <p>Ministry of Finance, ZRA and Road Fund.</p> <p>Axle load reports by Roads Department/ NRB</p> <p>Roads Department/ NRB.</p> <p>Policy reports issued by Roads Department, NRB and MoCT.</p> <p>Reports by MoLG&H, provinces and districts.</p> <p>Ministry of Transport and Communication.</p> | <p>Road Fund contributions to Periodic Maintenance progressively increased.</p> <p>Joint and strong action by Government and transport industry.</p> <p>Need for strong planning and analytical capacity recognized.</p> <p>Institutional reform supported and implemented.</p> <p>The Government will remain committed to the establishment of a transport system in which the different transport modes are efficiently combined</p> |

LOGFRAME FOR THE PROPOSED INTERVENTIONS IN THE TRANSPORT SECTOR (2)

| | Performance Indicators | Sources of Verification | Assumptions |
|--|--|--|--|
| <p>Results</p> <p>1. Trunk, Main and District Roads Periodic maintenance carried out on approx. 5,250 km.</p> <p>Road condition survey system in place, staff trained.</p> <p>Substantial decrease of vehicle overloading</p> <p>5. Feeder Roads 1,600 km of feeder roads brought to good standard in selected areas with a high productive potential in agriculture, mining, tourism or other.</p> <p>6. Transport Mode Co-ordination To make available relevant factual information that will facilitate improved decision making concerning future railway development in relation the development of other transport modes</p> | <p>Km of roads maintained each year International Roughness Index for tarmac roads in general below 3.5 by 2006 Quarterly road condition analysis and maintenance priorities available from 2002. Maintenance carried out systematically and effectively based on correct prioritisation. Quarterly axle load survey reports available.</p> <p>Number of gravel and dirt roads in poor condition reduced from 78% to 50%</p> <p>Improved definition of the role and organization of the railways in relation to the roles and organizations of other transport modes in the context of the national transport policy</p> | <p>Highway Management System</p> <p>Publications Roads Department/NRB</p> <p>Same. Publications Roads Department/NRB</p> <p>Reports Provincial Engineer / Ministry of Local Government and Housing</p> <p>Reports by Ministry of Communication and Transport</p> | <p>Agreed increase of fuel levies implemented</p> <p>Preparedness to tackle overloading in both Govt. and transport industry Effective management of feeder roads in place.</p> <p>Substantial progress made in management of the railways</p> |

3. Macroeconomic Support

3.1 Tranches, Calendar and Release Conditions

An overview of the budget support component of PRBS01 is presented in Table A. The programme will be subject to the general condition of annual confirmation of the eligibility of Zambia to receive direct budget support based on progress with public finance reform including compliance testing and successful PRGF reviews

Table A Indicative Schedule and Overview of Programme

| Review | Event | m€ | Release | Specific Conditions |
|--------|---|------------|---------|---|
| Nov 03 | EDF-Committee | | | – Agreement with IMF on a SMP. |
| Jan 04 | Signing of Financing Agreement | | | – Presentation of PEMFAR including its action plan for improved PFM; – Full implementation of the Matrix of Measures agreed after the EC SAF II-IV Audit; – Final agreement on proposed indicators and their targets. |
| Mar 04 | 1 st Tranche (Fixed) | 10 | Jun 04 | – Agreement with IMF on a new PRGF |
| May 04 | 2 nd Tranche (Variable – PFM) | 0-30 | Sep 04 | – Presentation of a report on performance in relation to the selected PFM indicators specified in Table C.1 by the 1 st of May 2004. |
| Sep 04 | 3 rd Tranche (Variable PFM & PRSP bonus) | 0-10 | Jan 05 | – Presentation of a report on performance in relation to the selected PFM indicators specified in Table C.2.1 by the 15 th of September 2004. |
| | | 0-20 | Jan 05 | – Presentation in the PRSP Annual Review of performance in relation to the selected PRSP indicators specified in Table C.2.2. |
| May 05 | 4 th Tranche (Variable) | 0-15 | Sep 05 | – Presentation of a Government report on performance in relation to the selected PFM indicators specified in Table C.3 by the 1 st of May 2005. |
| Sep 05 | 5 th Tranche (Variable PFM & PRSP bonus) | 0-10 | Jan 06 | – Presentation of a report on performance in relation to the selected PFM indicators specified in Table C.4.1 by the 15 th of September 2005. |
| | | 0-15 | Jan 06 | – Presentation in the PRSP Annual Review of performance in relation to the selected PRSP indicators specified in Table C.4.2. |
| May 06 | 6 th Tranche (Variable) | 0-? | Sep 06 | – Presentation of a Government report on performance in relation to the selected PFM indicators specified in Table C.5 by the 1 st of May 2006. |
| | TOTAL | 110 | | |

3.2 Indicative Budget Programming and Flow of Funds

The budget provision for 2004 for the EC should be € 25 million (€ 10 million fixed and € 15 million of the variable tranche). The Ministry of Finance and the IMF agree that any disbursement in excess of this level should be used to reduce domestic debt, while any shortfall should be accommodated through a relaxation of the ceiling on Government borrowing. For 2005 and 2006 the MTEF provisions should be based on a conservative estimate amounting to 75% of the financial variable tranches and 60% of the PRSP bonus tranches being disbursed. The MTEF provisions at the start of 2004 should therefore be 31mEuro for 2005 and 43 mEuro for 2006.

The September tranches will be programmed for the following fiscal year, as time for evaluation and disbursement of the tranche should be added to the schedule. These tranches will therefore be 100% predictable to the budget given that the general conditions are fulfilled. Table B indicates the flow of funds under maximal performance and the conservative estimation used for the indicative budget programming.

Table B Indicative Flow of Funds per Fiscal Year

| Financial year | Conservative flow (m€) | Maximum flow (m€) |
|----------------|------------------------|-------------------|
| 2004 | 25 | 40 |
| 2005 | 31 | 45 |
| 2006 | 43 | 25 |
| Total | 99 | 110 |

It is noteworthy that the link to social sectors in the disbursements are both present through the PRSP indicators - with its focus on outcomes in health and education - and PFM indicators, which to a large degree focus on proper funding and fiscal management of these sectors.

3.3 Assessment Mechanism

The consultations between Government and EC will take into account exogenous factors, as well as, revised baselines and future targets provided that the revisions were agreed the previous year or integrated into the PRSP during the previous annual review. In the event that an outcome indicator, due to exogenous factors outside the control of the Government, is deemed irrelevant for measuring progress towards targets that indicator may be disregarded in the EC assessment. Its weight will be redistributed pro-rata to the remaining outcome indicators. However, failure to report on an agreed indicator will be taken as no progress.

Progress for each of the indicators listed in section 4 below will be assessed according to the following scale:

- Target Achieved - score 1.00
- Substantial Progress - score 0.50
- Minimal or No Progress - score 0.00

Based on a final decision by the EC on the scoring of each individual indicator an overall weighted score of achievement will be calculated for the tranche. The portion corresponding to that overall weighted score will be released from the variable/bonus tranche.

3.4 Variable Tranches and Indicators

In each year, in May a PFM-linked variable tranche will be assessed that considers:

- the coherence between that year's new budget and existing plans/policy;
- the coherence between funding of health and education, poverty-reducing activities and the Auditor General, during the previous year and their budget allocations;
- the share of health and education funding reaching primary levels in the previous year;
- the coherence between bank-reconciled expenditure in health and education in the previous year and funding for those Ministries;
- the control of salaries in the previous year; and
- for the second and third year the coherence between bank-reconciled expenditure and funding of an increasing number of Ministries (8 Ministries 2nd year and all Ministries 3rd year).

In each year, in September a PFM-linked variable tranche will be assessed that considers:

- the coherence between funding of health and education in the half-year just ended and the cash-flow projections for those Ministries;
- the coherence between funding of poverty-reducing activities in the half-year just ended and their budget allocations;
- the share of health and education funding reaching primary levels in the half-year just ended; and
- the coherence between bank-reconciled expenditure in health and education in the half-year just ended and funding for those Ministries in the same period.

Also in September each year, a bonus tranche will be assessed that considers, on the basis of the PRSP Annual Report, achievement of PRSP targets for education, health, HIV/AIDS and gender using:

- primary enrolment, for girls and for boys;
- primary completion, for girls and for boys;
- vaccination coverage;
- supervision of deliveries by skilled staff;
- utilisation of primary-level health services;
- women's decision-making power, and;
- HIV/Aids (the 2nd year will seek to add HIV/Aids indicators for which data yet is not stable enough with: 1) % of 15-49 years old requesting an HIV test, receiving and accepting test results; and 2) % of pregnant HIV positive women receiving a complete course of ARV).

The following tables give technical details for each tranche. In each case the baseline and target are derived from the most recent relevant Government policy statement or result available when the targets are finalised, *i.e.* a year before tranche evaluation.

Annex 2-Chronogram of 9th EDF activities and global commitments 2003-20007.

| Title of Project | 2003 | 2004 | 2005 | 2006 | 2007 | Total 2003 - 2007 |
|---|--------------------|-------------------|-------------------|-------------------|----------|----------------------|
| ENVELOPE A | | | | | | |
| Education sector support (Soc. Sect.) | | 10,000,000 | 0 | 0 | 0 | 10,000,000 |
| Conservation farming unit | | 1,970,000 | 0 | 0 | 0 | 1,970,000 |
| PWAS I (ceiling increase) | 232,000 | | 0 | 0 | 0 | 232,000 |
| Budgetary support(PRBS I) | 117,000,000 | | 0 | 0 | 0 | 117,000,000 |
| Preventive maintenance of trunk & main roads (Transport Sector) | | 70,000,000 | 0 | 0 | 0 | 70,000,000 |
| Health -HIV/AIDS sector support(Social Sect.) | | | 10,000,000 | 0 | 0 | 10,000,000 |
| Private sector development | | | 15,000,000 | 0 | 0 | 15,000,000 |
| Airports Rider | | 2,200,000 | 0 | 0 | 0 | 2,200,000 |
| Micro-projects programme | | | 1,400,000 | 5,000,000 | 0 | 6,400,000 |
| Technical Cooperation Facility (TCF) | | 2,850,000 | 0 | 0 | 0 | 2,850,000 |
| Feeder road study (Transport Sector) | 600,000 | | 0 | 0 | 0 | 600,000 |
| Financial and economic management(PEMFA) and NAO support (Cap. Build.) | | | 15,000,000 | 0 | 0 | 15,000,000 |
| Budget support(PRBS II) | | | | 65,000,000 | 0 | 65,000,000 |
| Rehabilitation road Livingstone-Zimba(Transport Sector) | | | 15,000,000 | 0 | 0 | 15,000,000 |
| Agriculture/Food security | | | 15,000,000 | 0 | 0 | 15,000,000 |
| Feeder roads maintenance and rehabilitation (Transport. Sector) | | | 0 | 20,000,000 | 0 | 20,000,000 |
| TOTAL | 117,832,000 | 87,020,000 | 71,400,000 | 90,000,000 | 0 | 366,252,000 |
| ENVELOPE B | | | | | | |
| Budgetary Support FLEX | 11,300,000 | | 0 | 0 | 0 | 11,300,000 |
| Humanitarian assistance | 0 | 2,000,000 | 3,500,000 | 0 | 0 | 5,500,000 |

Annex 3-Indicative timetable for commitments and disbursements

| DECISION DATE | PROJECT TITLE (GLOBAL COMMITMENT) | AMOUNT | RISK | INDIVID. COMMIT. A | PAYMENT S B | INDIVID. COMMIT. A' | PAYMENT S B' | TOTAL INDIV. COMMIT. A + A' | TOTAL PAYMENT S B + B' | Low L | Medium M L+M+H =B+B' | High H | INDIVID. COMMIT. C | PAYMENT S D | INDIVID. COMMIT. C' | PAYMENT S D' | TOTAL INDIV. COMMIT. C + C' | TOTAL PAYMENT S D + D' |
|-----------------------------------|--|-------------|------|--------------------|-------------|---------------------|--------------|-----------------------------|------------------------|-----------|----------------------|-----------|--------------------|-------------|---------------------|--------------|-----------------------------|------------------------|
| TOTALS on NEW GLOBAL Commitments. | | 161,400,000 | | 0 | 0 | 19,700,000 | 7,200,000 | 19,700,000 | 7,200,000 | 2,500,000 | 3,300,000 | 1,400,000 | 6,350,000 | 4,650,000 | 9,050,000 | 4,750,000 | 15,400,000 | 9,400,000 |
| 03-2005 | Capacity Building for Private Sector Development | 15,000,000 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,600,000 | 300,000 | 400,000 | 400,000 | 3,000,000 | 700,000 |
| 07-2005 | Financial & Economic Management Capacity Building - PEMFA.Support to NAO | 15,000,000 | 1 | 0 | 0 | 15,000,000 | 2,500,000 | 15,000,000 | 2,500,000 | 2,500,000 | 0 | 0 | 0 | 2,500,000 | 0 | 2,500,000 | 0 | 5,000,000 |
| 04-2005 | 9th EDF Microprojects to support 8ACP ZA12 | 1,400,000 | 1 | 0 | 0 | 1,400,000 | 1,400,000 | 1,400,000 | 1,400,000 | 0 | 0 | 1,400,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| 07-2005 | Support to the health sector | 10,000,000 | 1 | 0 | 0 | 3,300,000 | 3,300,000 | 3,300,000 | 3,300,000 | 0 | 3,300,000 | 0 | 1,650,000 | 1,650,000 | 1,650,000 | 1,650,000 | 3,300,000 | 3,300,000 |
| 09-2005 | 9th EDF Food Security/ Agriculture Programme | 15,000,000 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,100,000 | 200,000 | 0 | 200,000 | 2,100,000 | 400,000 |
| 10-2005 | Zimba-Livingstone Road(1) | 15,000,000 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1st Sem 2006 | Feeder Roads Programme | 20,000,000 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,000,000 | 0 | 2,000,000 | 0 |
| 1st Sem 2006 | 9th EDF Support to NSA | 5,000,000 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,000,000 | 0 | 5,000,000 | 0 |
| 2nd Sem 2006 | Budget Support. PRBS II | 65,000,000 | 1 | | | | | 0 | 0 | | | | | | | | 0 | 0 |
| | (1) A SADC region cofunding of 2 MEUR will be proposed, using decommitments from the regional project 8 ACP RAU 2 (Monze-Zimba road) | | | | | | | 0 | 0 | | | | | | | | 0 | 0 |

Annex 4-Donor matrix

Planned disbursements for 2004 (millions €)

| Sectors | Countries | | | | | | | | | | | | | | | |
|-----------------------------------|-------------|---|-------------|------------|--------|---|---|----------|------------|---|-------------|---|---|---------------|---|--------------|
| | EC | B | DK | D | E L | E | F | IR | I | L | NL | A | P | FI | S | UK *) |
| Education | 3.6 | | 6,7 | | | | | 5,4 0 | | | 8,7 | | | 3 | | 11.6 |
| Health | 1.6 | | 3,4 | 1,5 | | | | 3,8 0 | | | 11,6 | | | | | 24.8**) |
| Water supply and sanitation | 0.3 | | 2,7 | 16, 1 | | | | 2,4 0 | | | | | | | | |
| Government and Civil Society | 1 | | 1,3 | 2,1 | | | | 1,6 0 | | | 1,0 | | | 0.6 | | 52.3**) |
| Transport and storage | 4 | | 6,7' , | 3,0 | | | | | | | | | | | | |
| Communications | | | | | | | | | | | | | | | | |
| Banking and financial services | | | | | | | | | | | | | | | | |
| Business/Private sector | 2 | | | 0,3 | | | | | | | 2,4* * | | | | | |
| Energy | | | | | | | | | | | | | | | | |
| Agriculture, forestry, fishing | 0.8 | | | 1,0 | | | | | | | | | | 1.18 | | 1.8 |
| Industry, Mining and Construction | 0.8 | | | | | | | | | | | | | | | |
| Trade and tourism | 0.5 | | | | | | | | | | | | | | | |
| Environmental Protection | 0.0 3 | | | | | | | | | | | | | | | |
| Gender | | | | | | | | | | | 0,5 | | | | | |
| Commodity aid | | | | | | | | | | | | | | | | |
| Budget support /SAP | 37. 5 | | | | | | | | | | | | | | | |
| Food aid | | | | 0,5 | | | | | 0.5 | | | | | | | |
| Debt relief | | | | | | | | | | | | | | | | |
| Emergency assistance | | | | | | | | | | | | | | | | |
| Refugees | | | | | | | | | | | | | | | | |
| Support to NGOs | | | | 1,7 | | | | | 0.3 4 | | | | | 0.5 | | 6.3 |
| Others | 1.3 , | | 3,4' " | 1,0 | | | | 2,8 * | | | | | | 0..225* ** | | 7.6 |
| Total | 53.4 | | 24,2 | 27, | | | | | 0.8 | | 24,2 | | | 5.51 | | 104.4 |

*Figures cover commitments made for 2003 and 2004, ** HIV/AIDS

‘ 0.7 cultural support, 0.4 urban markets, 0.23 Public Welfare Assistance Scheme, ‘‘ Transport, Communication and Roads, ‘’’ 2,69 m € for Cross Cutting Issues (HIV/AIDS, Gender and Environment) and 0.67 m for € Poverty monitoring and evaluation, *HIV/AIDS, ** private sector programme: promoting an enabling environment particularly in agriculture, *** HIP, *) This data is for Financial Year 2004/05, **) ** Includes HIV/AIDS Programmes, ***) includes Planned spending for Budget Support if the enabling environment is suitable.

Annex 5-Forecasts 2005-2006 payments, decommitments & extensions on ongoing projects.

| EUROPEAID CO-OPERATION OFFICE | | ZAMBIA | | | | | | | | | | EDF FORECASTS 2005 - 2006: PAYMENTS, DECOMMITMENTS & EXTENSIONS on ONGOING PROJECTS. (amounts in €) | | | | | | | | | | | | | | |
|--|-------------------------------------|------------------------|--|--------------------------|-----------------|------------------------------|---|--|-------------|-----------------------------|---------------------------|--|----------------------------|----------------------------|----------------------------|-------------|---------------------------|----------------------|------------------------|----------------------------|----------------------------|-----------------------|----------|-------------|--|--|
| YEAR of GLOB. Commit. | ACCOUNTING NUMBER of GLOBAL Commit. | 0 N° INDIV. COMMIT. | TITLE GLOBAL COMMITMENT | END date of implementat* | N° CAT. OLD RAP | EXTENS* REQUEST on GLOB. Y/N | SITUATION END 2004 | | | FORECAST DECOMMITMENTS 2005 | | | FORECASTS on PAYMENTS 2005 | | | | | | FORECAST PAYMENTS 2006 | | | A L A R M | COMMENTS | | | |
| | | | | | | | GLOBAL COMMIT AMOUNT ONGOING INDIV. COMMIT. | INDIV. COMMIT PAYMENTS ON ONGOING INDIV. COMMIT. | RAC | DECOMMIT. on GLOBAL | ESTIMATION of RISK FACTOR | | | ESTIMATION of RISK FACTOR | | | ESTIMATION of RISK FACTOR | | | | | | | | | |
| | | | | | | | 361,300,915 | 428,754,588 | 132,746,327 | 6,047,532 | Low X | Medium Y X+Y+Z = E | High Z | 1 st SEMESTER A | 2 nd SEMESTER B | TOTAL A + B | Low L | Medium M L+M+H = A+B | High H | 1 st SEMESTER C | 2 nd SEMESTER D | | | TOTAL C + D | | |
| TOTAL ON ONGOING GLOBAL COMMITMENTS | | | | | | | 361,300,915 | 428,754,588 | 132,746,327 | 6,047,532 | 5,792,594 | 254,938 | 0 | | | | | | | | | | | | | |
| TOTAL ON ONGOING INDIVIDUAL COMMITMENTS | | | | | | | 368,952,786 | 276,084,843 | 92,867,943 | 6,242,611 | 1,539,858 | 4,234,721 | 468,032 | 16,895,306 | 22,520,266 | 39,415,572 | 32,083,931 | 5,004,530 | 2,327,111 | 39,616,170 | 1,126,185 | 40,742,355 | | | | |
| 1992 | 7ACP ZA13 | 0 | EXPORT DEVELOPMENT PROGRAMME I (EDP II: 8ZA028 / 6500000.00) | | | | 10,000,000 | 9,800,600 | 199,400 | | | | | | | | | | | | | | | | | |
| | | | 5TH AWP/CE (1998) AND REVISIONS 1 + 2 / ZMK IMPREST ACCOUNT | 19981231 | 3 | | 67,448 | 45,404 | 22,044 | 22,044 | 0 | 22,044 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | OK | To be closed | |
| 1992 | 7ACP ZA13 | 47 | 6TH WP/CE JAN - JUNE 1999 (IMPREST ACCOUNT) | 19990630 | 3 | | 30,000 | 27,677 | 2,323 | 2,323 | 0 | 0 | 2,323 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | OK | To be closed | |
| | | | Total Individual Commitment | | | | 97,448 | 73,080 | 24,367 | | | | | | | | | | | | | | | OK | | |
| 1993 | 7ACP ZA24 | 0 | SOCIAL SECTOR SUPPORT PROGRAMME (+ ECU 1050000 ON 8ZA010) | 19991231 | | | 12,000,000 | 11,944,462 | 55,538 | 55,538 | 0 | 55,538 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | OK | | |
| | | | (HP8) CMMU (NOW WRSRU) 60 | 19971212 | 3 | | 25,575 | 25,207 | 368 | 368 | 368 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | OK | | |
| 1993 | 7ACP ZA24 | 22 | BOREHOLES + ADD. 1-2-3-4 (HP1) AWP/01/96 + ADD. 1+2+3/KASAMA GENERAL HOSPITAL REHAB (HP1) AWP/02/96 + ADD. 1+2+3/CHIPATA GENERAL HOSPITAL REHAB (HP1) AWP/03/96 + ADD. 1+2+3/MANSA GENERAL HOSPITAL REHAB (HP1) AWP/04/96+ADD. 1+2+3 | 19971215 | 3 | | 189,202 | 189,202 | 0 | | | | | | | | | | | | | | | | OK | Warning letter prior to R/O issued by the Delegation on 29/09/04 |
| 1993 | 7ACP ZA24 | 26 | 1+2+3/CHIPATA GENERAL HOSPITAL REHAB (HP1) AWP/03/96 + ADD. 1+2+3 | 19980215 | 3 | | 188,526 | 188,526 | 0 | | | | | | | | | | | | | | | OK | Warning letter prior to R/O issued by the Delegation on 29/09/04 | |
| 1993 | 7ACP ZA24 | 27 | MANSA GENERAL HOSPITAL REHAB (HP1) AWP/04/96+ADD. 1+2+3 | 19980215 | 3 | | 177,853 | 177,853 | 0 | | | | | | | | | | | | | | | OK | Warning letter prior to R/O issued by the Delegation on 29/09/04 | |
| 1993 | 7ACP ZA24 | 28 | PETAUKE DISTRICT HOSPITAL REHAB. | 19971215 | 3 | | 86,316 | 86,316 | 0 | | | | | | | | | | | | | | | OK | Warning letter prior to R/O issued by the Delegation on 29/09/04 | |
| | | | Total Individual Commitment (EX 05 P044) | | | | 667,472 | 667,103 | 369 | | | | | | | | | | | | | | | OK | | |
| 1993 | 7ACP ZA41 | 0 | TRYPANOSOMIASIS CONTROL PROGRAMME PHASE II | | | N | 959,087 | 755,822 | 203,264 | | | | | | | | | | | | | | | OK | | |
| 1993 | 7ACP ZA41 | 21 | WORK PROG & COST ESTIMATE 15/04/00 TO 15/07/00 TO 31/08/00 | 20001231 | 3 | | 20,000 | 10,947 | 9,053 | 9,053 | 0 | 9,053 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | OK | | |
| | | | Total Individual Commitment | | | | 20,000 | 10,947 | 9,053 | | | | | | | | | | | | | | | OK | | |
| 1994 | 7ACP ZA45 | 0 | RETURN + REINTEGR. OF QUALIFIED AFRICAN NATIONALS. PHASE III | 19991231 | | | 497,500 | 497,500 | 0 | | | | | | | | | | | | | | | OK | | |
| 1994 | 7ACP ZA45 | 1 | OIM VOIR 7 RPR 287 (PHASE III EXTENDED TO 31.12.99) | | 0 | | 497,500 | 269,569 | 227,931 | | | | | | | | | | | | | | | OK | | |
| | | | Total Individual Commitment | | | | 497,500 | 269,569 | 227,931 | | | | | | | | | | | | | | | | OK | |
| 1994 | 7ACP ZA54 | 0 | PRIVATE & COOPERATIVE LIVESTOCK SERVICE NETWORK DEV. PROGRAMM | 19981031 | | N | 1,950,000 | 1,641,587 | 308,413 | | | | | | | | | | | | | | | OK | | |
| 1994 | 7ACP ZA54 | 1 | FARMCO TAZAM/02/94 + ADD. 1 - 2 - 3 | | 7 | | 1,143,200 | 1,142,362 | 838 | 838 | 838 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | OK | | |
| 1994 | 7ACP ZA54 | 8 | 4TH AWP/CE (1.1.-31.12.99) WP/CE NO 5 FROM 01/07/00 TO | 19991231 | 3 | | 93,000 | 54,200 | 38,800 | 38,800 | 0 | 38,800 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | OK | | |
| 1994 | 7ACP ZA54 | 10 | 30/06/01: ZMK 144.520.000.00 VETERINARY PRIVATISATION TRUST FUND; ZMK 142.989.242.33 | 20001231 | 3 | | 60,000 | 21,710 | 38,290 | 38,290 | 0 | 38,290 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | OK | | |
| | | | Total Individual Commitment | | | | 1,408,720 | 1,312,250 | 96,470 | | | | | | | | | | | | | | | OK | | |
| 1995 | 7ACP ZA61 | 0 | DEVELOPMENT OF SUSTAINABLE WILDLIFE MANAGEMENT | | | N | 5,000,000 | 4,697,210 | 302,790 | | | | | | | | | | | | | | | OK | | |
| 1995 | 7ACP ZA61 | 22 | WP/CE 1.1.-30.6.99 + ADD. 1 AND ADD. 2 / EXTENS. TO 16.7.99 | 20000930 | 0 | | 234,000 | 133,366 | 100,634 | 100,634 | 0 | 100,634 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | OK | | |
| 1995 | 7ACP ZA61 | 24 | WP/CE 01/2000 28/06/00 TO 31/12/00; ZMK 950.409.298.00 | 20001231 | 0 | | 268,000 | 166,286 | 101,714 | 101,714 | 0 | 101,714 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | OK | | |
| 1995 | 7ACP ZA61 | 26 | WP/CE BRIDGING SUPPORT; ZMK 1,264,422,966.00 | 20030531 | 0 | | 377,000 | 245,513 | 131,487 | 131,487 | 0 | 131,487 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | OK | | |
| 1995 | 7ACP ZA61 | 27 | INTERNATIONAL CAPITAL CORPORATION; SC/ZAM/014/02 | 20020719 | 0 | | 79,687 | 73,231 | 6,456 | 6,456 | 0 | 6,456 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | OK | | |
| | | | Total Individual Commitment | | | | 958,687 | 618,396 | 340,291 | | | | | | | | | | | | | | | OK | | |
| 1995 | 7ACP ZA73 | 0 | MICROPROJECTS PROGRAMME (PHASE III) | | | N | 2,361,122 | 2,356,489 | 4,633 | | | | | | | | | | | | | | | OK | | |
| 1995 | 7ACP ZA73 | 1 | 18 PROJ./AUG. 1996 + 32 PROJ./NOV. 96 | 20000930 | 8 | | 2,335,000 | 2,331,504 | 3,496 | 3,496 | 0 | 3,496 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | OK | Used EDF from 7ACP ZA 096 (TBC) | |
| | | | Total Individual Commitment | | | | 2,335,000 | 2,331,504 | 3,496 | | | | | | | | | | | | | | | OK | | |
| 1996 | 7ACP ZA86 | 0 | TA TO THE OFFICE OF THE NAO (REED) + 6ZA073 | 19991231 | | N | 445,000 | 371,044 | 73,956 | 73,956 | 73,956 | 0 | 73,956 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | OK | | |

Annex 6-Forecasts 2005-2006, new individual commitments

| EUROPEAID GD-REGIONS-01/04 | | ZAMBIA | | EDF FORECASTS 2005-2006: NEW INDIVIDUAL Commitments (including payments) on ONGOING PROJECTS. | | | | | | | | | | (amounts in €) | | | | |
|---|---|---|--------------------------|---|---------------------------|-------------------|-----------------------------------|--|------------------|------------------|-------------------------|------------------|--------------------------|-------------------|---------------------------|-------------------|--------------------------------|-----------------------------|
| YEAR GLOB. COMMIT. | ACCOUNTING NUMBER (GLOBAL COMMIT) | TITLE INDIVIDUAL COMMITMENT | FORECASTS 2005 | | | | | ESTIMATION OF RISK FACTOR FOR PAYMENTS | | | | FORECASTS 2006 | | | | | | |
| | | | 1st SEMESTER | | 2nd SEMESTER | | TOTAL 2005 | | Low L | M | Medium L+M+H =B+H | High H | 1st SEMESTER | | 2nd SEMESTER | | TOTAL 2006 | |
| | | | INDIVID. COMMIT. A | PAYMENTS B | INDIVID. COMMIT. A' | PAYMENTS B' | TOTAL INDIV. COMMIT. A + A' | TOTAL PAYMENTS B + B' | | | | | INDIVID. COMMIT. C | PAYMENTS D | INDIVID. COMMIT. C' | PAYMENTS D' | TOTAL INDIV. COMMIT. C + C' | TOTAL PAYMENTS D + D' |
| TOTALS on NEW INDIVIDUAL Commitments | | | 6,940,863 | 3,365,000 | 51,865,000 | 33,635,500 | 58,805,863 | 37,000,500 | 3,205,500 | 6,465,000 | 27,330,000 | 3,200,000 | 6,933,500 | 24,750,000 | 31,530,863 | 27,950,000 | 38,464,363 | |
| 2000 | 8ACP ZA36 | Pre-production facility | 1,500,000 | 0 | 0 | 0 | 1,500,000 | 500,000 | 0 | 500,000 | 0 | 0 | 500,000 | 0 | 0 | 0 | 1,000,000 | |
| 2000 | 8ACP ZA36 | Programme Estimate 4 | 0 | 0 | 1,200,000 | 600,000 | 1,200,000 | 600,000 | 0 | 600,000 | 0 | 0 | 600,000 | 0 | 0 | 0 | 600,000 | |
| 2000 | 8ACP ZA36 | Programme Estimate 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 600,000 | 300,000 | 600,000 | 300,000 | | |
| 2000 | 8ACP ZA36 | Addendum to SGAB | 1,000,000 | 0 | 0 | 200,000 | 1,000,000 | 200,000 | 0 | 200,000 | 0 | 0 | 200,000 | 0 | 200,000 | 0 | 400,000 | |
| 2000 | 8ACP ZA36 | Assessment of marketing | 24,000 | 0 | 24,000 | 20,000 | 48,000 | 20,000 | 0 | 20,000 | 0 | 0 | 4,000 | 0 | 0 | 0 | 4,000 | |
| 2000 | 8ACP ZA36 | Impact/Needs Analysis | 46,000 | 0 | 46,000 | 40,000 | 92,000 | 40,000 | 0 | 40,000 | 0 | 0 | 6,000 | 0 | 0 | 0 | 6,000 | |
| 2000 | 8ACP ZA36 | Mapatzya Mining Centre | 71,000 | 0 | 71,000 | 60,000 | 142,000 | 60,000 | 0 | 60,000 | 0 | 0 | 11,000 | 0 | 0 | 0 | 11,000 | |
| 2000 | 8ACP ZA36 | GLS dBw/GSD | 15,000 | 0 | 15,000 | 13,000 | 30,000 | 13,000 | 0 | 13,000 | 0 | 0 | 2,000 | 0 | 0 | 0 | 2,000 | |
| 2000 | 8ACP ZA36 | dBw/Chamberoi M | 44,000 | 0 | 44,000 | 40,000 | 88,000 | 40,000 | 0 | 40,000 | 0 | 0 | 4,000 | 0 | 0 | 0 | 4,000 | |
| 2000 | 8ACP ZA36 | XRF for GSD Lab | 45,000 | 0 | 45,000 | 40,000 | 90,000 | 40,000 | 0 | 40,000 | 0 | 0 | 5,000 | 0 | 0 | 0 | 5,000 | |
| 2001 | 8ACP ZA51 | Audit on Programme Estimate 3 | 3,000 | 3,000 | 0 | 0 | 3,000 | 3,000 | 0 | 3,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 2002 | 8ACP ZA55 | Supply Lot No5 | 612,863 | 368,000 | 0 | 184,000 | 612,863 | 552,000 | 368,000 | 184,000 | 0 | 0 | 0 | 60,863 | 0 | 0 | 60,863 | |
| 2002 | 8ACP ZA55 | Works Livingstone Airport | 0 | 0 | 5,800,000 | 1,560,000 | 5,800,000 | 1,560,000 | 0 | 1,560,000 | 0 | 0 | 1,500,000 | 0 | 2,000,000 | 0 | 3,500,000 | |
| 2002 | 8ACP ZA55 | Supervision Livingstone | 0 | 0 | 400,000 | 40,000 | 400,000 | 40,000 | 0 | 40,000 | 0 | 0 | 130,000 | 0 | 130,000 | 0 | 260,000 | |
| 2002 | 8ACP ZA59 | Urban Markets (Ndola) | 0 | 0 | 2,350,000 | 235,000 | 2,350,000 | 235,000 | 0 | 235,000 | 0 | 0 | 600,000 | 0 | 800,000 | 0 | 1,400,000 | |
| 2002 | 8ACP ZA59 | Urban Markets (Kitwe) | 0 | 0 | 2,150,000 | 215,000 | 2,150,000 | 215,000 | 0 | 215,000 | 0 | 0 | 500,000 | 0 | 700,000 | 0 | 1,200,000 | |
| 2002 | 8ACP ZA59 | Urban Markets (Lusaka 1) | 0 | 0 | 1,500,000 | 150,000 | 1,500,000 | 150,000 | 0 | 150,000 | 0 | 0 | 350,000 | 0 | 500,000 | 0 | 850,000 | |
| 2002 | 8ACP ZA59 | Urban markets (Lusaka 2) | 0 | 0 | 2,500,000 | 250,000 | 2,500,000 | 250,000 | 0 | 250,000 | 0 | 0 | 600,000 | 0 | 850,000 | 0 | 1,450,000 | |
| 2002 | 8ACP ZA59 | Urban Markets (Lusaka 3) | 0 | 0 | 750,000 | 75,000 | 750,000 | 75,000 | 0 | 75,000 | 0 | 0 | 175,000 | 0 | 250,000 | 0 | 425,000 | |
| 2003 | 9ACP ZA1 | Supply Safety equipment | 0 | 0 | 5,000 | 4,500 | 5,000 | 4,500 | 4,500 | 0 | 0 | 0 | 500 | 0 | 0 | 0 | 500 | |
| 2003 | 9ACP ZA1 | Audit | 0 | 0 | 5,000 | 4,500 | 5,000 | 4,500 | 4,500 | 0 | 0 | 0 | 500 | 0 | 0 | 0 | 500 | |
| 2003 | 9ACP ZA1 | Evaluation | 0 | 0 | 5,000 | 4,500 | 5,000 | 4,500 | 4,500 | 0 | 0 | 0 | 500 | 0 | 0 | 0 | 500 | |
| 2003 | 9ACP ZA8 | Feasibility study | 0 | 0 | 550,000 | 200,000 | 550,000 | 200,000 | 110,000 | 90,000 | 0 | 0 | 200,000 | 0 | 150,000 | 0 | 350,000 | |
| 2003 | 9ACP ZA5 | PEMFA - Tranche | 2,500,000 | 2,500,000 | 0 | 0 | 2,500,000 | 2,500,000 | 2,500,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 2003 | 9ACP ZA5 | TA Info/monitor Health and Education | 150,000 | 50,000 | 800,000 | 300,000 | 950,000 | 350,000 | 100,000 | 150,000 | 100,000 | 2,500,000 | 500,000 | 550,000 | 700,000 | 3,050,000 | 1,200,000 | |
| 2004 | 9ACP ZA10 | Works Livingstone Airport | 0 | 0 | 2,000,000 | 0 | 2,000,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 2004 | 9ACP ZA13 | TA to Road Agencies | 0 | 0 | 2,600,000 | 520,000 | 2,600,000 | 520,000 | 0 | 520,000 | 0 | 0 | 350,000 | 0 | 350,000 | 0 | 700,000 | |
| 2004 | 9ACP ZA13 | Road condition surveys | 0 | 0 | 1,000,000 | 200,000 | 1,000,000 | 200,000 | 0 | 200,000 | 0 | 0 | 150,000 | 0 | 150,000 | 0 | 300,000 | |
| 2004 | 9ACP ZA13 | 1st tranche to road fund | 0 | 0 | 25,400,000 | 25,400,000 | 25,400,000 | 25,400,000 | 0 | 0 | 25,400,000 | 0 | 0 | 21,000,000 | 21,000,000 | 21,000,000 | 21,000,000 | |
| 2004 | 9ACP ZA7 | 2nd Tranche Support to the Education Strategic Plan | 0 | 0 | 2,300,000 | 2,300,000 | 2,300,000 | 2,300,000 | 0 | 2,300,000 | 0 | 0 | 2,300,000 | 2,300,000 | 2,300,000 | 2,300,000 | | |
| 2004 | 9ACP ZA9 | Audit of ZNBTS | 5,000 | 5,000 | 0 | 0 | 5,000 | 5,000 | 5,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 2004 | 9ACP ZA9 | Audit of NAO Start-up PE & PE 1 | 9,000 | 9,000 | 0 | 0 | 9,000 | 9,000 | 9,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 2004 | 9ACP ZA9 | Audit of NAO PE 2 | 0 | 0 | 5,000 | 0 | 5,000 | 0 | 0 | 0 | 0 | 0 | 5,000 | 0 | 0 | 0 | 5,000 | |
| 2004 | 9ACP ZA9 | TCF | 300,000 | 180,000 | 300,000 | 250,000 | 600,000 | 430,000 | 100,000 | 200,000 | 130,000 | 300,000 | 300,000 | 300,000 | 350,000 | 600,000 | 650,000 | |
| 2004 | 9ACP ZA11 | Contract with CFU | 216,000 | 50,000 | 0 | 30,000 | 216,000 | 80,000 | 0 | 0 | 80,000 | 0 | 40,000 | 0 | 40,000 | 0 | 80,000 | |
| 2004 | 9ACP ZA11 | Programme Estimate 1 | 400,000 | 200,000 | 0 | 200,000 | 400,000 | 400,000 | 0 | 0 | 400,000 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 2004 | 9ACP ZA11 | Programme Estimate 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 400,000 | 200,000 | 0 | 200,000 | 400,000 | | |

Annex 7-Forecats 2005-2006, new global commitments

|  | | EDF FORECATS 2005-2006 : NEW GLOBAL Commitments (including individual commitments & Payments). | | | | | | | | | | | | | | | | | |
|---|---|---|------------|---------------------|-------------|-----------------------------|-----------------------|----------------|---------------------|--------------|--------------------|------------|---------------------|--|-----------------------------|-----------------------|--------------|-----------|--------------|
| | | (amounts in €) | | | | | | | | | | | | | | | | | |
| DECISION DATE | | PROJECT TITLE (GLOBAL COMMITMENT) | | AMOUNT | | RISK | | FORECASTS 2005 | | | | | | FORECASTS 2006 | | | | | |
| | | | | | | | | 1st SEMESTER | | 2nd SEMESTER | | TOTAL 2005 | | ESTIMATION of RISK FACTOR FOR PAYMENTS | | | 1st SEMESTER | | 2nd SEMESTER |
| | | INDIVID. COMMIT. A | PAYMENTS B | INDIVID. COMMIT. A' | PAYMENTS B' | TOTAL INDIV. COMMIT. A + A' | TOTAL PAYMENTS B + B' | Low L | Medium M L+M+H=B+B' | High H | INDIVID. COMMIT. C | PAYMENTS D | INDIVID. COMMIT. C' | PAYMENTS D' | TOTAL INDIV. COMMIT. C + C' | TOTAL PAYMENTS D + D' | | | |
| TOTALS on <u>NEW GLOBAL</u> Commitments. | | 161,400,000 | | | | 19,700,000 | 7,200,000 | 19,700,000 | 7,200,000 | 2,500,000 | 3,300,000 | 1,400,000 | 6,350,000 | 4,650,000 | 9,050,000 | 4,750,000 | 15,400,000 | 9,400,000 | |
| 03-2005 | Capacity Building for Private Sector Development | 15,000,000 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,600,000 | 300,000 | 400,000 | 400,000 | 3,000,000 | 700,000 | | | |
| 07-2005 | Financial & Economic Management Capacity Building - PEMFA Support to NAO | 15,000,000 | 1 | 0 | 0 | 15,000,000 | 2,500,000 | 15,000,000 | 2,500,000 | 2,500,000 | 0 | 2,500,000 | 0 | 2,500,000 | 0 | 5,000,000 | | | |
| 04-2005 | 9th EDF Microprojects to support 8ACP ZA12 | 1,400,000 | 1 | 0 | 0 | 1,400,000 | 1,400,000 | 1,400,000 | 1,400,000 | 0 | 0 | 1,400,000 | 0 | 0 | 0 | 0 | | | |
| 07-2005 | Support to the health sector | 10,000,000 | 1 | 0 | 0 | 3,300,000 | 3,300,000 | 3,300,000 | 3,300,000 | 0 | 3,300,000 | 0 | 1,650,000 | 1,650,000 | 1,650,000 | 1,650,000 | 3,300,000 | 3,300,000 | |
| 09-2005 | 9th EDF Food Security/ Agriculture Programme | 15,000,000 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,100,000 | 200,000 | 0 | 200,000 | 2,100,000 | 400,000 | | | |
| 10-2005 | Zimba-Livingstone Road(1) | 15,000,000 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | |
| 1st Sem 2006 | Feeder Roads Programme | 20,000,000 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,000,000 | 0 | 2,000,000 | 0 | | | |
| 1st Sem 2006 | 9th EDF Support to NSA | 5,000,000 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,000,000 | 0 | 5,000,000 | 0 | | | |
| 2nd Sem 2006 | Budget Support. PRBS II (2) | 65,000,000 | 1 | | | | | 0 | 0 | | | | | | 0 | 0 | | | |
| | | | | | | | | 0 | 0 | | | | | | 0 | 0 | | | |
| | (1) A SADC region cofunding of 2 MEUR will be proposed, using decommitments from the regional project 8 ACP RAU 2 (Monze-Zimba road) | | | | | | | 0 | 0 | | | | | | 0 | 0 | | | |
| | | | | | | | | 0 | 0 | | | | | | 0 | 0 | | | |
| | (2) Budget support disbursements under PRBS II will start in 2007, except for possible support to elections(to be confirmed). In case of supporting elections, a SADC cofunding will be proposed using decommitments from the regional project 8 ACP RAU 8(Lus) | | | | | | | 0 | 0 | | | | | | 0 | 0 | | | |
| | | | | | | | | 0 | 0 | | | | | | 0 | 0 | | | |
| | (3) If additional funds available in 2006 | | | | | | | 0 | 0 | | | | | | 0 | 0 | | | |

Annex 8-Forecasts 2005-2006, summary sheet



ZAMBIA

EDF FORECASTS 2005 - 2006

== SUMMARY SHEET. ==

(amounts in €)

| PAYMENTS | FORECASTS 2005 | | | ESTIMATION of RISK FACTOR | | | TARGET 2005 | FORECASTS 2006 | | |
|---|-------------------|-------------------|-------------------|---------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 1st SEMESTER | 2nd SEMESTER | TOTAL 2005 | Low L | Medium M | High H | | 1st SEMESTER | 2nd SEMESTER | TOTAL 2006 |
| PAYMENTS on ONGOING INDIVIDUAL commitments. | 16,895,306 | 22,520,266 | 39,415,572 | 32,083,931 | 5,004,530 | 2,327,111 | 34,586,196 | 39,616,170 | 1,126,185 | 40,742,355 |
| PAYMENTS on NEW INDIVIDUAL commitments | 3,365,000 | 33,635,500 | 37,000,500 | 3,205,500 | 6,465,000 | 27,330,000 | 6,438,000 | 6,933,500 | 31,530,863 | 38,464,363 |
| PAYMENTS on NEW GLOBAL commitments | 0 | 7,200,000 | 7,200,000 | 2,500,000 | 3,300,000 | 1,400,000 | 4,150,000 | 4,650,000 | 4,750,000 | 9,400,000 |
| TOTAL PAYMENTS | 20,260,306 | 63,355,766 | 83,616,072 | 37,789,431 | 14,769,530 | 31,057,111 | 45,174,196 | 51,199,670 | 37,407,048 | 88,606,718 |
| % | 24% | 76% | | 45% | 18% | 37% | | 58% | 42% | |

| INDIVIDUAL COMMITMENTS | FORECASTS 2005 | | | ESTIMATION of RISK FACTOR | | | TARGET 2005 | FORECASTS 2006 | | |
|--|------------------|-------------------|-------------------|--|-------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| | 1st SEMESTER | 2nd SEMESTER | TOTAL 2005 | Low L | Medium M | High H | | 1st SEMESTER | 2nd SEMESTER | TOTAL 2006 |
| NEW INDIV. commit. on ONGOING GOBAL commitments. | 6,940,863 | 51,865,000 | 58,805,863 | comparable to risk profile of payments (%) | | | | 3,200,000 | 24,750,000 | 27,950,000 |
| NEW INDIV. commit. on NEW GLOBAL commitments | 0 | 19,700,000 | 19,700,000 | | | | | 6,350,000 | 9,050,000 | 15,400,000 |
| TOTAL INDIVIDUAL COMMITMENTS | 6,940,863 | 71,565,000 | 78,505,863 | 35,479,924 | 13,866,888 | 29,159,051 | 42,413,368 | 9,550,000 | 33,800,000 | 43,350,000 |
| % | 9% | 91% | | 45% | 18% | 37% | | 22% | 78% | |

| GLOBAL COMMITMENTS | FORECASTS 2005 | | | ESTIMATION of RISK FACTOR | | | TARGET 2005 | FORECASTS 2006 | | |
|-------------------------------------|-------------------|-------------------|-------------------|---------------------------|----------|----------|-------------------|-------------------|-------------------|-------------------|
| | 1st SEMESTER | 2nd SEMESTER | TOTAL 2005 | Low L | Medium M | High H | | 1st SEMESTER | 2nd SEMESTER | TOTAL 2006 |
| TOTAL NEW GLOBAL COMMITMENTS | 16,400,000 | 55,000,000 | 71,400,000 | 71,400,000 | 0 | 0 | 71,400,000 | 25,000,000 | 65,000,000 | 90,000,000 |
| % | 23% | 77% | | 100% | 0% | 0% | | 28% | 72% | |

| REDUCTION OF OLD RAL (projects decided before 2000) | FORECASTS 2005 | | | | TARGET 2005 |
|--|------------------|---------------------------|------------------|----------------|------------------|
| | TOTAL 2005 | ESTIMATION of RISK FACTOR | | | |
| | | Low L | Medium M | High H | |
| DECOMMITMENTS on ONGOING GLOBAL Commitments. | 776,018 | 521,080 | 254,938 | 0 | 648,549 |
| DECOMMITMENTS on ONGOING INDIV. Commitments. | 3,709,043 | 996,568 | 2,277,293 | 435,182 | 2,135,215 |
| PAYMENTS | 1,047,349 | 697,223 | 290,126 | 60,000 | 842,286 |
| TOTAL REDUCTIONS | 5,532,410 | 2,214,871 | 2,822,357 | 495,182 | 3,626,050 |
| % | | 40% | 51% | 9% | |

| RAL | SITUATION on 01/01/2005 | | SITUATION on 31/12/2005 | |
|------------------------------------|-------------------------|----------------------------------|-------------------------|----------------------------------|
| | ALL PROJECTS | PROJETS decided before YEAR 2000 | ALL PROJECTS | PROJETS decided before YEAR 2000 |
| Σ Ongoing GLOBAL COMMITMENTS | 561,500,915 | 148,061,215 | 626,853,383 | 147,285,197 |
| R A C | 132,746,327 | 5,014,712 | 119,720,401 | 4,366,163 |
| R A P | 92,867,943 | 5,512,279 | 122,542,392 | 2,534,779 |
| R A L | 225,614,270 | 10,526,991 | 242,262,792 | 690,094,195 |
| % RAL / Σ GLOBAL COMMIT. | 40% | 7% | 39% | 5% |
| Nbr of years to absorbe RAL | 5 | | 5 | |

| | |
|--|----------|
| Number of EXTENSION REQUESTS on GLOBAL Commitments - 2005 | 1 |
|--|----------|

| N° CAT | CATEGORIES "OLD RAP" | AMOUNT | % | Nbr of Contracts | % |
|--------|--|---------------|-----------|------------------|-----------|
| 0 | File not found / missing. | 644,790 | 12% | 11 | 11% |
| 1 | Ongoing valid legal commitment. | 1,873,334 | 34% | 12 | 12% |
| 2 | Final report awaited, incomplete or being examined. | 0 | 0% | 0 | 0% |
| 3 | Financial report awaited, incomplete or being examined (e.g. advance payment not yet justified). | 746,678 | 14% | 32 | 32% |
| 4 | Audit to be carried out at commission's request. | 0 | 0% | 0 | 0% |
| 5 | Audit completed, results being examined. | 781,966 | 14% | 9 | 9% |
| 6 | Legal dispute ongoing. | 0 | 0% | 0 | 0% |
| 7 | (Final payment and/or de-commitment (shortly to be) initiated in OLAS or to be requested. | 1,304,820 | 24% | 31 | 31% |
| 8 | Other. | 146,546 | 3% | 5 | 5% |
| | Not indicated | 14,147 | 0% | 1 | 1% |

Annex 9-Regional projects

9th EDF RIP for ESA - commitment and payments schedules

| | Accounting number | 9th EDF ESA - RIP Budget (1) | Global Financ Commit 2004 | Global Financ Commit 2005 | 2004 Individual commitments (2) | 2005 commitments | 2006 commitments | 2007 - commitments | Total individual commitments | 2004 payments | 2005 payments | 2006 payments | 2007 payments | Total payments |
|--|-----------------------------------|------------------------------|---------------------------|---------------------------|---------------------------------|--------------------|-------------------|--------------------|------------------------------|------------------|------------------|-------------------|-------------------|--------------------|
| PROJECTS 9th EDF ESA RIP | | | | | | | | | | | | | | |
| I. Economic Integration | | | | | | | | | | | | | | |
| 1.1 Regional econ integr support programme | | 30,000,000 | 30,000,000 | | 0 | 30,000,000 | 0 | 0 | 30,000,000 | 0 | 1,000,000 | 4,000,000 | 5,000,000 | 10,000,000 |
| 1.2 ESA region trade negotiations facility | 9.ACP.RSA.008 | 1,950,000 | 1,950,000 | 0 | 1,550,000 | 400,000 | 0 | 0 | 1,950,000 | 1,272,675 | 650,000 | 0 | 0 | 1,922,675 |
| 1.3 trade liberalisation budgetary adjustment facility | | 80,000,000 | 0 | 80,000,000 | 0 | 80,000,000 | 0 | 0 | 80,000,000 | 0 | 0 | 40,000,000 | 40,000,000 | 80,000,000 |
| 1.4 private sector (3) | | | | | | | | | | | | | | |
| subtotal | | 111,950,000 | 31,950,000 | 80,000,000 | 1,550,000 | 110,400,000 | 0 | 0 | 111,950,000 | 1,272,675 | 1,650,000 | 44,000,000 | 45,000,000 | 91,922,675 |
| as % of ESA RIP allocation | | 50 | 14 | 36 | 1 | 50 | 0 | 0 | 50 | 1 | 1 | 20 | 20 | 41 |
| II. Natural Resources | | | | | | | | | | | | | | |
| 2.1 AMESD African Monit of Env for Sust Dev | | 5,000,000 | 0 | 5,000,000 | 0 | 0 | 2,500,000 | 1,000,000 | 3,500,000 | 0 | 0 | 500,000 | 700,000 | 1,200,000 |
| 2.2 Coastal and marine resources | | 18,000,000 | 0 | 18,000,000 | 0 | 3,000,000 | 3,500,000 | 4,500,000 | 11,000,000 | 0 | 0 | 1,200,000 | 3,000,000 | 4,200,000 |
| 2.3 Tuna Tagging | 9.ACP.RSA.006 (+9.ACP.RSA.005) | 9,700,000 | 9,700,000 | 0 | 8,407,500 | 0 | 0 | 0 | 8,407,500 | 0 | 3,200,000 | 2,400,000 | 2,400,000 | 8,000,000 |
| 2.4 Food security | | 10,000,000 | 0 | 10,000,000 | 0 | 1 | 1 | 1 | 3 | 0 | 1 | 1 | 1 | 3 |
| 2.5 ECOFAC | | 5,000,000 | 0 | 5,000,000 | 0 | 500,000 | 1,000,000 | 2,000,000 | 3,500,000 | 0 | 100,000 | 500,000 | 1,000,000 | 1,600,000 |
| 2.6 IGAD Livestock Policy Initiative | | 5,800,000 | 0 | 5,800,000 | 0 | 1 | 1 | 1 | 3 | 0 | 1 | 1 | 1 | 3 |
| 2.7 HYCOS | | 4,900,000 | 0 | 4,900,000 | 0 | 1 | 1 | 1 | 3 | 0 | 1 | 1 | 1 | 3 |
| 2.8 Lake Victoria Invasive Weeds (3) | | | | | | | | | | | | | | |
| 2.9 Lake Tanganyika Basin Authority (3) | | | | | | | | | | | | | | |
| subtotal | | 58,400,000 | 9,700,000 | 48,700,000 | 8,407,500 | 3,500,003 | 7,000,003 | 7,500,003 | 26,407,509 | 0 | 3,300,003 | 4,600,003 | 7,100,003 | 15,000,009 |
| as % of ESA RIP allocation | | 26 | 4 | 22 | 4 | 2 | 3 | 3 | 12 | 0 | 1 | 2 | 3 | 7 |
| III. Transport and Communications | | | | | | | | | | | | | | |
| 3.1 Transport and Comm. Strategy and Priority Inv. Plan | | 4,000,000 | 0 | 4,000,000 | 0 | 1 | 1 | 0 | 2 | 0 | 1 | 1 | 1 | 3 |
| 3.2 ICT support programme | 9.ACP.RSA.016 | 21,000,000 | 21,000,000 | 0 | 0 | 9,000,000 | 1 | 1 | 9,000,002 | 0 | 1 | 0 | 1 | 3 |
| 3.4 Road projects in EA and Horn of Africa and Rwanda | + part of 015 | 5,000,000 | 0 | 5,000,000 | 0 | 0 | 5,000,000 | 0 | 5,000,000 | 0 | 0 | 2,000,000 | 3,000,000 | 5,000,000 |
| | + part of 013 | 5,000,000 | 0 | 5,000,000 | 0 | 1 | 1 | 1 | 3 | 0 | 0 | 1 | 1 | 3 |
| | + part of 018 | 2,300,000 | 2,300,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 3 |
| subtotal | | 37,300,000 | 28,300,000 | 9,000,000 | 0 | 9,000,002 | 5,000,003 | 2 | 14,000,007 | 0 | 4 | 2,000,004 | 3,000,004 | 5,000,012 |
| as % of ESA RIP allocation | | 17 | 13 | 4 | 0 | 4 | 2 | 0 | 6 | 0 | 0 | 1 | 1 | 2 |
| IV. Non focal sectors | | | | | | | | | | | | | | |
| 4.1 Support to IRCC secretariat | 9.ACP.RSA.003 | 9,700,000 | 9,700,000 | 0 | 4,044,133 | 2,000,000 | 2,000,000 | 1,655,867 | 9,700,000 | 1,082,723 | 2,000,000 | 2,000,000 | 2,000,000 | 7,082,723 |
| 4.2 Conflict prevention management and resolution | | 10,000,000 | 0 | 10,000,000 | 0 | 0 | 1 | 1 | 2 | 0 | 0 | 1 | 1 | 2 |
| 4.3 Local government capacity building (3) | | | | | | | | | | | | | | |
| subtotal | | 19,700,000 | 9,700,000 | 10,000,000 | 4,044,133 | 2,000,000 | 2,000,001 | 1,655,868 | 9,700,002 | 1,082,723 | 2,000,000 | 2,000,001 | 2,000,001 | 7,082,725 |
| as % of ESA RIP allocation | | 9 | 4 | 4 | 2 | 1 | 1 | 1 | 4 | 0 | 1 | 1 | 1 | 3 |
| Total Projects under ESA RIP | | 227,350,000 | 79,650,000 | 147,700,000 | 14,001,633 | 124,900,005 | 14,000,007 | 9,155,873 | 162,057,518 | 2,355,398 | 6,950,007 | 52,600,008 | 57,100,008 | 119,005,421 |
| % of EDF 9 allocation (223 mio Euro) | | 102 | 36 | 66 | 6 | 56 | 6 | 4 | 73 | 1 | 3 | 24 | 26 | 53 |
| total of initial alloc and transfers from EDF 7 and 8 | 302,271,395.00 | | | | | | | | | | | | | |
| initial alloc | | 223,000,000.00 | | | | | | | | | | | | |
| transfers | | 79,271,395.00 | | | | | | | | | | | | |
| PROJECTS FROM BALANCES (transfers EDF 7+8)= | | | | | | | | | | | | | | |
| VMS fisheries IOC (IOC EDF 8) | 9.ACP.RSA.001 | 3,500,000 | 3,500,000 | 0 | 1,682,746 | 700,000 | 600,000 | 500,000 | 3,482,746 | 0 | 780,000 | 760,000 | 750,000 | 2,290,000 |
| Northern Corridor Rehabilitation (ROR) | 9.ACP.RSA.002 | 5,000,000 | 5,000,000 | 0 | 75,100 | 1 | 1 | 1 | 75,103 | 0 | 1 | 1 | 1 | 3 |
| EAC evaluation of 7.ACP RFR, 7.21 (ROR) | 9.ACP.RSA.004 | 27,352 | 27,352 | 0 | 27,352 | 0 | 0 | 0 | 27,352 | 27,352 | 0 | 0 | 0 | 27,352 |
| Tuna Tagging (IOC EDF 8) | 9.ACP.RSA.005 | 4,300,000 | 4,300,000 | 0 | 3,132,320 | 20,000 | 600,000 | 500,000 | 4,252,320 | 10,440 | 1,336,960 | 1,010,000 | 750,000 | 3,107,400 |
| TA to IOC (IOC EDF 8) | 9.ACP.RSA.007 | 1,650,000 | 1,650,000 | 0 | 1,025,385 | 1 | 1 | 1 | 1,025,388 | 302,729 | 1 | 1 | 1 | 302,732 |
| CDE railway (ROR) | 9.ACP.RSA.009 | 30,000,000 | 30,000,000 | 0 | 0 | 1 | 1 | 1 | 3 | 0 | 1 | 1 | 1 | 3 |
| Evaluation COMESA projects | 9.ACP.RSA.012 | 80,000 | 80,000 | 0 | 79,919 | 0 | 0 | 0 | 79,919 | 24,000 | 55,919 | 0 | 0 | 79,919 |
| Road South coridor Arta Guilele | 9.ACP.RSA.013 | 5,900,000 | 5,900,000 | 0 | 0 | 1 | 1 | 1 | 3 | 0 | 1 | 1 | 1 | 3 |
| Road South coridor Arta Guilelele | 9.ACP.RSA.014 | 14,100,000 | 14,100,000 | 0 | 0 | 1 | 1 | 1 | 3 | 0 | 1 | 1 | 1 | 3 |
| Road Gitarama Akunyara | 9.ACP.RSA.018 | 1,000,000 | 1,000,000 | 0 | 3,300,000 | 0 | 0 | 0 | 3,300,000 | 417,824 | 1 | 1 | 1 | 417,827 |
| Total Projects under Balances | | 65,557,352 | 65,557,352 | 0 | 9,322,822 | 720,005 | 1,200,005 | 1,000,005 | 12,242,837 | 782,345 | 2,172,885 | 1,770,006 | 1,500,006 | 6,225,242 |
| % of transfers of EDF 7 and 8 | | 83 | 83 | 0 | 12 | 1 | 2 | 1 | 15 | 1 | 3 | 2 | 2 | 8 |
| GRAND TOTAL | | 292,907,352 | 145,207,352 | 147,700,000 | 23,324,455 | 125,620,010 | 15,200,012 | 10,155,878 | 174,300,355 | 3,137,743 | 9,122,892 | 54,370,014 | 58,600,014 | 125,230,663 |
| % of total allocation | | 96.90 | 48.04 | 48.85 | 7.72 | 41.56 | 5.03 | 3.36 | 57.65 | 1.04 | 3.02 | 17.99 | 19.39 | 41.43 |

(1): *italic are estimates*

(2) = individual financial commitments

(3)= to be confirmed by MTR following MTR technical meeting of 9 and 10 December 2004

Annex 10- Budget Support JAN 2004 – DEC2004

COMPOSITION AND DISBURSEMENT FROM FLEX and PRBS

| | | EC SUPPORT | |
|-------------------|---|---------------------|------------------|
| | | EURO million | Paid OLAS |
| FLEX. ENVELOPE B | | 11.49 | 30.7.2004 |
| PRBS I | 1 st TRANCHE(fixed) | 10.00 | 16.09.2004 |
| PRBS I | 2 nd /3 rd TRANCHE(variables) PFM | 13.25 | 27.12.2004 |
| PRBS I | 2 nd /3 rd TRANCHE(variables) Social performance | 16.25 | 30.12.2004 |
| TOTAL 2004 | | 50.99 | |