



Co-operation between  
The European Union  
and  
The Republic of Zambia  
Joint Annual Report<sup>1</sup>  
2003

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

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<sup>1</sup> Prepared jointly by the NAO and the Head of Delegation on the basis of the Annexe 4, Article 5 of the Cotonou Partnership Agreement.

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**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
MTFF	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
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
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

Article 5 (review Process) of Annex IV of the Cotonou Agreement provides that the Head of Delegation and the National Authorising Officer should undertake a Mid Term Review of the CSP/NIP, considering current needs and performance. The Mid Term Review should provide an assessment of all elements covered by operational reviews, particularly the 2003 Joint Annual Report.

The Mid Term Review should address three distinctive issues: a) the relevance of the CSP/NIP in supporting the Government poverty reduction strategy; b) the assessment of the EC financial support to the beneficiary country according to performance (financial, macroeconomic and sectoral), needs and vulnerability; and c) the integration of new EU/EC initiatives and commitments.

This Joint Annual Report was prepared taking into account the above issues that should be addressed in the Mid Term Review. The report provides an overview of: Policy agenda of the Government of Zambia, particularly the PRSP process; Political, economic and social situation in Zambia; Results achieved in the appraised focal areas (Infrastructure, Institutional Development and Capacity Building, and Macroeconomic support), in the non-focal areas (Health and Education), as well as cross-cutting issues (Gender, HIV-AIDS, Environment and Human Rights); Involvement of Non-State Actors; Use of other instruments, particularly EIB interventions; Use of resources from envelope B Integration of new EU/EC initiatives and commitments relevant to Zambia; Country performance and Programming perspectives for the coming years.

Discussions were held in a friendly and collaborative atmosphere. The EC consulted the EU-Member States in the field. Non-State Actors were also consulted during the preparation of this report.

The main conclusion of this report is that the CSP/NIP is in line with the Government poverty reduction strategy and there is no need to change the focal areas of the CSP/NIP. The report also concludes that Zambia has been performing quite well in the implementation of the CSP/NIP, particularly regarding the financial performance. As regards to macroeconomic and sectoral performance, although progress has been recorded the report concludes that there is still room for improvement. Fiscal imbalance is the main area of concern regarding macroeconomic stability. Progress in policy formulation in the social sectors is not followed yet by significant improvements in the outcome indicators. The report also recommends streamlining agriculture and food security within the current CSP/NIP, without changing the focal areas. The programming perspective for the period 2004-2005 shows that in 2006 the remainder funds will be virtually committed.

Taking the above into consideration, sequentially to the Mid Term Review exercise, a proposal is made to confirm the current CSP/NIP strategy. Programming of the 9<sup>th</sup> EDF was updated putting forward a scenario concerning the transfer of funds from the B envelope to the A envelope to be decided by the conclusions of the Midterm review.

## **2 THE POLICY AGENDA OF THE PARTNER COUNTRY**

### **i) PRSP/TNDP Process**

In July 2002, the Zambian Government officially launched the Poverty Reduction Strategy Paper (PRSP) for the period 2002-2004. This major event coincided with the signature in July 2002 of the CSP/NIP for Zambia under the Cotonou Agreement and the 9<sup>th</sup> EDF. The PRSP focuses on a comprehensive intervention framework to achieve sustainable economic growth and employment creation, particularly in the key sectors of agriculture, industry, mining and tourism; to improve human capital by supporting basic health and education services; and to improve infrastructure development, namely roads, transport and communication, water and sanitation, and energy. The PRSP places high premium on macroeconomic stability and governance as well as cross-cutting issues on gender, HIV/AIDS and environment, as instrumental issues for reducing poverty.

In October 2002 the Government adopted the Transitional National Development Plan (TNDP) for the period 2002-2005 incorporating and expanding the scope, objectives and intervention of the PRSP. The two companion documents PRSP/TNDP capture the core elements of the Government strategy for reducing poverty.

In parallel, the Government revived the Public Sector Reform. In September 2003 the Government presented a proposal for a Strategy and Action Plan for Public Service Management and Capacity Building for 2004-2008. The main components of the reform are: 1) Rightsizing, Pay Reform, Performance Management; 2) Public Expenditure Management and Financial Accountability (PEMFA); 3) Good Governance and Justice for all; and 4) Decentralization. With regards to PEMFA component, an important step was achieved in November 2003 by the finalisation of the Public Expenditure Management and Financial Accountability Review with the support of the World Bank. Recently, the President of the Republic has announced the creation of District Commissioners to replace the former District Administrators in an attempt to boost the decentralisation process. This is a first step of a process, which should be intensified in 2004. The President has also announced the decentralisation of the Auditor General's Office at Provincial level. In the same vein, the Anti-Corruption Commission (ACC) completed the decentralisation of its offices at the provincial level at the end of 2003.

### **ii) PRSP/TNDP Monitoring and Evaluation**

Following the first annual poverty review conference in March 2002, the Government organized a second annual conference in April 2003 to discuss the monitoring and evaluation strategies relating to the implementation of the PRSP/TNDP.

Subsequently, significant progress has been achieved with the support of GTZ in refining the poverty indicators. In June 2003 the Refined PRSP Indicator System was finalised. The System contains the most important indicators (input, output, outcome



and impact) needed to monitor the major objectives and sectors of the PRSP/TNDP. However, the system has not been completed with baseline and targets to monitor the indicators. Furthermore, the Government finalized in August/September 2003 the Poverty Monitoring and Analysis (PMA) framework with the support of DFID and JICA. The PMA framework aims at improving coordination of PRSP/TNDP activities under a single umbrella incorporating the main stakeholders (GRZ, Civil Society, and Cooperating Partners), harmonizing data collection, improving dissemination of information and using the monitoring and evaluation mechanism for policy decision-making proposes.

#### iii) PRSP/TNDP implementation and Resources Allocation

In October 2003, in an effort that has to be commended, the Government presented the first PRSP Implementation Progress Report. In presenting the report, the Government acknowledged the fact that the mechanism of monitoring the PRSP has not yet been well developed and that several shortcomings still exist. Although the report presents a detailed picture of the implementation of each Poverty Reduction Programme (PRP) it lacks a comprehensive view of the results and outcomes in terms of poverty reduction at global and sectoral levels. Also the report does not analyse trends in resource allocations over the years.

A great deal of work was done and progress achieved in 2003 in preparation of the first MTEF for 2004-2006. With the support of technical assistance financed by the European Commission, the Government presented in October 2003, as part of the MTEF, the Macroeconomic and Fiscal Framework for 2004-2006, which should frame the macroeconomic and fiscal parameters in order to achieve stability, restore fiscal control and set the limit for the resources available. As part of the same European Commission support, the Government started to develop in 2003 the Activity Based Budget (ABB) for 2004-2006, which should provide the basis for resources allocation according to the PRSP/TNDP priorities and taking into account the limit of resources fixed by the MTEF. The MTEF/ABB are designed to ensure the efficient allocation and management of public resources, develop and maintain fiscal discipline in planning and management of public resources, ensure commitment to public priorities at the national and sector levels, and to improve accountability of national resources. During the last quarter of 2003, the Ministry of Finance and National Planning launched an extensive consultation process on the MTEF/ABB involving line ministries, civil society and cooperating partners. The 2004 Budget has been prepared on the basis of the MTEF/ABB.

#### iv) Challenges

There is no doubt that significant progress has been achieved regarding the design of policy and planning instruments related to the PRSP/TNDP strategy. However, implementation is the awkward element of the overall process. In 2003, the PRSP/TNDP was implemented in an extremely difficult fiscal environment. Indeed, in mid 2003, as a result of the overrun on the budget deficit due to the increase of the wage bill of civil servants – significantly above the PRGF ceilings – Zambia did not conclude the new PRGF with the IMF for 2003-2006, jeopardizing the opportunity for the country to reach the HIPC completion point by the end of 2003. Instead, Zambia negotiated an Interim Staff Monitored Programme (SMP) effective from 1st of July to 31<sup>st</sup> December 2003, with a view to restore fiscal control and return to the PRGF in early 2004, which would have allowed the HIPC completion point to be reached in

mid 2004. However, in November 2003, an IMF mission to Lusaka found that the SMP was not being adhered to, with the main slippage being excessive domestic borrowing for off-budget items (e.g. to pay RAMCOZ workers ahead of privatization of Luanshya mine). Thus, the Government has requested that the SMP be extended to June 2004.

Excessive fiscal imbalances put the implementation of the PRSP/TNDP at risk, as the Government will be confronted in 2004 to the very difficult task of “freezing” expenditure and restore confidence on the fiscal management system, in order to be able to conclude a PRGF programme with the IMF in mid 2004. The President of the Republic made clear his determination for Zambia to go back to the PRGF framework. Clearly, steps from the Government side in that direction should be followed by increasing support from the cooperating partners to mitigate the burden of the adjustment process.

Sound implementation of the PRSP/TNDP also requires a reinforcement of the coordination mechanism between the Ministry of Finance and National Planning and the line ministries, provincial/district administrations and the civil society, as well as a strong upgrading of the statistical machinery and information system. It would also be important to define a clear PRSP/TNDP cycle with the planning, budgeting and monitoring/review instruments aligned in a timely sequence manner.

### 3 UPDATE ON THE POLITICAL, ECONOMIC AND SOCIAL SITUATION

The table below illustrates the change over time of ten indicators drawn from the internationally agreed Millennium Development Goals.

Table 1: Key MDGs Indicators

Type	Indicator	Previous Years	2000	2001	2002	2003	2004
Impact	1. Proportion of population living in extreme or moderate poverty <sup>2</sup>	72.9% (1998) <sup>3</sup>	na	Na	na	Na	na
	2. Prevalence of underweight children (under-five years of age)	25.0% (1998) <sup>2</sup> 28.1% (1999) <sup>4</sup>	24.2% <sup>3</sup>	23.3% <sup>3</sup>	24.1% <sup>3</sup> 28.1% <sup>5</sup>	21.5% <sup>6</sup>	na

<sup>2</sup> There is really no data on people living with less than a dollar per day. Instead the Zambian own definition of moderate poverty is roughly equivalent to 78 euro cents per day. There is also a definition of extreme poverty, as being on about 54 cents per day.

<sup>3</sup> CSO: Living Conditions Monitoring Survey in Zambia, 1998

<sup>4</sup> CBoH, HMIS 2002 annual statistical bulletin

<sup>5</sup> ZDHS, 2001/2002

<sup>6</sup> CBoH, HMIS 2004

Type	Indicator	Previous Years	2000	2001	2002	2003	2004
	3. Under-five mortality rate per 1000 live births	191‰ <sup>7</sup> 197‰ <sup>8</sup> (1996) <sup>8</sup>	162‰ <sup>9</sup>	Na	168‰ <sup>4</sup>	Na	na
Outcome	4. Net enrolment ratio in primary education <sup>10</sup>	76.8% (1994)	Na	70.45%	72.00%	76.16%	na
	5. Primary Completion Rate <sup>9</sup>		Na	65.27%	65.95%	72.91%	na
	6. Ratio of girls to boys in <sup>11</sup> :						
	- Primary education	0.92% (1998)	Na	0.97	0.97	0.98	na
	- Secondary education	0.76% (1998)	Na	0.85	0.84	0.87	na
	7. Proportion of births attended by skilled health personnel <sup>12</sup>	52% (1996) <sup>7</sup>	41.1% <sup>3</sup>	42.3% <sup>3</sup>	47.3% <sup>3</sup> 54.9% <sup>4</sup>	54% <sup>5</sup>	na
	8. Proportion of 1 year old children fully immunised	60% (1996) <sup>7</sup>	na	Na	69.9% <sup>3</sup> 57.1% <sup>4</sup>	73% <sup>5</sup>	na
	9. HIV/AIDS prevalence (ANC women all-ages & total population 15-49)	20% (1998) <sup>13</sup>	na	Na	20% <sup>10</sup> 15.6% <sup>4</sup>	Na	na
	10. Population with sustainable access to an improved water source	na	49.1% <sup>8</sup>	Na	51.3% <sup>4</sup>	Na	na

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).

UNDP has finalised a 'balance sheet' of MDGs progress, attached to its Human Development Report 2003 for Zambia. Reaching the Millennium Development goals in Zambia will be very challenging. Data available is often of heterogeneous origin and difficult comparison. Data on poverty is not updated since 1998. There is also evidence that there has been a problem with the 2000 Census, with an underestimation of the population in the most remote and isolated areas of the country. International comparison (UNICEF, 2003) shows that the Zambian situation is aligned with that of

<sup>7</sup> ZDHS, 1992

<sup>8</sup> ZDHS, 1996

<sup>9</sup> CSO: 2000 census of population, 2004

<sup>10</sup> MoE, EMIS, 2003

<sup>11</sup> the ratio is equal to NER girls / NER boys

<sup>12</sup> 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.

<sup>13</sup> ANC sentinel surveillance, 1998

Tanzania and Malawi as regards child nutrition, under-5 mortality rate, skilled attendants at delivery. HIV prevalence is amongst the highest in the world. In education, free basic education led to a significant increase in net enrolment rate in the past two years, but it is not yet at the level of Uganda (also a country that launched universal primary education in the late nineties).

### **3.1 Political situation**

After winning a number of by-elections in 2003, the ruling party MMD has secured a parliamentary majority for the first time since the 2001 elections. In October 2003, President Mwanawasa took the initiative to organize a National Convention (Indaba). In a frank speech, the President addressed the main challenges facing the country, inviting all the political and social stakeholders to join their efforts in rebuilding the country. Following this speech, some concrete measures need to be implemented. In a move to foster national unity and political reconciliation President Mwanawasa has appointed members of the opposition political parties into his government.

As part of the zero-tolerance policy against corruption announced by President Mwanawasa, a number of high-profile former government leaders were charged with cases of corruption and abuse of public office. The trial of former President Chiluba started in the last quarter of 2003, following the allegations of corruption. The current Constitution is widely criticised. Particularly, the provision prohibiting those with parents who are not Zambian from contesting the Presidency and the provisions reducing the independence of the judiciary. In this regard, President Mwanawasa has appointed a Commission to review the Constitution. A Technical Committee on Electoral Reform was also appointed by the President in 2003. Zambia/EU partnership in development cooperation was maintained on a very satisfactory level in 2003. As regards to the implementation of the Cotonou Agreement, Zambia has decided to negotiate the Economic Partnership Agreement EU-ACP in the framework of the East and Southern Africa (ESA) region. The official launch of the EPA negotiations for the ESA region took place in February 2004 in Mauritius. In addition to the political and governance reforms launched by President Mwanawasa, Zambia has reinforced its good position in complying with the fundamental elements of article 9 to the Cotonou Agreement: Human Rights, democracy, rule of law, good governance and fight against corruption.

### **3.2 The economic situation**

The Government's broad economic objectives for 2003 were to: a) achieve real economic growth of at least 4%; b) reduce the average annual inflation rate to 17.9% and end-year inflation to 8%; c) build up gross international reserves equivalent to 1.9 months of imports; d) raise priority poverty reduction expenditure to 2.2% of GDP; and e) reduce the domestic fiscal deficit to -1.55% of GDP; f) reach the Completion Point under the Enhanced HIPC Initiative.

Table 2: Outturn in Key economic variables 2000-2003

Variables	2000	2001	2002	2003
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Real GDP Growth (%)	3.6	4.9	3.3	4.3
Money Supply Growth (M3) (%)	74.0	11.0	31.4	13.8
Inflation rate (%) – end of the year	30.0	18.7	26.7	17.2
Exchange rate KZ/US, depreciation (+)/appreciation(-) in %	58.0	-7.9	13.2	-3.3
Gross foreign reserves (months of imports cover)	2.8	1.4	4.7	5.1
Domestic fiscal deficit (% of GDP)	-3.3	-4.7	-4.1	-5.1
Current Account Balance (% of GDP)	-19.2	-20.8	-17.6	-16.1

Source: Ministry of Finance and National Planning

According to preliminary figures GDP growth was 4.3% in 2003 in line with the GRZ target. Growth was largely boosted by increased production in the major sectors of agriculture and mining. The good performance in agriculture and mining had positive spill over effects on other sectors, particularly in transport and manufacturing. Over the past four years GDP growth has been sustained at an average annual rate of 3.9%. Although the 2000 Census of Population has shown a decrease of the population growth rate from 3.1% to 2.5%, economic growth is still insufficient to produce a significant impact on reduction of poverty.

At sectoral level, **agriculture** generates between 18-20% of GDP and provides livelihood for more than 50% of the population. The sector absorbs 67% of the labour force and remains the main source of income and employment. In 2003, output for nearly all the major crops increased largely due to favourable weather conditions experienced during the 2002/2003 rainy season and the timely delivery and distribution of inputs. As a result of the favourable food crop harvest, the food security position in the country improved significantly. However, taking into account the deficient irrigation system, agriculture production is very vulnerable to the weather conditions.

The **mining and quarrying** sector recorded positive growth for the fourth consecutive year. Value-added was estimated to have increased by 3.3 % in 2003, as output in both the metal mining sub-sector and the other mining and quarrying sub-sector went up as well as favourable international prices. . In May 2003 the Government announced that the India's Sterlite Industries was selected as the preferred bidder for a 51% equity stake in Konkola Copper Mines, which produces two thirds of Zambia's copper. . The Government also started in 2003 negotiations with J&W Investment Group for the purchase of Roan Antelope Mining Corporation of Zambia (RAMCOZ). The sale is expected to be concluded in early 2004. Another important company, First Quantum Minerals, has benefited from an EIB loan to invest in Kansanshi mine. The European Commission is also supporting through SYSMIN funds the diversification of the mining production. Overall prospects in the mining sector look good for 2004 as a result of increasing investment in the sector.

The manufacturing sector also continued to record favourable performance with value added increasing by 6.3% in 2003 compared to 5.7% in 2002. The construction sector registered a growth of 13.9% in 2003. Increased activities in road and bridge construction largely contributed to the growth.

As far as **fiscal policy** is concerned, 2003 has been a very difficult year (see also above). Due to the overrun on the wage bill, the Government was unable to meet the deficit target of -1.55% of GDP. Instead, the estimated budget deficit for 2003 is -5.1% of GDP. In addition, in an attempt to expedite the privatisation of the Luanshya mine, the Government paid retrenchments packages of K167 billion to former RAMCOZ workers, which were not budgeted for. Therefore, disbursements for some priority expenditure items such as capital and poverty reduction programmes were less than budgeted. Poverty Reduction Programme (PRP)<sup>14</sup> expenditures were 1.1% of GDP as compared to the target of 2.2% of GDP. The increase in expenditure combined with a shortfall in donor funding in 2003 forced the Government to increase domestic borrowing to finance the deficit. The key challenge for the Government is to **control and contain the growth in domestic debt**. In 2003 domestic debt interest payments accounted for 11.96% of total expenditure, whilst the PRPs accounted only for 4.5% of total expenditure. Furthermore, such an increase in Government borrowing causes interest rates to soar, thereby constraining private investment and, ultimately, compromising real GDP growth. Greater fiscal discipline is needed to contain expenditures.

Zambia's **foreign debt** has dominated its external position - at least from the early 1990s onwards. Securing HIPC debt relief remains essential for the sustainability of economic policy. Zambia reached HIPC Decision Point in December 2000. At end of 2003 Zambia's stock of debt was US\$6.5 billion, more than twice the GDP. HIPC relief was heavily front-loaded to help it to cope with a "hump" in repayments due to the IMF from the large ESAF drawing in 1996.

In 2002 Zambia was on track with the **PRGF programme** and the IMF Board approved a \$ 55 million disbursement in November 2002, after the 5<sup>th</sup> successful review. Zambia was expected to reach **HIPC Completion Point** late in 2003. This has now been postponed to the second half of 2004. Despite performing well on almost all the HIPC triggers, the slippage in the budget deficit in the second quarter of 2003 is the main reason behind Zambia's failure to reach the Completion Point in 2003. Consequently the Government was unable to conclude a new PRGF with the IMF. Currently Zambia is on a Staff Monitoring Programme (SMP). The successful implementation of the SMP would culminate in Zambia getting back to the PRGF.

Regarding **monetary policy**, the Bank of Zambia has succeeded to reduce the money supply growth rate from 31.4% in 2002 to 13.8% in 2003, which had a positive contribution in reducing the inflation rate from 26.7% in 2002 to 17.2% end 2003. In the last quarter of 2003, the Bank of Zambia reduced the statutory reserve requirements for the commercial banks from 17.5% to 14.0% in an attempt to free up funds for banks to lend to the private sector. In 2003, the nominal exchange rate

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<sup>14</sup> As far as the budget does not present a breakdown of expenditures by function and sub-function (e.g. Education and primary education), it is disputable if the budget components under the item "Poverty Reduction Programmes" reflect the overall budget allocation in favour of poverty reduction expenditures. The PRSP needs to be better understood as an overarching policy/strategy and not as yet another programme financed by HIPC savings.

against the dollar has appreciated by 3.3%. With regard to the real effective exchange rate (REER), the REER index appreciated by 6.3% in 2003.

In the area of **structural reforms**, progress has been made in several areas including the privatisation of the Zambian National Commercial Bank (ZNCB) and the commercialisation of ZESCO. The Zambia Privatisation Agency (ZPA) announced the privatisation of 49% stake. The Government will retain 25% stake and 26% stake will be sold to Zambians. Two companies have submitted formal bids. The ZPA is discussing with both bidders. ZESCO will be commercialised and managed according to the best commercial practices. For the first time in years, ZESCO made a profit in 2002-2003.

### **3.3 The social situation**

In 2003 the Central Statistical Office (CSO) has published the final results of the November 2000 Census. This data, together with the Demographic and Health Survey (DHS) of 2001 /2002, provides a clearer and more reliable picture of the poverty patterns in Zambia.

Geographically, there is a clear polarisation between the urbanised, the “line of rail”, going South-North in the centre of the country, and the vast, predominantly rural areas North, East and West. This division is reflected, for instance, in terms of literacy levels, child mortality rates, life expectancy, access to safe water, electricity, sanitation and quality of housing (CSO, 2003). Education and Health facilities in rural, remote areas are severely understaffed, as there are no incentives for teachers and medical and paramedical staff to move there. In Western Province, for instance, there is one medical doctor per over 30,000 people.

Zambia has got its own definition of absolute poverty (about 16 €per month per person) and of moderate poverty (about 23 €per month). According to these definitions, extreme poverty has remained stable throughout the nineties in Zambia, but overall poverty actually increased, from 69.7% in 1991 to 72.9% of the population in 1998 (83.1% in rural areas, and 89% in Western Province –also the province with the highest percentage of female-headed households).

Gender disparity is also evident looking at literacy levels, averaging 81.6% for men and 60.6% for women (DHS, 2002). Such disparity increases moving further from the “line of rail”. Women also suffer from maternal mortality rate that has been worsening during the late nineties, and higher HIV prevalence.

The poor households in draught and flood prone areas (Southern Province and parts of Western Province) are also subject to recurrent food security breakdowns. Underweight prevalence for children under five years of age reached 28.1% (DHS 2002) –In Uganda was 22.5% and in Malawi 25.4% in 2000.

Major policy decisions, like the Free Basic Education policy, have had a significant impact, with enrolment rates increasing. However, as Zambia went off track with the PRGF in 2003, and a SMP was initiated, the payroll in the Ministry of Education has been frozen, leaving about 10,000 teacher training colleges’ graduates unemployed, and allowing pupil/teacher ratio to soar. This in turn has led many head teachers to

arbitrarily set ceilings for enrolment or, worse, set other barriers to school attendance, with requests for monetary or non-monetary contributions (typically, school uniforms). Equity and access issues exist also in the Health sector, where cost sharing is the adopted policy, albeit significant exemptions (pregnant women, children, elderly). The effect of cost sharing on access is hotly debated, but no conclusion has so far been reached.

There are however other elements distorting equity (or with the potential to distort equity in future) in the health sector: health centers circumventing exemption policies; elite departments being set up in the University Teaching Hospital in Lusaka for radiotherapy and open heart surgery; the announced extension of ART to 100,000 people in 2004 (the estimated entire clinically treatable HIV population in Zambia); the large yet undetermined amounts spent for treatment of patients abroad; health facilities supposedly functioning on 'full cost recovery' that are actually getting government grants just as significant as other public health institutions. Against this picture, the per capita annual public health expenditure does not exceed 7 € and Zambia counts just 700 medical doctors, many of whom occupy managerial/administrative positions.

### **3.4 Cross-cutting issues**

**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 mark significantly higher prevalence rates than men from age 15 up to 39; urban dwellers average a 23.1% prevalence as compared to 10.8% of rural people. For urban women of age 30-39 the prevalence is over 40%. The response in terms of political openness and commitment is quite firm, but specific response policies have been delayed or 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.

**Human rights.** The Government took steps to address some human rights problems especially with regard to the law enforcement agencies. In 2003 the Zambian Public Police Complaints Authority was formally inaugurated. The PPCA has liaised with the Anti-Corruption Commission, the Permanent Commission for Human Rights, the Electoral Commission of Zambia and civil society. Although this is an important development, unfortunately the PPCA suffers from severe lack of funding. Furthermore, the Public Order Act needs revisions in order to extend the scope of freedom of expression (especially the freedom of demonstration).

**Gender.** The Government of Zambia is a signatory to the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). The National Gender Policy defines gender as an analytical concept which focus on women's roles and responsibilities in relation to those of men. To remove gender imbalances the Government has set up an institutional structure (Gender in development Division-GIDD) to facilitate the mainstreaming of gender in national planning and programming. Each line ministry has a Gender focal point who is responsible for



facilitating the gender mainstreaming process within the sector policies, programmes and budgets. Women continue however to experience discrimination in customary law. Although the Zambian Constitution prohibits discrimination on the basis of sex, it does not outlaw customary law. Customary law, governing matters of inheritance, land rights and properties, affects women most. It is the customary law and the way it is applied by the traditional leaders that discriminate women and put them in a disadvantaged position. Violence against women remains widespread in Zambia.

**Press.** In the run up to the 2001 presidential elections, it was alleged that the government's grip on the media tightened in an effort to curtail political debate. In the face of this political climate, the private media assumed the role of denouncing alleged irregularities and the undemocratic conduct of government. However, the Independent Broadcasting Authority Act, Freedom of Expression Act and the Broadcasting Bill are all intended to provide greater freedom of expression to enhance democracy in Zambia.

**Environment.** 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 2001 a ban on safari hunting concessions was imposed after widespread corruption in the hunting industry. Together with the local communities, the Zambia Wildlife Authority was among the most affected, as 60 per cent of its operational budget depends on income from safari hunting. The ban consequently impacted its operations and its capacity to meet its mandate of conserving Zambia's wildlife. In response to this crisis, the EC provided an emergency funding package which enabled community resource boards to reinstate 377 village scouts in many of Zambia's game management areas during 2002 and with a six-month extension to May 2003. In April 2003, the Government lifted the two-year ban.

### **3.5 Regional and international developments - Trade**

#### **i) Assessment of trade flows**

The table below illustrates Zambia's key trading partners. Zambia exports are dominated by primary commodities (especially copper and cobalt) while its imports are mainly processed products. Zambia's trade profile with the world by region shows a clear asymmetry in the flow of products. With regard to Zambia's imports, Southern African region is the main partner, particularly South Africa with 51% of the market in 2002. Regarding Zambia's exports, the European Union is the main partner with 49% of the market in 2002. As a result, Zambia has consistently run a trade deficit with its Southern African partners, whilst its trade balance with the European Union has been consistently positive. This picture is incentive for a more coherent and sustained trade policy. Furthermore, this trade pattern creates a practical problem for

the transport sector, as for the regional trade there is a much greater demand for transport into of Zambia than out of it.

Table 3: Value Shares of Zambia's Trade with Key Partners

Destination	Imports %				Exports %			
	1999	2000	2001	2002	1999	2000	2001	2002
COMESA	12	11	10	11	9	12	9	9
SADC (excluding SA)	13	13	11	11	12	11	8	16
South Africa	44	56	53	51	17	18	24	23
European Union	22	14	12	13	49	53	57	49
Other Markets	9	6	14	14	13	6	2	3
Total	100	100	100	100	100	100	100	100

Source: Export Development Programme , Quarterly report n.3 September-November 2003..

#### b) Trade policy

The **Economic Partnership Agreements (EPAs) negotiations** between the ACP countries and the European Union started in September 2002. The COMESA Authority, at its 8<sup>th</sup> Summit in Khartoum on 17<sup>th</sup> March 2003, decided that the Eastern and Southern African countries which are also ACP countries should negotiate an EPA with the EU as one region in order to pool their technical and other resources. Although Zambia is also a member of SADC, the Government has decided to participate in the ESA region. At a meeting of the Ministers of Trade of the ESA region, held in Nairobi on 28<sup>th</sup> May 2003, the Nairobi Declaration was approved. The EPA negotiations for the ESA region will be launched on the 7<sup>th</sup> of February 2004 in Mauritius.

Under the “**Everything But Arms**” EU initiative for LDC, Zambian products, including agricultural products, will enjoy free access. Duty and quota elimination for all products took effect from 5 March 2001. The full liberalisation of sugar, rice and bananas has, however, been phased over the transition period.

#### c) Institutional context for trade policy making

The Ministry of Commerce, Trade and Industry is responsible for trade policy formulation and trade negotiations. The Government of Zambia receives support from the EC for regional integration and trade negotiations (see section 4.6). The Government of Zambia through the Ministry of Commerce, Trade and Industry and the Ministry of Finance and National Planning is in the process of exploring within the ESA region all options available for establishing future trade relations with the European Community under the provisions of the Cotonou Agreement concerning the Economic Partnership Agreement (EPA). To this effect a National Working Group on EPA negotiations has been set up to oversee the process of Zambia's preparations and development of positions related to the EPA negotiations. The NWG consists of: The Government (Relevant Ministries, agencies and Parliament) and Civil Society (private sector, trade unions, Consumer associations, producer associations, NGOs). The Government will launch soon a comprehensive and participatory “impact study of the EPA” with the support of the EC (see section 4.6). Furthermore, within the context of the EC-Export Development Programme (see section 4.1.2) several “diagnostic trade

studies” have been carried out. Zambia is the host nation of the COMESA Secretariat and also of the IRCC Secretariat since late 2002.

## 4 OVERVIEW OF PAST AND ONGOING CO-OPERATION

### 4.1 Financial Situation: 31/12/ 2003

Table 4: EDF Financial situation end 2003

EDF	Total Allocations	Global Commitments		Individual Commitments		Payments	
	€M	€M	% Total	€M	% Total	€M	% Total
6 <sup>th</sup> EDF	103.55	103.55	100.0	103.52	99.9	103.50	99.9
NIP+SAF	89.24	89.24	100.0	89.21	99.9	89.19	99.9
Hors Prog.	14.31	14.31	100.0	14.31	100.0	14.31	100.0
7 <sup>th</sup> EDF	318.74	318.74	100.0	317.06	99.5	315.95	99.1
NIP+SAF	198.58	198.58	100.0	197.42	99.4	196.37	98.9
Hors Prog.	120.16	120.16	100.0	119.64	99.6	119.58	99.5
8 <sup>th</sup> EDF	457.69	457.69	100.0	394.60	86.2	329.88	72.1
NIP+SAF	243.69	243.69	100.0	201.44	82.6	187.91	77.1
Hors Prog.	214.00	214.00	100.0	193.16	90.3	141.97	66.3
9 <sup>th</sup> EDF	377.26	130.45	34.6	0.00	0.00	0.00	0.00
A Env.	271.56	118.96	43.8	0.00	0.00	0.00	0.00
B Env.	105.70	11.49	10.9	0.00	0.00	0.00	0.00
Total	1257.24	1010.43	80.4	815.18	64.8	749.33	59.6
NIP+SAF+A	803.07	650.47	81.0	488.07	60.8	473.47	58.9
Hors Prog.+B	454.17	359.96	79.2	327.11	72.0	275.86	60.7

The total allocation of EC funds to Zambia under the 6<sup>th</sup> – 9<sup>th</sup> EDF amounts to €1257.24 millions, of which €803.07 million are programmable funds (NIP, SAF and A Env) and €454.17 million are non-programmable funds (SYSMIN, EIB, emergency operations...). According to the above table, Zambia has positive EDF implementation records. At the end of 2003, the financial situation of the four open

EDFs underway amounted to €1010.43 of global commitments (i.e. 80.4% of total allocation), €815.18 million of individual commitments (i.e. 64.8% of total allocation), and €749.33 million of payments (i.e. 59.6% of total allocation). With regards to programmable funds of the overall amount 81% has already been object of global commitments, 60.8% of individual commitments, and 58.9% of payments. Regarding each EDF, the 6<sup>th</sup> and 7<sup>th</sup> EDF are virtually exhausted. Concerning the 8<sup>th</sup> EDF, the level of execution is very good. With regards to programmable funds of the 8<sup>th</sup> EDF of the overall amount 100% has already been object of global commitments, 82.6% of individual commitments, and 77.1% of payments. The implementation of the 9<sup>th</sup> EDF started in the second semester of 2003. At the end of 2003, 34.6% of the resources have been committed, of which 43.8% from the “A” envelope and 10.9% from the “B” envelope.

The table below shows the balance of the EDF programmable funds based on three absorption indicators RAL (balance to liquidate = contract+payments), RAC (balance to contract), and RAP (balance to pay), ie RAL = RAC+RAP.

Table 5: Balance of the 6<sup>th</sup>, 7<sup>th</sup>, 8<sup>th</sup> and 9<sup>th</sup> EDF (NIP+SAF+A)

NIP	Global Commitment	RAL		RAC		RAP	
		€M	% Global Commitment	€M	% Global Commitment	€M	% Global Commitment
6 <sup>th</sup>	89.24	0.05	0.06	0.03	0.04	0.02	0.02
7 <sup>th</sup>	198.58	2.21	1.11	1.16	0.58	1.05	0.53
8 <sup>th</sup>	243.69	55.78	22.89	42.25	17.34	13.53	5.55
9 <sup>th</sup>	118.96	118.96	100.00	118.96	100.00	0.00	0.00
Total	650.47	177.0	27.21	162.4	24.97	14.6	2.24

The table shows a very good level of absorption of EDF programmable funds in Zambia. By the end of 2003, the total RAL stood at €177 million, i.e. 27.21% of total global commitments, of which 24.97% is linked to the RAC and the remainder 2.24% is linked to the RAP. As already mention the 6<sup>th</sup> and 7<sup>th</sup> EDF are virtually exhausted. Regarding the 8<sup>th</sup> EDF the RAL stood at €55.78 million, i.e. 22.89% of 8<sup>th</sup> EDF global commitments. As the RAL from the 9<sup>th</sup> EDF represents 67.2% of the total RAL, the majority of funds to be committed and paid is related to new projects with a high level of absorption, particularly budget support. The RAL should reach a peak in 2004 when the remainder funds of the 9<sup>th</sup> EDF will be committed; afterwards the RAL should start to decrease.

#### SYSMIN

*Comment:* Since SYSMIN begun in Zambia, the country has received €166.92 M. These funds (€50 M) were used partially to complement the SAF V. The rest of the funds were used to support projects and programmes in the mining sector.

#### 4.2 Focal sectors of the 9<sup>th</sup> EDF

The CSP/NIP in line with the PRSP proposed three focal sectors: Transport Infrastructure, Institutional Reform and Capacity Building, and Macroeconomic Support.

#### **4.2.1 Transport infrastructure**

##### **4.2.1.1 Results**

The primary goal for the PRSP interventions on transport infrastructure is, first and foremost, to support economic growth. Poverty is higher in Zambian rural areas because of the lack of access to market for agricultural production as well as productive inputs. This has been worsened by the poor transport systems that exist in rural areas. Therefore, if the poverty situation in rural areas is to be addressed, the issue of transport has to be of paramount importance.

The Transport Policy Document establishes a comprehensive transport programme, divided into two priority categories:

- Preserving investment already made in infrastructure (e.g. roads) through maintenance.
- Establishing infrastructure, which aids economic recovery and poverty reduction.

Transport also facilitates value added growth in trade and commerce, mining, tourism and in the delivery of social services such as education and health.

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 Authority under the Ministry of Works and Supply, the Road Fund Authority under the Ministry of Finance and the Road Traffic and Safety Authority under the Ministry of Communication and Transport. These bills were approved by Parliament in December 2002.

In December 2003, the Ministry of Works and Supply has appointed board members of the Road Development Agency, while the Ministry of Finance and National Planning and the Ministry of Communication and Transport reached an advanced stage in the appointment of the boards of the other two Agencies. It is envisaged that all the boards shall be in place before the end of 2004.

Transportation costs in Zambia are too high in comparison to sub-regional levels. Transport costs account for 60 to 70 percent of the cost of production of goods and commodities. The high transport costs have worked against the competitiveness of Zambian exports. Locally, this has contributed to high prices of goods and services and, in turn, has worsened the existing poverty levels.

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.

Zambia has a gazetted road network of approximately 37,000 km of which 6,476 km is bituminous and surfaced to Class 1 standard. The gravel and earth roads account for 8,478 km and 21,967 km respectively. In addition, there are about 30,000 km of ungazetted community road network comprising tracks, trails, and footpaths.

The poor state of rural feeder roads inhibits mobility and accessibility. As a result, access to farm inputs and other social amenities and marketing of farm produce are also made very difficult and, thus, deepen poverty in rural areas where the only form of access is by road. Due to lack of transport, a considerable part of the rural population walks long distances to the health centres, schools, and other social amenities.

Zambia has been undertaking road repairs under the Road Sector Investment Programme (ROADSIP) which is a partnership between road users, the government, and donors to promote development through roads. The first phase was launched in 1998. ROADSIP's objective has been to bring a core network of the road to maintainable condition, and a positive impact has already been registered with the percentage of paved roads in good condition having risen from 20% in 1995 to 44% in 1999, and the paved roads in poor conditions falling from 51% in 1995 to 29% in 1999. In accordance with the PRSP, ROADSIP II will continue with the objectives set out in Phase I, but with more focus on social issues and poverty reduction. In relation to the size of Zambia's economy and population, Zambian paved road network is quite extensive, exceeding that of the average for Sub-Saharan Africa and even that for Zimbabwe and South Africa. This partly explains the difficulty in keeping abreast with maintenance and rehabilitation requirements. The implication is that Zambia will minimise construction of new paved roads and pay more attention to looking after the existing network, including rural feeder roads. Further, economic and social rates of return will be applied for trunk, main, urban, and feeder roads in the selection of roads for improvement.

#### **4.2.1.2 Activities Financed by the EDF**

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 first phase of ROADSIP ended in December 2003 when ROADSIP II commenced. The GRZ has finalized a document containing the plan of the second phase, which has been extended to 2013. The document has been improved by the inclusion of a chapter detailing the links between the road sector and the poverty reduction strategy and by giving more importance to social issues (environment, road safety, HIV/AIDS). The ROADSIP budget for 2003 has been increased from US\$188.6 million in 2002 to US\$212 million in 2003, an increase of 12%. Out of the 2003 ROADSIP budget total cost, donors are contributing about US\$92.5 million. Unfortunately, the disbursement against the budget was very low in 2002 (only US\$61 million) and in 2003 (US\$44.5 million) during the first nine months, against US\$80 million in 2000 and US\$81 million in 2001. This is because fuel levy arrears, value added tax and other road user charges were not released to the road fund.

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 in 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 at the end of 2002.

#### **4.2.1.3 Integration of crosscutting themes**

Generally, road rehabilitation projects emphasise environmental matters but, where possible, projects also provide training to increase awareness of the HIV/AIDS pandemic in the communities. EDF contracts for road construction, rehabilitation and maintenance in Zambia include numerous measures to mitigate environmental damage caused by roads works. Construction projects provide ideal conditions for training of young engineers and technicians. Future EDF contracts will encourage employing young local experts and particularly women where possible. 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. The EDF capacity support projects in the transport sector provides assistance towards environmental and social impact assessments, relaying of topsoil in the gravel borrow pits and planting of vegetation as well as preparation and implementation of the HIV/AIDS awareness campaign.

#### **4.2.2 Institutional Reform and Capacity building**

##### **4.2.2.1 Results**

Between the key issues for reviving growth, the PRSP underline the Public Sector Management and the reinforcement of the role of the private sector.

As regards to **Public Sector Management** (see also section 2 on the policy agenda), the PRSP underlines that strengthening of state capacity for poverty reduction programmes is important, since without it, very little will be achieved. To a large extent, the effectiveness of the state's contribution hinges on creating an enabling environment for other actors (the private sector, NGOs and beneficiaries themselves). Promoting good governance in management of public affairs is instrumental for poverty reduction. In addressing the need to build capacities in the public sector, the CSP/NIP focuses on financial and economic management.

Public financial management is improving from a very low base. Although, budget and commitment controls are working better, the overrun on the budget deficit in 2003 shows that a lot of improvement is still needed.

In 2003 there has been much more evidence of a concerted effort by the Government, civil society and cooperating partners to tackle the weaknesses in PFM system.

The Government implemented in 2002/2003, a Matrix of Corrective Measures with the support of the European Commission which has shown good progress in improving the existing PFM system. Additional developments included the Financial Management Payments and Accounting System, which is an in-house accounting system with four modules (budget, commitment, arrears and actual payments) as well as the Commitment Control System, which is based upon the application by the Budget Office of Quarterly allocations to the line ministries.

In 2003, the Government concluded with the support of the World Bank, the Public Expenditure Management and Financial Reforms (PEMFAR). The PEMFAR report provides a comprehensive assessment of PFM in Zambia and defines the overarching strategy for improving public financial management in the medium term (over a period of 3-5 years). In the last quarter of 2003, the Government set up a technical working group that is working together with the cooperating partners to develop an Action Plan for the implementation of the PEMFAR. Other important achievements in this area, in 2003, include the MTEF and the Activity Based Budget (see section 2 on the policy agenda).

As regards to the **private sector**, The “New Deal” Government has continued with the previous policies of liberalisation of the economy. The targets are poverty alleviation through extension and consolidation of growth and diversification within the economy, assisting expansion of the productive basis through support to business creation and increasing the scope for employment opportunities within the private sector.

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, traditionally by far the most export-income generator. During the 90’s most of the earlier state-owned mines on the Copperbelt were privatised, but continued to struggle with poor results.

#### **4.2.2.2 Activities Financed by the EDF**

##### **i) Public Sector Management**

The EC is a major player in this area. The EC has been supporting public sector management reforms through SAF V/SYSMIN and Support to Planning and Budgeting Reforms programmes. Through SAF V/SYSMIN, the EC has financed technical assistance to the Government in the implementation of the ‘Matrix of Corrective Measures’ as well as in the preparation of the MTEF and the Activity Based Budget. The Planning and Budgeting Reforms Programme has provided technical assistance to the Government for the preparation of the PRSP and poverty



related indicators as well as training work-programmes. As already mentioned these activities had a significant impact in improving public sector management, particularly public financial management. The EC is now working with other cooperating partners (WB, DFID, Norway) in the PEMFA Technical Working Group.

#### ii) Private Sector

The EDF is supporting the following activities:

The **Mining Sector Diversification Programme (EU-MSDP)** aims at increasing export earnings through economic diversification outside of the traditional large-scale mining and contributing to poverty alleviation by increasing employment opportunities. The programme aims at improving the utilisation of natural resources in the non-copper/non-cobalt mining sector. This is to be achieved through a combination of credit financing, training and capacity building and the provision of technical expertise over a period of five years, from 2002 until the year 2006. The programme's objectives are to increase export earnings through economic diversification, to generate employment opportunities and contribute to poverty alleviation.

The **Private Sector Development Programme (PSDP)** is a comprehensive answer to the problems faced by businesses in Zambia at present. It contributes to the built up of an expanded programme of measures that will assist further development of the market economy. In May 2002 a mid-term review was conducted, which recommended a one year extension of the project up to 2004. During 2002 the Private Sector Development Programme supported 1588 entrepreneurs in different areas. The Programme also worked with 30 business organisations to increase business opportunities in Zambia. The "Window 3" of the Private Sector Development Programme which is managed by CDE worked with 57 business organisations to improve opportunities for small and medium-term enterprises. The project also started a series of television programmes to sensitise the Zambian population on how the EU-Private Sector Development Programme can help small and medium entrepreneurs diversify their businesses. The project succeeded to dramatically increase the export of honey during 2002; and to start the export of craft to Italy and Japan towards the end of 2002.

The third pillar of the EC support to private sector development is the **Export Development Programme (EDP)**. Its objective is to further improve the performance of the non-traditional export sector. The four original beneficiary associations are: Tobacco Association of Zambia (TAZ), Zambia Coffee Growers' Association (ZCGA), Zambia Export Growers' Association (ZEGA), and the Zambia Association for High Value Crops (ZAHVAC).

The Export Development Programme operated for five years from June 1994 to June 1999, and the funds remaining in the EFF were utilised - in agreement with the NAO and the HOD - for the further benefit of three Producer Associations for a period of four years from March 1999. This is known as the Enhanced Exporter Support Mechanism (EESM). Currently, the EC is supporting the implementation of the second phase of the EDP II, which follows a similar approach as EDP I, but is targeting new producer associations.

#### 4.2.2.3 Integration of crosscutting issues

HIV/AIDS and gender issues are being considered in all the EC activities in this sector. In particular, capacity building funds have specifically been earmarked for the gender analysis of the budget. HIV/AIDS threaten the country's capacity building

efforts because it strikes the educated and skilled as well as the uneducated. Consequently, it impedes the country's capacity by shortening human productivity and life expectancy. The HIV/AIDS will be considered in most of EC projects in the sector.

### **4.2.3 Macro-economic Support**

#### **4.2.3.1 Results (see also section 3.2 Economic situation)**

The achievement of macroeconomic stability is seriously hampered by the difficulties with the budget. In 2003 the Government succeeded to sustain economic growth, curb the inflation rate and keep a smooth depreciation of the exchange rate. However, as already mentioned, fiscal imbalances could compromise macroeconomic stability and, ultimately, economic growth and poverty reduction.

The success of macroeconomic objectives, as well as the reduction of poverty will depend on how well the Government balances its expenditures in the light of competing demands from different sectors and scarce resources. The lack of a PRGF programme with the IMF in the second half of 2003 led to the withholding of programme support by some donors and failure to reach the HIPC completion point.

#### **4.2.3.2 Activities Financed by the EDF**

The aim of the current activities financed by the EDF is to improve Government's capability for effective macroeconomic management in the context of the PRGF, to establish targets within the framework of the PRSP/TNDP, and to improve resource allocation.

During the 1990's Zambia received considerable amounts of macro-economic support in the framework of consecutive Sysmin and Structural Adjustment Support programmes. In this manner the EC has significantly contributed to the macro-economic stabilisation of the country, particularly through debt reduction and budget financing.

During the year 2002, the European Commission disbursed a total of €68.97 million to the Zambian Government (1<sup>st</sup> Main Tranche €15 million; Regional bonus €3.97 million and SYSMIN €50 million ZCCM debt that was disbursed on December 12<sup>th</sup> 2002). In 2003, the EC disbursed the three remaining tranches of SAF V/SYSMIN for a total of €28.7 million.

In December 2003, the EC approved the Poverty Reduction Budget Support (PRBS) under the 9<sup>th</sup> EDF. The Financing Agreement should be signed in the first quarter of 2004. The direct mirroring of the main elements of the budget instrument in the structure of the PRBS Financing Framework and the alignment of the finance monitoring tools with the monitoring framework of the PRSP/TNDP ensures that the successful implementation of the PRBS translates into the successful implementation of the budget and the PRSP/TNDP. This is clearly a very desirable result within the broader development objective.

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 incorporates 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 jointly agreed with the Government. Other cooperating partners are watching closely to the PRBS approach as a promising vehicle for future budget support.

Key features of the PRBS are:

An overall financial envelope of €117 million, of which €110.0 million will be for budget support. €7.0 million is allocated to capacity building and technical assistance for the social sectors and the Ministry of Finance and National Planning in the areas of PFM, PRSP monitoring and information systems.

The support will be in the form of direct non-targeted budget support for three Government fiscal years, FY 04, FY 05 and FY 06. The programme will be subject to annual confirmation of Zambia's eligibility, based on progress with PFM reform, including compliance testing, and successful PRGF reviews.

The programme will have one initial fixed tranche related to an agreement with the IMF on a new PRGF programme. Subsequent tranches will be variable and related to public finance management and PRSP indicators.

The disbursement profile of the programme will automatically adjust to progress with the PFM reform and the implementation of the PRSP. Should progress be swift, the programme will be front-loaded, while if improvement in public finance is less than expected, the disbursement profile of the programme will be back-loaded.

#### **4.2.3.3 Integration of crosscutting themes**

The EC macroeconomic support will, through its support to the PRSP, indirectly affect the main cross-cutting issues recognised in the PRSP: HIV/AIDS, environment and gender. The EC macro-economic support will single out indicators related to HIV/AIDS and gender equality to create further focus in these two cross-cutting issues for reducing poverty in Zambia.

### **4.3 Projects and Programmes in addition to focal sectors of the 9<sup>th</sup> EDF**

Outside the three focal areas, the CSP/NIP provides support to Health and Education. Other interventions inherited from the previous EDFs include Human Rights, culture projects, environment and micro-projects. With regards to the social sectors, the Delegation in Zambia is actively engaged in sector dialogue with the Ministries of Education and Health, attending sector forum and co-ordinating its position with those of like-minded cooperating partners ( who happen to be mostly EU-Member States). Biannual meetings with the Government to discuss work plans and budget including assessment of results indicators for health and education feature prominently in the sectors agenda.

#### **4.3.1 Developments in the Health Sector**

The Ministry of Health formulated a 5-year National Health Strategic Plan (NHSP), launched in 2001, and building on previous sector plans. One of the main features of the organisational and institutional restructured public health system is in fact decentralisation from the central level up to the district level. This was initiated at the beginning of the health reform process. In 1996, the Central Board of Health (CboH) was established following the enactment of the National Health Services Act in 1995.

The Mid Term Review of the NHSP took place in 2003. The main recommendations were: a prioritised and costed plan for 2006-2010, an improved monitoring system, fully develop a decentralized system, raise public health expenditure to 15% of domestic discretionary budget (from current 10%), creation of a task force on human resources (retention problems, especially in rural remote areas).

Government funding of the health sector is a major problem, with budgets constantly decreasing in real terms since 2002. The development of the Basic Health Care Package in Zambia derives from some fundamental choices: decentralisation and delivery of health care services as close to the family as possible, supply of health services on a population basis, for conditions affecting the majority of the population, for which health care can have positive and effective influence.

Outcome and impact indicators provide a mixed picture. Malaria and respiratory infections keep featuring among the main causes of the burden of disease in Zambia, without significant improvements over the last couple of years. However, the under-five mortality rate has been improving over the past years, and the prevalence of HIV/AIDS while remaining very high at 15.6 %, is lower than what was thought to be. There is a positive commitment from Government in fighting HIV, although more could be done in confronting stigma (VCT is not yet sufficiently widespread, no systematic testing of pregnant women...). Some other indicators, although less reliable, (eg high standard deviation, without plausible reasons) are also showing positive trend, like the full immunisation for children under 1 year.

Capacity at the MoH and at CBoH is higher than the average government department in Zambia. There is a core of committed staff. The National Health Strategic Plan and a sector dialogue that is very open have led to increased public spending pro capita on health, mostly through increased external funding. Dialogue is articulated in quarterly Health Steering Committees, six-monthly Consultative meetings, and weekly Resources Allocation Sub-Committees. The Ministry of Health is embarking in an overhaul of sector dialogue mechanisms, aiming at greater transparency and at a more results oriented process. In fact information is sometimes confused, with abundant flow of less relevant information while some essential data are missing or not immediately decipherable (e.g. public expenditure on drugs, government contribution to the district health baskets).

In 2003 the EDF support to the Health Sector Basket Fund (8 ZA 14) was completed. It provided a 0.75 M€ special contribution to the basket (through a rider to the FA) aimed to address the non-food aspects of the food crises that affected some 38 districts of Zambia in early 2003 (facilitating access to health services and providing specific inputs).

The scope of the pooled support from Co-operating Partners (CPs) was originally restricted to recurrent expenditure at district level (health centres and first level hospitals). General and central level hospitals, personal emoluments, capital expenditure, central administration and autonomous boards were excluded. Drugs and equipment were allowed, but with tight ceilings. Larger exceptional capital expenditure has been occasionally allowed, but with close involvement of CPs in the procurement process.

In 2002 the Government and the Co-operating Partners discussed and eventually agreed to move towards an expansion of the basket, both “vertically” to include more cost centres (higher level hospitals, Central Board of Health, other autonomous boards) and “horizontally” to include more cost items (capital expenditure, technical assistance etc). This started being implemented from mid-2003 with the inclusion of general hospitals, after capacity building assessments looking at financial management and compatibility of MISs.

In terms of health policy, the major development in 2003 has been the implementation of Global Fund supported programmes that are making possible a scaling up of the ARV provision to people living with HIV. The National Aids Council is acting as a secretariat and is coordinating other important initiatives like the VCT national network aiming at gathering information on access to VCT, with a view to a closer monitoring of HIV prevalence trends.

The two key factors that have allowed the ARV development are the new WHO guidelines on administration of ARVs and the low prices offered by manufacturers in India and elsewhere. The University Teaching Hospital in Lusaka started a pilot scheme on a few patients in 2002. Provision of ARV will be on a cost-sharing basis and exemptions will be granted by selection committees at provincial level.

The European Commission, through the EDF, has supported the Zambia National Blood Transfusion Services (ZNBTS) for the past 10 years, as part of the strategy to fight HIV/AIDS and other communicable diseases. In 2003 the ZNBTS made significant progress towards full integration into the Zambian public health system, and it is expected that when the project will end in 2004 the institution will be eligible for basket funding.

#### **4.3.2 Developments in the Education Sector**

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 EC signed the MoU on the 17<sup>th</sup> of June 2004 after approval of its financing proposal.

The strategic plan outlines important funding gaps, exacerbated in 2003 by tight budgetary discipline that froze the payroll, thus preventing recruitment of teachers necessary in consideration of the Free Basic Education policy launched in 2002. In terms of output, Free Basic Education led to increased enrolment, with no large gender disparity (however problems with access remain quite serious). Quality remains a problem, and the provision of secondary and tertiary educations is particularly affected.

The ESP is also 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). It was the first attempt of a swap in the education sector in Zambia and much has been learned from the experience, both at Government and donor levels. However, its systems must now be internalised in the

Ministry of Education. For this reason, 2003 has been essentially a year of transition. Decentralisation is going on, with many education boards already being established. Procurement of educational materials should also be decentralised from 2004 onwards.

HIV/AIDS is affecting the sector (prevalence amongst teachers is higher than average) but the Ministry has well integrated HIV/AIDS in its ESP.

The Ministry of Education is aware that Zambia is one of the few countries in the world, which allocates fewer than 3% of GDP to Education. The benchmark for the HIPC floating completion point, 20.5 % of the domestic discretionary budget to education, does not seem to be fulfilled. In fact since 2002, budget allocations to Education have constantly decreased in real terms.

2003 should have been the last year of implementation for the EDF-supported Zambia Education Capacity Building Programme (ZECAB). However an extension has been granted at no additional cost until June 2004. This will allow ZECAB to better transfer capacity in areas such as bursaries to the Ministry of Education, fully along the ESP lines. 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.

#### **4.3.3 Human Rights**

The *Women in Active Life Programme of Rights Education* was funded in 2000, under the EC-budget line for promotion of human rights, democracy and good governance. The project aims at enhancing the recognition of women's rights and the rule of law through innovative educational campaigns. The project is a follow up to the regional programme funded by the European Commission in neighbouring countries and aimed at raising awareness of the rights of the children and women. The project has so far been successful in engaging communities in project activities and discussions, acknowledging concerns related to women and children's rights. The three year project is now in its final stage.

#### **4.3.4 Cultural Co-operation**

Assistance to the Cultural Sector is provided through the Support to the Cultural Sector Programme (CSSP) ending on 30 November 2004. The project, worth €1,970,000, draws upon the experiences of the Bantu Cultural Programme, a regional programme aiming primarily to support on-the-spot collection, conservation and exploitation of knowledge of the Bantu cultures. The project includes capacity building; outreach schemes; museum exchange programmes; website development; advocacy; support to traditional ceremonies, festivals, films and visual arts. Partly as a result of this project and joint donor effort, the Cultural Policy Document was finally approved in July 2003.

#### **4.3.5 Environment and Natural Resources**

##### **i) Forestry Support Programme**

Currently, the EC is sponsoring a programme of €1,900,000 to support the Forestry Department. The Forestry Support Programme (FSP) is tasked with facilitating the

creation of an autonomous, statutory forest management entity within the Ministry of Tourism, Environment and Natural Resources (MTENR). The project, which started on 13 September 2001, is being 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.

#### **4.4 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 will start in 2004 (see below).

##### **Micro-projects**

The Micro-project programmes have been implemented in Zambia since 1985, with a total 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. In addition, 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 6<sup>th</sup> and 7<sup>th</sup> EDF. Under the 8<sup>th</sup> EDF an additional 152 projects were approved under phase I, while the target to be achieved under 8<sup>th</sup> 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%).

A Monitoring Mission was commissioned by the Court of Auditors in March 2003. The results of this mission as well as those of another EC-funded monitoring mission, 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 at the level of the Steering Committee, PMU, and the Delegation, and the approval of fewer and more expensive projects than what had been foreseen in the Financing Agreement. On 26 August 2003, a Mid-Term Review was launched. The Mid-Term Review basically confirmed the above stated findings, but nevertheless recommended the formulation of a new programme under the 9<sup>th</sup> 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.

#### **4.5 Utilisation of B envelope**

The "B" envelope for Zambia under the 9<sup>th</sup> EDF is €11 million to cover "unforeseen needs" as indicated in the Cotonou Agreement, Annex IV, article 3.2 (b). After a favourable opinion of the EDF Committee, the EC approved in December 2003 a rider to the SAF V/SYSMIN Financing Agreement (see section 4.1.3), in order to include the FLEX allocation of €1.49 million from the "B" envelope and extend the implementation period until 31 December 2004.

“B” envelope remaining funds are €4.21m (€11m, less €1.49 million for FLEX and €5.3 million for Zambia’s contribution to the Peace Facility).

## **4.6 Other instruments**

### **4.6.1 Humanitarian Aid (ECHO)**

The main focus of Zambia ECHO-funded interventions in 2003 has been the care and maintenance of refugees from Angola and Congo DRC, repatriation of Angolan refugees, short-term HIV/AIDS prevention and relief activities to mitigate the impact of HIV/AIDS on people’s ability to pursue viable livelihood options. Ongoing operations in Zambia are funded under three regional decisions. Funding commitments amounted to €2 million for 2002 and €3.8 million for 2003.

### **4.6.2 Food Aid**

Food security continued to be a paramount issue in 2003. Despite the “bumper harvest” declared by the Ministry of Agriculture and Cooperatives, food insecurity persisted in two provinces and the country’s Central Statistical Office (CSO) released findings from a survey, indicating that by August 2003 about 34 percent of households in Southern and Western provinces had already run out of maize stocks. For this reason, specific attention was paid to food aid distribution and food-for-work schemes channelled through local NGOs, thereby also enhancing their capacity. Within this framework, Euronaid supported several 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.

An evaluation was conducted to assess if the programmes related to agriculture and recovery supported through Euronaid in 2002/03 in Zambia had been effective. The evaluation attached great importance to the promotion of conservation farming techniques and crop diversification as a way of ensuring sustainability, and made special recommendations for the introduction of draught power tools, inter-cropping and soil protection for future project interventions aimed at enhancing household food security.

### **4.6.3 European Investment Bank**

At the end of 2003 EIB’s active loan portfolio amounted to €32 million (excluding CE special loans) consisting of 21 loans fully disbursed, six loans signed and under disbursement and one loan approved and not yet signed. Out of these 28 loans in total, 27 figure under the Lomé IV Convention, whereas one loan of €34 million (Kansanshi Copper) was signed in 2003 under the Cotonou Agreement.

The Kansanshi Copper project is, like Bwana Mkubwa (another copper project which was signed in 2002), promoted by First Quantum Minerals Ltd. It is designed for the development of a new open pit copper mine in North-Western Zambia for the production of 60 000 t/y of copper cathodes and up to 70 000 t/y of copper concentrates for an initial lifetime of 16 years. The project comprises a conventional open-pit mine, with crushing and grinding facilities and a beneficiation plant with two distinct parts: a leach circuit for oxidic ore (SX-EW extraction) and a flotation circuit for sulphidic ore. Sulphuric acid for leaching will be provided by an on-site acid plant based on sulphur feedstock.

The project will contribute to the development of the North-Western province and fits well alongside the Lumwana Copper project in the same area for which the Bank is presently co-financing the feasibility study: both projects will be able to benefit from shared infrastructure



facilities. The development of the site and infrastructure will have positive effects for the current local population in terms of schooling and health care. It will create some 1300 construction jobs at its peak, with a permanent workforce of approximately 600 during operation of the project. Future tax revenues for Zambia are estimated at around USD 10m/year, and export revenues over the first ten years are estimated at USD 1.7bn.

In addition, in 2003 the second tranche of €20 million under the CIL II B loan was signed and is flowing well. On the other hand various contract amendments were made to the Small Scale Mining Facility to make it more user-friendly. The changes focussed on the reduction of the interest rate, a higher risk take for EIB (25% for the participating banks and 75% for EIB) and the possibility to finance purely working capital. Disbursements for the year added up to €33.7 million. Projects in the pipeline for 2004/2005 add up to approximately €200 million.

#### **4.6.4 SYSMIN**

All SYSMIN funds have been disbursed in terms of Balance of Payments support that is €50 million by 12 December 2002. It is worth noting that the new PRBS will be disbursed through direct budget support, i.e. not through earmarking or double signature accounts as was the case with the SYSMIN transfers.

#### **4.7 Regional co-operation and trade**

As member of COMESA, Zambia benefits from the wide range of COMESA projects related to regional co-operation and integration. Zambia has actively worked on the preparation of the COMESA Customs Union, which is to be launched in December 2004. Furthermore, Zambia participates in the harmonisation of customs practices. Under the COMESA umbrella, the country has continued the process of economic integration with its neighbouring countries.

Zambia will benefit from the EC regional facility, approved in 2003, to support multilateral and regional trade negotiations with the ESA region. The main purpose of the project is to assist countries in the ESA region to develop trade negotiating capacities in the short term, in particular as regards EPA and WTO negotiations.

Under the Cotonou agreement a €20 million facility has been made available to all ACP countries to facilitate trade negotiations. Through this facility, in 2003, Zambia received 196,000 Euros for an EPA impact assessment study. The study will be undertaken in the first half of 2004.

### **5 PROGRAMMING PERSPECTIVE FOR THE FOLLOWING YEARS**

The programming priorities for 2004 and beyond are: (i) implementing the Poverty Reduction Budget Support programme; (ii) finalising the preparation of financing proposals to be funded under the NIP of the 9<sup>th</sup> EDF as well as the remaining balances of previous EDFs; (iii) Speeding up the financial implementation of the NIP, namely global commitments, specific (secondary) commitments and payments; (iv) starting the implementation of the provisions foreseen in the Cotonou Agreement regarding non-State actors; (v) Strengthening the policy dialogue and coordination mechanisms with the Government and other cooperating partners on issues related to the PRSP/TNDP implementation as well as the areas of EC intervention; (vi) Adapting

the CSP/NIP in conformity with the conclusions of the forthcoming Mid Term Review.

## **5.1 Programming**

### **i) Transport**

The major interventions foreseen in the CSP 2001-2007 in the transport sector are: (i) Preventive maintenance of trunk, main and district roads; and (ii) Maintenance and rehabilitation of feeder roads; For the first intervention a Financing Proposal has been submitted to Commission HQ in early 2004. It shall be noted that the proposal envisages the disbursement of €4 million out of €70 million to the Road Fund to finance periodic maintenance of Main and District Roads and part of the Axle Load Control Programme initiated by the Government with the support of NORAD. The remaining €16 million Euro will finance capacity building to the Road Agencies and periodic maintenance of the Trunk Road No2 (T2), following the standard EDF procedures. The large amount of funds allocated to the district roads shows the will of strengthening the programme focus on poverty alleviation in rural areas. This proposal is foreseen to be approved in October 2004.

For the second intervention the feasibility study will be carried out during 2004 -2005 with the intention to present a financing proposal by the end 2006. It is anticipated that the programme will concern maintenance, spot improvement and rehabilitation of Feeder Roads in the Central and Southern Provinces together with capacity building at central and decentralized level.

Regarding the transport mode the study could be done at the end of the 9<sup>th</sup> EDF period. The study shall take into account the last events in the sector like the 20 year contract between Zambia Railways and a consortium of two South African companies: New Limpopo Bridge Projects Investment and Spoormet.

### **ii) Institutional reform and capacity building**

The 9th EDF Institutional Reform and capacity building focal sector has the following specific objectives:

- Strengthen the financial and economic management capacities of the Zambian public service;
- Build capacities for public-private dialogue as a basis for improving the policy and institutional environment for private sector development;
- Build capacities of non-State actors.

As regards the first objective, the 9<sup>th</sup> EDF intervention will extend and complement the activities initiated under the previous programmes (see section 4.1.2) by supporting three complementary core functions: 1) planning and economic management, 2) public financial management and accountability, and 3) statistical systems and information. The preparation of the programme is underway. The Action Plan for the implementation of the PEMFAR (see section 4.1.2), which is the key component of the intervention in this area, should be ready in March/April 2004. The identification sheet should be prepared by September/October and the Draft of Financing Proposal should be finalised by end of October/November 2004.

The second objective will address the need to develop capacities for public-private dialogue as a basis for building a policy and institutional environment to promote private sector led economic growth in the areas of investment, export promotion and

trade. Contrary to discussions held during the JAR 2002, where a preliminary figure of €10.0 M was proposed, the Government has presented a request of €18.0 M. An identification fiche has to be done. The Draft Financing Proposal should be finalised by end of June/early July 2004.

As regards the third objective, the discussions with non-State actors have just started. As part of the preparation of the Mid Term Review, the Delegation and the NAO will engage in a dialogue with the Non-State Actors in order to define a programme on increasing food security.

There will be a specific Financing Proposal for each objective, the three components are mutually reinforcing and will in combination, enable the European Commission to contribute in a meaningful and balanced way to Zambian efforts to strengthen the capacities of state and non-state actors to manage the process of political, economic and institutional renewal within the PRSP/TNDP framework.

### iii) Macroeconomic support

The EC-Poverty Reduction Budget Support under the 9<sup>th</sup> EDF was approved by the end of 2003 (see section 4.1.3). The implementation of the PRBS will dominate the agenda in 2004 regarding this focal area of the EC intervention. Though in principle the budgetary assistance will not be targeting a specific sector or expenditure category, the importance of social sectors as well as sound economic and public financial management for poverty reduction and EC prior involvement in those areas will justify a close and structured policy dialogue with the Government to increase the efficiency and effectiveness of the EC support and prevent the past stop/go situation. According to the PRBS Financing Agreement, the following activities will be implemented:

Assessment twice per year, in May and September, of the performance for the disbursement of the variable tranches. The semi-annual PFM monitoring and assessment will be instrumental in a high-profile policy dialogue on the outcome of these reforms.

Annual auditing of selected flows of funds in the priority sectors to test compliance with the Financial Regulation in force will be undertaken in close co-operation with the Office of the Auditor General and form an essential part of the monitoring of overall progress in PFM. Internal debt reduction and the level and the quality of public expenditure in the priority sectors for poverty reduction (health, education, infrastructures, etc.) will be monitored and supported.

Capacity building of €7 million will accompany the implementation of the PRBS and will be consistent with the focal area Institutional Reform and Capacity Building (see above).

The budget support will single out indicators related to HIV and gender equality. A Technical Assistance is provided to promote a gender analysis of the national budget.

### iv) Health

The EC will continue its support to the Health Sector, scaling it up from the previous support to the health basket under 8<sup>th</sup> EDF (4 M€) to a 9<sup>th</sup> EDF support of 10 M€ continuing with policy dialogue and contributing directly to the expanded Health

Basket Fund until 2007. The project identification sheet has already been approved and the draft FP will be submitted to AIDCO in March 2004.

It is expected that during 2004 a new framework for sector dialogue (Code of Conduct, new MoU), will replace the obsolete arrangement dating back to 1999. The expansion of the basket will cover more cost centres and more cost items, but within a firm commitment to maintain focus on district level basic health care (in the 2004 budget GRZ is in fact in line with the old MoU by allocating 50% of all health resources to district level services).

Special attention will be given to improve the capacity of the Central Board of Health to establish reliable information systems capable of delivering consistent information in terms of costs and planning. In fact, within the framework of the Poverty Reduction Budget Support, resources for the strengthening of monitoring capacity have been provided. It is planned that about 3 M€ could be directed for the reinforcement of the Health Management Information System, together with the assessment already provided by the very recent Mid Term Review of the National Health Strategic Plan.

Finally, the support to Zambia National Blood Transfusion Service will come to an end in June 2004. In 2003 the project successfully focused on full integration in the public health system, adopting financial management and monitoring standards that will make it eligible for basket funding once the EDF support ceases.

#### v) Education

The 9<sup>th</sup> EC support to the education sector will be provided through support to the Education Strategic Plan pool. The financing decision has been taken in February 2004. Afterwards, the EC will sign the MoU binding the 'like-minded' cooperating partners and the MoE.

However, EDF support will initially be directed to basic education only, with a 'designated fund' modality explicitly described in the MoU. The reason for this prudent approach is that unlike the Health sector, where EDF support to basket funding has been going on for four years already, in education, EDF has been implementing support through a traditional project approach (ZECAB, funded from 8<sup>th</sup> EDF and due to end in June 2004), and therefore still lacks deep knowledge of the specific sector dialogue.

The new programme overlaps for six months with the phasing out of the Zambia Education Capacity Building Programme, extended in 2003 from 31/12/03 to 30/6/04. The new support programme to the Education Strategic Plan will be completed in 2007. Its initial amount is €10 million. Developments in Fast Track Initiative funding modalities may lead to strengthening of the programme, depending first of all, on GRZ attitude towards the Fast Track Initiative.

Within the framework of the Poverty Reduction Budgetary Support, resources for the strengthening of the monitoring capacity have been provided. It is planned that about €1 M€ could be directed for the reinforcement of capacity in running the annual school census at periphery level, in close collaboration with USAID, which is providing significant support to the Education Management Information System.

#### vi) Technical Education

Until now, the sector has been supported through ZECAB (Zambia Education Capacity Building Programme) funded from 8<sup>th</sup> EDF and due to end in June 2004. This project has supported specific activities: infrastructure rehabilitation and refurbishing, bursaries, in-service training.

The Ministry of Science and Technology formulated a 5-year TEVET Development Programme, launched in 2001. In spite of progress on the institutional side, with the creation of a TEVET independent authority, the TDP lagged behind in terms of funding, and coordination capacity. It is therefore premature to directly fund the sub-sector through the TDP.

Support to Technical education is however judged to be a strategically important complement of support to universal basic education. Therefore, while EDF support should encourage the sector programming and costing of comprehensive annual work plans within a multiannual programme framework, implementation of further support should still follow a traditional project approach. A new project will start implementation at the end of 2006 if the existing funds are enough. The EC contribution is estimated to be 6 M€

## **5.2 Integration of new EC/EU policy initiatives and commitments**

According to the EU-Council conclusions on the use of the common framework for CSPs, mid term review should “take into account and operationalise, as far as possible, new EC/EU policy initiatives and commitments that have an impact on third countries or, more generally, at international level, while fully respecting the principles of ownership and concentration of aid, the objectives and priorities of the EC Development Policy and the specificities of the relationship between each partner country and the EU”. In addition to new policy initiatives and commitment, existing policy priorities, which were not properly addressed in the initial CSPs, should also be considered.

### **5.2.1 Policy initiatives and commitments relevant to Zambia**

#### **i) Social Sectors Expenditures**

As part of the EC support to the PRSP process, the Commission has committed itself to allocate 35% of the resources to the social sectors. In Zambia, 48.7 % of the “A” envelope of the NIP under the 9<sup>th</sup> EDF is linked directly or indirectly to the social sectors. Under the NIP of the 9<sup>th</sup> EDF, the EC will support directly health (€10 million) and education (€10 million) sectors. As regards to the Poverty Reduction Budget Support (PRBS), the disbursement of the variable tranche (€100 million) will be linked to performance indicators related to expenditures in health and education as well as outcome indicators in both sectors. In 2003 the Government allocated 33.4% of discretionary budget expenditures to the social sectors. The Government own objective is to increase this percentage to 36%, which is consistent with the EC policy.

#### **ii) Agriculture/food security**

In the absence of a coherent sector policy, Agriculture/Food security was not included as a focal or non-focal sector in the 9<sup>th</sup> EDF Country Strategy Paper for 2002-2007. However, since then the Government has committed to the implementation of the PRSP agricultural component with the drafting of the national Agricultural Policy,

which is expected to be approved early 2004. This commitment has also been reflected in an increase in the 2002/2003 budget for financing poverty reduction programmes in the agricultural sector. The major donors supporting the Agricultural sector in Zambia are Netherlands, UK, Sweden, Germany, Norway (through Netherlands), France, Germany, USAID and the World Bank.

The PRSP sees the agricultural sector as the driving engine to boost economic growth at the level required to reduce poverty. Poverty is closely linked to nutritional status. A number of nutrition surveys suggest that rates of malnourishment are equally worrisome. 47% of children below 5 years are malnourished; 25 % of children under age five are underweight and 59% are under height, with a stunting rate as high as 56 % in extremely poor households.

It has been widely recognized that Zambia has the potential to expand agricultural production, both in food and cash crops. Agriculture generates between 18-20% of GDP and provides livelihood for more than 50% of the population (see also section 3.2). The sector absorbs about 67% of the labour force and remains the main source of income and employment for rural women who constitute 65% of the total rural population. Nevertheless, only 14 % of arable land is cultivated and only 12 % of its irrigation potential is being utilized.

#### Conservation farming

Conservation Farming (CF) systems reverse the destruction of the natural agricultural resource endowment and support higher yields on a sustainable basis. An EC project to improve household and national food security for hand hoe and animal draught farmers is under preparation. The project would successfully address the cross-cutting issues: gender, environment and HIV/AIDS. Conservation farming practices maintain the quality of the soil and prevent erosion.

#### iii) Micro-projects

In spite of certain administrative and procedural problems (see section 4.3), the Zambia Micro-projects programme must be considered as having had an important impact on the rural communities since it was first launched in 1985. It is also one of the most visible programs financed from the EDF. Taking into account that the ongoing program will end in 2004, continued support under the 9<sup>th</sup> EDF could be considered. Nevertheless, important changes would be required to tackle food security concerns. There should be a management structure as close as possible to the field, focusing on directly productive activities and community development in line with the Government's food security policy and the PRSP/TNDP objective of targeting the poorest. A much more restricted geographical area should be targeted than what has been the case until now. Also, the selection of projects should be completely transparent and done through calls for proposals.

#### iv) Global Fund for HIV TB and Malaria

The Global Fund is a major provider of support to the Health sector in Zambia starting from 2003. New Co-artem based malaria therapies, ARV and HIV/AIDS programmes in line ministries, and support to NSAs, to mention but the most important initiatives, depend on Global Fund support. The main concern is on sustainability. The 'additionality' principle of Global Fund support may prove true only if prices for drugs (especially ARVs and Co-artem) will drop significantly before Global Fund

support will cease. Technical support to Zambia on trade issues in general and access to medicines in particular should be considered under regional cooperation programmes. Another concern that may emerge at a later stage is about the possible excessive scope for interpretation of indicators, in respect of target achievement (ie decision power), that may rest in the hands of the Local Funding Agent, which is a private firm.

v) Fast Track Initiative for Education

The Fast Track initiative currently does not provide additional funding and therefore Zambia does not intend, for the time being, to submit an application. On this stand GRZ is backed by some important donors (eg DFID and Denmark). Openness from the FTI secretariat in terms of the requirement for submitting applications (largely based on existing Education Strategic Plan and its indicators etc) and actual availability of additional funding (eg 'catalytic fund') may modify the situation, but not in the foreseeable future.

vi) Trade and Development

The EPA negotiations are an important challenge for the coming years. The EC follows a comprehensive and coherent policy in supporting Zambia regarding trade and development issues. As regards trade issues, as already mentioned in sections 3.5 and 4.6, the EC strongly supports the Government of Zambia on trade policy formulation and trade negotiations. The forthcoming Institutional Reform and Capacity Building programme will also address trade policy and negotiation issues and will complement the ongoing support. Concerning development issues, the EC directly supports the private sector development as well as the emergence of a competitive and diversified market economy, through the Export Development Programme, Private Sector Development Programme and Mining Sector Diversification Programme (see section 4.1.2). Both policies are mutually reinforcing and will in combination contribute to support broad based economic growth in line with the PRSP/TNDP objectives.

vii) Energy

The EU Energy Initiative for Poverty Eradication and Sustainable Development (EUEI) is supported by the European Commission and EU Member States. The EUEI aims to support Developing Countries in their efforts to elaborate a framework for establishing basic energy services for the poor necessary for sustainable development, in line with the Millennium Development Goals. Activities implemented under the initiative should be driven by the needs and priorities of the participating countries. The Government of Zambia adhered to the Energy initiative as it sees energy as a cross-cutting issue for the main priority areas that it has identified under the PRSP: mining, agriculture, tourism, industry. Zambia was one of the first countries to be selected for an assessment study. The Zambia country study was concluded in November 2003. Recommendations for short and medium/long term actions have been formulated in the study for considerations to Government and cooperating partners.

viii) Environment

Despite the country having relatively ample biomass, sufficient rainfall and fertile soils, environmental degradation is on increase. On localized areas, the unsustainable harvest of biomass has a serious impact on poverty reduction efforts. Removal of

biomass reduces the organic carbon thereby reducing the water retention capacity of the soils thus negatively affecting the soil fertility and land productivity. The Government National Environment Action Plan (NEAP) has made environmental impact assessment obligatory in most development activities. Environment is addressed as a cross-cutting in the CSP/NIP, particularly in the Forestry Support Programme and the Promotion of Conservation Farming Techniques Programme (see 4.3.5).

ix) Governance

Government of Zambia is committed to good governance. The Anti-corruption Commission is the central body in charge of the implementation of the zero-tolerance policy against corruption (see 3.1). However, misappropriation of funds is still a major concern. It is expected that the ongoing public sector reform (see 2) will significantly improve good governance. As part of the reform process, public financial management has been improving in 2003, although from a low basis. The CSP/NIP addresses good governance issues through the focal area “Institutional Reform and Capacity Building” (see 4.2.2 and 5).

**5.2.2 Financial room within the existing CSP/NIP**

Although the implementation of the 9<sup>th</sup> EDF has been delayed compared to the initial timetable in the CSP/NIP, during to 2003 the delay was considerably overcome. According to the work programme proposed in this report (see tables below), all remainder funds should virtually be object of global commitments by end 2005 (98.55% of total allocation), with the peak in 2004. By the end of 2005, the individual commitments should represent 84.0% and payments should represent 74.78% respectively of total allocations.

Table 6: Financial execution and forecast of EDF NIP+SAF (6,7,8,9 EDF ): 2002-2005

Period	Global Commitments €M	Individual Commitments €M	Payments €M
2002	25.7	29.5	41.9
2003	117.2	41.2	43.9
2004	127.0	124.6	53.3
2005	14.0	62.0	73.7

Table 7: Financial situation in 2003 and forecasts for 2005 of EDF NIP+SAF (6,7,8,9 EDF)

Period	Total Allocations	Global Commitments		Individual Commitments		Payments	
		€M	% Total	€M	% Total	€M	% Total
	€M	€M	% Total	€M	% Total	€M	% Total



2003	803.1	650.5	81.00	488.1	60.78	473.5	58.96
2005	803.1	791.5	98.55	674.7	84.00	600.5	74.78

Taking into account the good financial performance of Zambia(see 4.1) and the speeding up of activities in 2003, as well as the increase in the staff in the EC Delegation under the deconcentration and the reorganization of the NAO services, the above objectives although ambitious are achievable. Therefore, there is no additional financial room within the current programmable funds to address the above mentioned EC policy initiatives and commitments, particularly agriculture/food security as well as additional needs coming from budget support and other activities under the focal areas of the CSP/NIP.

Zambia has the fourth highest allocation for the B-Envelope of all ACP countries, €105.7 million. The FLEX allocation has already absorbed €1.5 million from the “B” envelope. However, taking into account that international prices for copper and cobalt have recently increased, the FLEX instrument would not be used in the near future. The outlook highlighted above would justify a transfer of funds from the “B” envelope to the “A” envelope according to a proposal to be decided during the MTR.

### **5.3 Proposal on a review and adaptation of the CSP/NIP**

The JAR 2003 recommends no change in the CSP strategy. Its poverty focus is fully in line with Zambia’s overall development strategy. However, both parties (EC Delegation and NAO) agreed on the importance to streamline agriculture and food security within the CSP/NIP, namely the capacity building, NSAs and micro-projects components of the CSP/NIP. Possible areas of intervention could include conservation farming, small-scale irrigation, income generation and institutional reinforcement at national and decentralised levels, with the aim to support the rural sector in policymaking, particularly with regards to a food security strategy and capacity building. The Ministry of Agriculture, farmer producer associations and small-scale farmers would be likely targets for such support.

## **6 CONCLUSIONS OF THE JOINT ANNUAL REPORT AND MTR**

If the absorption capacity of the country over the last 5 years is maintained, by applying the financial performance indicators defined in the framework of the MTR it will take from 2003 onwards 3.24 years to complete global commitments, 7.93 years to complete individual commitments and 8.17 years to complete payments (see table below). This global performance is clearly above the average of all ACP countries.

Table 8: EDF - Financial Performance Indicators (NIP+SAF+A Env.)

Indicator	2003	2005
	Actual	Forecast
Number of years to complete Global commitments	3.24	0.22
Number of years to complete Individual commitments	7.93	2.33
Number of years to complete payments	8.17	4.31

See annexe 4 for details

Taking into account the work programme defined in this report (see 5.2.2) it will take from 2005 onwards 0.22 years to complete global commitments, 2.33 years to complete individual commitments and 4.31 years to complete payments (see table above). According to this scenario Zambia will be in a very good position in terms of financial performance. This scenario is based on the assumption that the country will be able to conclude a PRGF with the IMF by mid 2004.

As reported in this document, Macroeconomic stability is improving with a sustained average annual rate growth of 4% over the last 4 years and decreasing inflation. Fiscal control over the budget deficit and therefore the increase in domestic debt remain the main area for concern. Although significant progress has been achieved with the MTEF and the Activity Based Budget, there is still considerable room to strengthen public financial management and allocate more resources to priority areas for poverty reduction.

The Government is working on an Action Plan to reform Public Financial Management, which is a key component of the EC capacity building programme. The other elements of the public sector reform (pay reform, decentralization) would also be instrumental to improve sectoral performance in terms of service delivery and good governance. These issues are also important for the EC capacity building programme to create an enabling environment for the private sector.

Important progress has also been achieved in the road sector. The Transport Policy Document was approved 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 Authority under the Ministry of Works and Supply, the Road Fund Authority under the Ministry of Finance and the Road Traffic and Safety Authority under the Ministry of Communication and Transport. These bills were approved by Parliament in December 2002. In December 2003, the Ministry of Works and Supply has appointed board members of the Road Development Agency, while the Ministry of Finance and National Planning and the Ministry of Communication and Transport reached an advanced stage in the appointment of the boards of the other two Agencies. It is envisaged that all the boards shall be in place by mid February 2004.

Significant progresses have already been recorded in the social sectors. In Education sector, the Government has implemented an Education Strategic Plan (ESP) which was presented to the donor community in February 2003. In the Health sector, the Mid Term Review of the NHSP took place in 2003. The main recommendations were: a prioritised and costed plan for 2006-2010, an improved monitoring system, fully develop a decentralized system, raise public health expenditure to 15% of domestic discretionary budget (from current 10%), creation of a task force on human resources (retention problems, especially in rural remote areas). However, these policy developments have not been reflected yet on significant improvements of outcome indicators.

Overall, the implementation of the PRSP in Zambia is improving, although considerable room still exists to improve the implementation process and, ultimately, to generate the desirable outcomes in terms of poverty reduction. The CSP/NIP has been proved in line with the Government poverty reduction strategy.

In the light of the above analysis, it has been decided under the MTR to:

- maintain the country strategy for Zambia, as contained in the CSP and NIP;
- increase the funds available under the A envelope by €80 million, mainly in macroeconomic support and the focal sector of capacity building/institutional development and support to NSAs, with the following purposes and indicative amounts:

- continue the general budget support through a two-year €65m extension to PRBS (on the basis of the need to sustain recurrent budget expenditures for PRSP implementation in 2006/2007 and 2007/2008. The new programme will continue EC support to reduce inflation and interest rates, to increase economic growth and to improve the composition of public expenditure, notably the share going to education and health, and also its quality, notably to increase resources for non-salary recurrent costs);

- contribute an additional €15m in support for food security within the framework of the current capacity building and institutional development focal sector and support to NSAs. The new programme will support small scale farmers and vulnerable households.

- decrease the funds available under the B envelope by €6.44 million, including a transfer of €80 million from envelope B to envelope A for the purposes just mentioned, and a reduction by the residual balance of €6.44 million. €7.77 million will remain in the B envelope for emergency response to refugees and other humanitarian crises related needs.

Ng'andu Peter MAGANDE  
Minister MoFNP  
NAO  
Lusaka, .....

Henry SPRIETSMA  
Ambassador-Head of Delegation

## ANNEXES

1. Rationale for the Focal Sectors Interventions and Macroeconomic Support
2. Chronogram of EDF Activities and Global Commitments 2003 – 2007
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**ANNEX 1: RATIONALE FOR THE FOCAL SECTORS INTERVENTIONS and macroeconomic support**

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

<i>Intervention</i>	<i>Performance Indicator</i>	<i>Means of Verification</i>	<i>Assumptions</i>
<p><b>Overall Goal:</b>  <b>To Strengthen the Institutional Capacities of the Zambian public and private sectors to manage the economy and promote private sector led development</b></p>	<ul style="list-style-type: none"> <li>-Financial and Economic Management capacities of the Zambian Public Service Strengthened.</li> <li>-Capacities for public-private dialogue built as a basis for improving the policy and institutional environment for private sector development.</li> <li>-capacities of Non-State Actors to participate and benefit from EU-Zambia Cooperation developed.</li> <li>- access of private and public actors to the distance learning courses of the BOZ increased.</li> </ul>	See Below	See Below
<p><b>Objective 1:</b>  <b>To Strengthen the Financial and Economic Management capacities of the Zambian Public Service</b></p>	See Below	See Below	<ul style="list-style-type: none"> <li>-Government maintains its commitment to the reform of the Public Service.</li> <li>-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.</li> </ul>
<p>Results:  a) Organisational capacities of the Planning and Economic Management Dept, MOFED, strengthened.</p>	Ability of Department to perform core functions 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;	<ul style="list-style-type: none"> <li>-Products: reports, policy documents available for review, and systems operational.</li> <li>Services: client satisfaction.</li> </ul>	<ul style="list-style-type: none"> <li>- PEMFAR is implemented according to plan..</li> <li>-MoFNP progresses with implementation of agreed restructuring process.</li> <li>-Adequate budget is provided by GOZ to enable basic functioning of the department.</li> </ul>

<p>b) Systems and procedures for the management of public expenditure re-habilitated</p>	<p>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</p>	<ul style="list-style-type: none"> <li>-Operators fully conversant with the operations of IFMIS</li> <li>-Periodic outputs of the IFMIS available for inspection</li> <li>-User satisfaction with the outputs of IFMIS (govt depts, donors etc)</li> </ul>	<ul style="list-style-type: none"> <li>-PEMFAR is implemented according to plans.</li> <li>-Phases 1 &amp; 2 of the IFMIS project are approved.</li> <li>-Donor funding towards costs of IFMIS forthcoming.</li> <li>-Adequate budget is provided by GOZ to enable basic functioning of the department.</li> </ul>
<p>c) Reform and restructuring of the National Statistical System completed</p>	<ul style="list-style-type: none"> <li>-Restructuring of the CSO completed.</li> <li>-Statistical units in line ministries operational &amp; staff trained.</li> <li>-Mechanisms for the collection and dissemination of statistical data between public and private users established.</li> <li>-Relevant and high quality statistical data produced on time.</li> </ul>	<ul style="list-style-type: none"> <li>-Physical evidence of new structures in place and operational.</li> <li>-Physical evidence of new systems functioning.</li> <li>-Reports, statistical bulletins etc available for inspection.</li> <li>-Client/user satisfaction with performance of the system.</li> </ul>	<ul style="list-style-type: none"> <li>-GOZ/MoFNP approves and is committed to the implementation of the reforms of the system.</li> <li>-Line ministries are willing and able to cooperate.</li> <li>-Adequate budget is provided by GOZ to enable basic functioning of the CSO.</li> <li>-Other donors are willing to pledge support to the restructuring/reform process.</li> </ul>

<p><b>Objective 2:</b>  <b>To build capacities for public-private dialogue as a basis for improving the policy and institutional environment for private sector development</b></p>	<p>See Below</p>	<p>See Below</p>	<ul style="list-style-type: none"> <li>-Government maintains its commitment to economic recovery through private sector led growth.</li> <li>-Government continues the process of reform of the Public sector.</li> </ul>
<p>Results:  a) Capacities for National level Dialogue Strengthened</p>	<ul style="list-style-type: none"> <li>-Mechanisms for structured dialogue at the national level are in place and in use.</li> <li>-Organisational capacities of public and private actors to engage in dialogue are strengthened.</li> <li>-Processes of dialogue result in the review, formulation and discussion of relevant laws, policies rules and regulations.</li> </ul>	<ul style="list-style-type: none"> <li>-Physical evidence / organisation of structured dialogue processes &amp; mechanisms.</li> <li>-Public and Private actors willing and able to prepare and defend arguments, positions etc, and to participate on a regular basis in dialogue.</li> <li>-Evidence of the outcome of dialogue in terms of new, revised laws, policies, rules and regulations</li> </ul>	<ul style="list-style-type: none"> <li>-Government is committed to entering into dialogue with the private sector.</li> <li>-Private sector is willing to explore opportunities for dialogue with the public sector.</li> <li>-Reform process of MCTI is fully implemented and qualified staff can be retained.</li> </ul>

<p>b) Capacities for Local level Dialogue Strengthened</p>	<ul style="list-style-type: none"> <li>-Mechanisms for structured dialogue at the local level are in place and in use.</li> <li>-Organisational capacities of local public and private actors to engage in dialogue are strengthened.</li> <li>-Processes of dialogue result in the review, formulation and discussion of relevant local laws, policies, rules and regulations.</li> </ul>	<ul style="list-style-type: none"> <li>-Physical evidence / organisation of structured dialogue processes &amp; mechanisms.</li> <li>-Public and Private actors willing and able to prepare and defend arguments, positions etc, and to participate on a regular basis in dialogue.</li> <li>-Evidence of the outcome of dialogue in terms of new, revised laws, policies, rules and regulations</li> </ul>	<ul style="list-style-type: none"> <li>-Provincial government and local authorities are willing to enter into dialogue with the local business community.</li> <li>-The business community is willing to explore opportunities for dialogue with the public sector.</li> <li>-Adequate resources are made available to facilitate exploration of these processes.</li> </ul>
<p><b>Objective 3: To build the capacities of Non-State Actors to participate and benefit from EU-Zambia Cooperation</b></p>	<p>See Below</p>	<p>See Below</p>	<p>All parties (Government, EC Delegation, NSAs) willing to explore opportunities for cooperation;</p>
<p>Results: a) Capacities of Non-State actors strengthened in terms of participating in dialogue, programme planning and project management.</p>	<ul style="list-style-type: none"> <li>-NSAs are better informed about the opportunities for participation.</li> <li>-Mechanisms and procedures for participating in EU-Zambia cooperation are developed.</li> <li>-capacities of NSAs for dialogue, programme planning and project management have been strengthened.</li> </ul>	<ul style="list-style-type: none"> <li>-Examples of mechanisms /instruments for information dissemination.</li> <li>-Participation of NSAs in consultative and monitoring processes.</li> <li>-Approved Decentralised Cooperation proposals.</li> <li>-Reports on training courses, organisational strengthening assignments.</li> <li>-Client satisfaction.</li> </ul>	<p>Adequate resources / capacities set aside by Delegation to explore and develop new modes of cooperation.</p>



## 2. THE GOVERNMENT'S POLICY FOR THE TRANSPORT SECTOR

	Performance Indicators	Sources of Verification	Assumptions
<p><b>Long-term National Sector Targets</b></p> <p><b>General</b> Availability of an adequate transport infrastructure is focal point in Gvt. policy for economic growth and poverty reduction.</p> <p><b>Road Sector</b> Road network in rationally maintainable condition by 2008</p> <p><b>Rail Sector</b> Improve financial and physical conditions and privatise management by 2002</p> <p><b>Aviation Sector</b> Maintain and enhance present service levels and expand facilities to support tourism</p>	<p>Adequate provisions in budget for both recurrent and capital expenditure. Detailed Transport Policy in place. Policy implementation actively pursued.</p> <p>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%</p> <p>Share of rail transport increased to 25% by 2010 and to 40% by 2015 for all imports and exports</p> <p>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.</p>	<p>Budget and expenditure records.</p> <p>Government publications</p> <p>Highway Management System of the Roads Department.</p> <p>Feeder Road reports of the Ministry of Local Government &amp; Housing</p> <p>Central Statistical Office</p> <p>Annual reports of the Civil Aviation Department</p>	

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

	Performance Indicators	Sources of Verification	Assumptions
<p><b>Intervention Objective</b></p> <p><b>1.Trunk, Main and District Roads</b></p> <p>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><b>2. Feeder Roads</b></p> <p>Improved access to rural areas with a high productive potential in agriculture, mining, tourism or other.</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;</p> <p>Improved analytical capacity at Roads Department/ NRB</p> <p>Traffic flows in all seasons increased;</p> <p>Increased activities in agriculture, mining and tourism.</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&amp;H, provinces and districts.</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><b>3.Transport mode Co-ordination</b></p> <p>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>Improved institutional capacity for the management of the national rail network and regional integration of rail transports.</p>	<p>Ministry of Transport and Communication.</p>	<p>The Government will remain committed to the establishment of a transport system in which the different transport modes are efficiently combined</p>
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**LOGFRAME FOR THE PROPOSED INTERVENTIONS IN THE TRANSPORT SECTOR (2)**

	Performance Indicators	Sources of Verification	Assumptions
<p><b>Results</b></p> <p><b>1. Trunk, Main and District Roads</b></p> <p>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><b>5. Feeder Roads</b></p> <p>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>Km of roads maintained each year</p> <p>International Rough-ness Index for tarmac roads in general below 3.5 by 2006</p> <p>Quarterly road condition analysis and maintenance priorities available from 2002. Maintenance carried out systematically and effectively based on correct prioritisation.</p> <p>Quarterly axle load survey reports available.</p> <p>Number of gravel and dirt roads in poor condition reduced from 78% to 50%</p>	<p>Highway Management System</p> <p>Publications Roads Department/NRB</p> <p>Same.</p> <p>Publications Roads Department/NRB</p> <p>Reports Provincial Engineer / Ministry of Local Government and Housing</p>	<p>Agreed increase of fuel levies implemented</p> <p>Preparedness to tackle overloading in both Gvt. and transport industry</p> <p>Effective management of feeder roads in place.</p>

<p><b>6. Transport Mode Coordination</b></p> <p>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>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>Reports by Ministry of Communication and Transport</p>	<p>Substantial progress made in management of the railways</p>
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### 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 <sup>st</sup> Tranche (Fixed)	10	Jun 04	Agreement with IMF on a new PRGF
May 04	2 <sup>nd</sup> 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 <sup>st</sup> of May 2004.
Sep 04	3 <sup>rd</sup> 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 <sup>th</sup> 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 <sup>th</sup> 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 <sup>st</sup> of May 2005.
Sep 05	5 <sup>th</sup> 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 <sup>th</sup> 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 <sup>th</sup> 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 <sup>st</sup> of May 2006.
	<b>TOTAL</b>	<b>110</b>		

#### 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 2<sup>nd</sup> year and all Ministries 3<sup>rd</sup> 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 EDF Activities and Global Commitments 2003 - 2007**

EDF	Title of Project	2003	2004	2005	2006	2007	Total 2003 - 2007
9B	Budgetary Support FLEX (env B)	11,300,000	0	0	0	0	11,300,000
9A	Education (soc. Sect.)	0	10,000,000	0	0	0	10,000,000
9A	Conservation farming unit	0	1,970,000	0	0	0	1,970,000
9A	PWAS I (ceiling increase)	232,000	0	0	0	0	232,000
9A	Budgetary support	117,000,000			0	0	117,000,000
9A	Preventive maintenance of trunk & main roads (transport sector)	0	70,000,000	0	0	0	70,000,000
9A	Health -HIV/AIDS	0	10,000,000	0	0	0	10,000,000
9A	Private sector development	0	10,000,000	0	0	0	10,000,000
9A	Airport Rider	0	2,200,000	0	0	0	2,200,000
9A	Micro-projects Programme	0	0	8,000,000	0	0	8,000,000
9A	Technical Education (soc sec)	0	0	6,000,000	0	0	6,000,000
9A	Technical Cooperation Facility (TCF)	0	2,850,000	0	0	0	2,850,000
9A	Feeder road study (transp sec)	600,000		0	0	0	600,000
9A	Financial and economic management (cap. Build.)	0	20,000,000	0	0	0	20,000,000
9A	Feeder roads maintenance and rehabilitation (transport. Sec.)	0	0		20,000,000	0	20,000,000
9A	EFA (Fast track initiative)	0	0	0	0	2,500,000	2,500,000
9A	PWAS - orphans & vulnerable children (social sec.)	0	0	0	0	0	0
<b>TOTAL</b>		129,132,000	127,020,000	14,000,000	20,000,000	2,500,000	292,652,000

**Annex 3: Indicative Timetable for Commitments and Disbursements**

	2004			2005		
	Global Commitments	Individual Commitments	Disbursements	Global Commitments	Individual Commitments	Disbursements
Total ED F	127,020,000	124,505,500	53,325,056	14,000,000	62,043,000	73,729,062

## Annex 4: Financial Performance Indicators

### EDF National Indicative Programme and Structural Adjustment Facility 1999 - 2003

#### Status at 31/12/2003

EDF	<u>Allocations</u>	<u>Commitments*</u>	<u>%</u>	<u>All. - Prim.</u> <u>Commit</u>	<u>Assigned funds*</u>	<u>%</u>	<u>All. - Ass.</u> <u>Funds</u>	<u>Payments</u>	<u>%</u>	<u>All. - Pay</u>
6 NIP	89,235,419	89,235,419	100.00%	-0	89,209,888	99.97%	25,531	89,185,944	99.94%	49,475
7 NIP + SAF	198,582,079	198,582,079	100.00%	0	197,417,237	99.41%	1,164,842	196,373,675	98.89%	2,208,404
8 NIP + SAF	243,691,364	243,691,364	100.00%	0	201,439,315	82.66%	42,252,049	187,914,717	77.11%	55,776,647
9 Env. A + transfers	271,560,271	118,959,700	43.81%	152,600,571	0	0.00%	271,560,271	0	0.00%	271,560,271
<b>Total</b>	<b>803,069,133</b>	<b>650,468,561</b>	<b>81.00%</b>	<b>152,600,571</b>	<b>488,066,439</b>	<b>60.78%</b>	<b>315,002,694</b>	<b>473,474,335</b>	<b>58.96%</b>	<b>329,594,797</b>

#### Annual figures

	<u>Commitments*</u>	<u>Assigned funds*</u>	<u>Payments</u>
<b>1999</b>	11,053,036	78,666,936	70,307,171
<b>2000</b>	80,711,173	10,330,396	11,405,385
<b>2001</b>	658,500	39,077,927	34,358,739
<b>2002</b>	25,732,781	29,462,089	41,872,507
<b>2003</b>	117,209,053	41,180,386	43,861,825
<b>5 year average</b>	<b>47,072,909</b>	<b>39,743,547</b>	<b>40,361,125</b>

<b>Number of years to complete commitments</b> (((Current allocations - current commitments)/5 year average commitments)	<b>3.24</b>	<b>years</b>
<b>Number of years to complete assigned funds</b> (((Current allocations - current assigned funds)/5 year average assigned funds)	<b>7.93</b>	<b>years</b>
<b>Number of years to complete payments</b> (((Current allocations - current payments)/5 year average payments)	<b>8.17</b>	<b>years</b>

**EDF National Indicative Programme and Structural Adjustment Facility 1999 - 2005**

EDF	<u>Allocations</u>	<u>Commitments</u>	<u>%</u>	<u>All. - Prim. Commit</u>	<u>Assigned funds</u>	<u>%</u>	<u>All. - Ass. Funds</u>	<u>Payments</u>	<u>%</u>	<u>All. - Pay</u>
6 NIP	89,235,419									
7 NIP + SAF	198,582,079									
8 NIP + SAF	243,691,364									
9 Env. A	271,560,271									
<b>Total</b>	<b>803,069,133</b>	<b>791,488,561</b>	<b>98.56%</b>	<b>11,580,572</b>	<b>674,614,939</b>	<b>84.00%</b>	<b>128,454,194</b>	<b>600,528,453</b>	<b>74.78%</b>	<b>202,540,680</b>
<b>Annual figures</b>		<u>Commitments</u>			<u>Assigned funds</u>			<u>Payments</u>		
<b>1999</b>		11,053,036			78,666,936			70,307,171		
<b>2000</b>		80,711,173			10,330,396			11,405,385		
<b>2001</b>		658,500			39,077,927			34,358,739		
<b>2002</b>		25,732,781			29,462,089			41,872,507		
<b>2003</b>		117,209,053			41,180,386			43,861,825		
<b>2004</b>		127,020,000			124,505,500			53,325,056		
<b>2005</b>		14,000,000			62,043,000			73,729,062		
<b>7 year average</b>		<b>53,769,220</b>			<b>55,038,033</b>			<b>46,979,963</b>		

<b>Number of years to complete commitments</b> ((Current allocations - current commitments)/7 year average commitments)	<b>0.22</b>	<b>years</b>
<b>Number of years to complete assigned funds</b> ((Current allocations - current assigned funds)/7 year average assigned funds)	<b>2.33</b>	<b>years</b>
<b>Number of years to complete payments</b> ((Current allocations - current payments)/7 year average payments)	<b>4.31</b>	<b>years</b>

**ANNEX 5: Donor Matrix Planned disbursements for 2004 (millions €)**

**Countries**

<b>Sectors</b>	EC	B	DK	D	EL	E	F	IR	I	L	NL	A	P	FI	S	UK *)
Education	3.6		6,7					5,40			8,7			3		11.6
Health	1.6		3,4	1,5				3,80			11,6					24.8**)
Water supply and sanitation	0.3		2,7	16,1				2,40								
Government and Civil Society	1		1,3	2,1				1,60			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	0.03															
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					0.34					0.5		6.3
Others	1.3'		3,4''''	1,0			2,8*						0..225***		7.6
<b>Total</b>	<b>53.4</b>		<b>24,2</b>	<b>27,2</b>				<b>0.84</b>		<b>24,2</b>			<b>5.51</b>		<b>104.4</b>

' 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 6: Zambia Environmental Profile

### Domestic Environmental Profile

#### Issue and Policies

##### National Environmental Policies

To mainstream and strengthen sustainable environment and natural resources management in Zambia's development process at the national and local levels. The development process must embody strategies of poverty reduction, economic growth and protection of the environment and natural resources.

#### Strategies and Action Plans

##### Environmental action plan

1994: National Environmental Action Plan (NEAP) (Zambia)

2002 Poverty Reduction Strategy Programme (PRSP) proposed the preparation of a National Environment Policy

2002 Transitional National Development Plan (TNDP)

Sustainable development strategy

1985: National Conservation Strategy for Zambia

1994: National Water Policy

1999: National Strategy for Community Water Supply Services (Zambia)

#### Basic Indicators

Area	Total: 752,614 sq km Water 11,890 sq km Land: 740, 724 sq km
Climate	Tropical; modified by altitude; rainy season (October to April)
Elevation extremes:	Lowest point: Zambezi river 329 m Highest point: unnamed location in Mafinga Hills 2,301m
Terrain	Mostly high plateau with some hills and mountains
Natural resources:	Copper, cobalt, zinc, lead, coal, emeralds, gold, silver, uranium, hydropower
Land use:	arable land: 7.08 %
Irrigated land:	460 sq km (1998 est.)
Environment current issues:	air pollution and resulting acid rain in the mineral extraction and refining region; chemical runoff into watersheds; poaching seriously threatens rhinoceros, elephant, antelope, and large cat populations; deforestation; soil erosion; desertification; lack of adequate water treatment presents human health risks
Environment international agreements:	party to: Biodiversity, climate change, desertification, endangered species, hazardous wastes, law of the Sea, Nuclear Test Ban, Ozone Layer Protection, Wetlands. Signed, but not ratified: Climate Change-Kyoto Protocol.
Population:	9,959,037 Note: estimates for this country explicitly take into account the effects of excess mortality due to AIDS; this can result in lower life expectancy, higher infant mortality and death rates, lower population and growth rates, and changes in the distribution of population by age and sex than would otherwise be expected (July 2002 est.)
Age structure	0-14 years 47.1 % (male 2,357,581; female 2,335,644) 15-64 years: 50.4 % (male 2,497, 360; female 2,519,227) 65 years and over: 2.5 % (male 106,160; female 143, 065) (2002 est.)
Population growth rate:	1.9 % (2002 est.)
Birth rate	41.01 births/1,000 population (2002 est.)

Death rate	21.89 deaths/1,000 population (2002 est.)
Net migration rate	-0.16 migrant(s)/1000 population (2002 est.)
Life expectancy at birth:	total population: 37.35 years female: 37.66 years (2002 est.) male: 37.05 years
Total fertility rate:	5.43 children born/woman (2002 est.)
HIV/AIDS-adult prevalence rate:	19.95 % (1999 est.)
Government type	Republic
Capital:	Lusaka
International organization participation:	ACP, AfDB, COMESA, CCC, ECA, FAO, G-19, G-19, G-77, EAEA, IBRD, ICAO, ICFTU, ICRM, IDA, IFAD, IFC, IFRCs, ILO, IMF, Interpol, IOC, IOM, ITU, MONUC, NAM, OAU, OPCW, PCA, SADC, UN, UNAMSIL, UNCTAD, UNESCO, UNIDO, UNMEE, UNMIK, UPU, WHO, WIPO, WMO, WToO, WTrO
Economy overview:	Despite progress in macroeconomic stability, Zambia's economy has a long way to go. Privatization of government-owned copper mines relieved the government from covering mammoth losses generated by the industry and greatly improved the chances for copper mining to return to profitability and spur economic growth. However, low mineral prices have slowed the benefits from privatizing the mines and reduced incentives for further private investment in the sector. In late 2000, Zambia was determined to be eligible for debt relief under the Heavily Indebted Poor Countries (HIPC) initiative. The PRSP was finalized in 2002. The HIPC completion point is expected for the second half of 2004. Unemployment rates remain high, but GDP growth should continue at about 4 %. Inflation should remain close to 20 %.
GDP-per capita:	Purchasing power parity - \$870 (2001 est.)
GDP - real growth rate:	4 % (2001 est.)
GDP	Purchasing power parity -\$8.5 billion (2001 est.)
GDP-composition by sector:	agriculture: 24 % industry 25 % services: 51 % (2000)
Population below poverty line:	86%
Labour force - by occupation:	agriculture 85 %, industry 6 %, services 9 %
Labour force:	3.4 million
Budget:	revenues: \$1.2 billion expenditure: \$1.25 billion, including capital expenditures of \$NA (2001 est.)
Industries:	copper mining and processing, construction, foodstuffs, beverages, chemicals, textiles, fertilizer, horticulture
Electricity production:	7.822 billion kWh (2000)
Electricity-production by source:	fossil fuel: 1 % hydro: 99 % other: 0 % (2000) nuclear 0 %
Electricity consumption:	5.838 billion kWh (2000)
Electricity exports:	100 million kWh (2002)
Electricity imports:	100 million kWh (2002)
Exports:	\$876 million (f.o.b.)
Export commodities:	copper 55 %, cobalt, electricity, tobacco, flowers, cotton
Exports - partners:	UE, South Africa, SADC, COMESA
Imports:	\$12.05 billion (f.o.b.)



Imports commodities:	Machinery, transportation equipment, petroleum products, electricity, fertilizer, foodstuffs, clothing
Imports partners:	South Africa, UE, SADC COMESA
Border countries	Tanzania, Malawi, Mozambique, Zimbabwe, Botswana, Namibia, Angola Zaire,

### **State-of-the-Environment Reporting**

1994: National State of the Environment Report (Zambia)

#### **Energy Balance**

Zambia is endowed with rich indigenous energy resources, which should contribute greatly to the domestic economy and the welfare of Zambian people. Apart from ample new and renewable energy resources, fuelwood, hydropower and coal are found in large quantities in Zambia. The average annual consumption for the last three years has averaged 4.6 MTOE with wood fuel (78 %) dominating the fuel mix followed by electricity (11 %) and petroleum (9 %) and coal (2.75 %). Apart from the households, which alone account for 75 % of total consumption, mining is the largest consumer of modern energy followed by industry and commerce.

#### **Forest Conservation and Household Energy Supply**

The continued unsustainable production of charcoal and firewood constitute a major environmental problem. The low conversion efficiency of firewood to charcoal has created an unsustainable supply with serious degradation and ecological disaster. Most of the woodfuel is collected free of charge and the charcoal and firewood prices do not reflect the actual economic cost. Whereas woodfuel will remain the energy of choice for the rural areas for a long time, there is need to create a balance between demand and consumption. Sustainable production of biomass especially for charcoal is necessary in order to stem the further negative impacts.

On the demand side, sustainability can only be assured if demand is reduced without necessarily increasing supply. Training of communities in energy conservation and efficiency at household level will be in line with the national objectives. Wider adoption of the improved cook stoves should be a major emphasis targeting not only the charcoal users but also firewood users. Large-scale production of improved cookstoves, accompanied by market development and transformation will create the necessary infrastructure for commercialisation of the already improved cookstoves.

**The alternative energy** available in Zambia includes briquetting of biomass, coal briquetting, wind and solar energy.

**Wind Energy:** Whereas there is not much wind in the country generally several pockets of good wind potential exist which substantially substitute diesel and grid power for water lifting.

**Solar Energy:** Solar irradiation is estimated at 4 – 5 kW per metre square per day. This energy has been proven as a viable option for meeting small power requirements and to some extent solar thermal applications.

**Biomass briquettes:** Whereas the sugar industry uses part of the bagasse for captive power, a large part of this biomass is discarded. This bagasse could possibly be used for biomass briquettes.

**Coal briquettes:** With a substantial urban population and the damaging effects of charcoal processing, a coal briquettes demand can be created through appropriate policy interventions, market transformation and innovation. Coal in principle holds a lot of promise in substituting charcoal for cooking. Definite policy actions are required especially with the advent of clean coal technologies to progressively shift the population from biomass and more so charcoal to coal. Pelleting of coal dust to improve combustion and reduce the indoor pollution associated with coal would have a strong impact on national energy mix. Small-scale cottage industries including brick making and ceramics would greatly benefit from coal use. NISIR has already successfully made coal briquettes.

Increased use of LPG would help reduce flaring which is environmentally unfriendly and economically senseless. Lessons from other countries that have had successful introduced wider LPG utilisation could be used to mirror the market transformation of the LPG market in Zambia. The environmental benefits of switching from charcoal or firewood to gas are major and they range from reduction in GHG emission and indoor air pollution, both of which have direct health impacts. The energy intensity of the LPG and its environmental cleanliness should be used as the reason for advocating for more usage in the country. The basis for such argument is that currently approximately 3,891,000 tonnes of wood are converted to yield only 773,000 tons of charcoal reflecting a conversion efficiency of less than twenty per cent indicating some conversion losses of 3,110,000 tons of wood. Assuming all other things being equal, some 11,000 tons of LPG would deliver equivalent energy cleanly to users more efficiently and in an environmentally friendly manner. The switch would let forests in general and trees in particular to perform their hydrological and ecological functions.

#### **Increased use of the National Hydropower Potential.**

Zambia has a definite “water advantage” with ample water and head available for large and small-scale hydro power plants. Electric power is cheap compared with other nations around it. The hydropower potential of Zambia is estimated at 6,000 MW for the large hydro sites mainly on two rivers the Kafue and the Zambezi. Rehabilitation of existing plants and development of the new sites will meet the national demand in the short to medium term. The country is also endowed with adequate small hydropower potential, which can enhance accessibility through the decentralised systems with their attendant mini grids.

#### **Enhanced rural electrification.**

The disadvantage rural areas are suffering due to lack of modern energy has a direct impact on poverty. There is need to increase rural electrification through various options among them grid extension and decentralised schemes. Special emphasis should be placed on choice of the least cost and best delivery mechanism. This is due to the fact that electrification has not been successful earlier. Among the problems associated with the rural electrification is poor administration of the Rural Electrification Fund. There is a need for continued restructuring of the institutions and public body for best delivery of service.

A pro-poor lifeline tariff and policy instruments will be necessary in order to increase the number of communities enjoying electricity. It is estimated that a social tariff for 30 – 50 kWh per month for the rural and peri-urban poor is considered sufficient to jump-start the necessary transformation process. Rural electrification based on income generating activities and social institutions would have a greater appeal and hence support. It is however recommended that community participation in the project choice and implementation is vital. The Zambia officials have expressed some concern about EIB loans financing energy services for the poor with interests and terms and conditions being more than the poverty reduction projects can afford. If the EUEI would be a marketing scheme for EIB loan projects then the initiative might be met with certain reservations.

#### **Energy Conservation and Efficiency**

This energy options targets primarily biomass energy whose continued unsustainable use is threatening the environment and creating dependency on a low value energy systems for majority of Zambians.

The options proposed include increasing the awareness on the potential of energy conservation while vigorously promoting energy efficient appliances for cooking and water heating. Policy of fuel substitution will need to be introduced to take advantage of other alternatives to relieve biomass and in some cases kerosene.

The potential of using off-peak power for (small-scale) irrigation is considered a possible option of utilising electricity in agricultural production without necessarily investing in extra power generation.

Development of Income Generating Activities and Integration of SMEs and Informal Sector into the National Economy.

Among the activities targeted for action should be those that reinforce the objectives of the PRSP. Among these are targeting rural electrification to rural trade promotion centres as focal points for rural electrification and vending petroleum fuels, rural industries including cottage

industries and with special emphasis on agro processing and food production. Setting up a fund for entrepreneurs in the energy sector with objective to provide greater access to affordable energy services should be considered a positive move.

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### **Leading Non-Governmental Organizations**

#### **Environmental Conservation Association of Zambia**

Environmental Conservation Association of Zambia, P.O Box 30395, Lusaka.

Focal Point for Environmental Education

Main datasets and information products: Annual Report

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#### **Forestry Association**

Forestry Association, P.O Box 22099, Kitwe Zambia

Focal Point for Forest conservation

Main datasets and information products: Annual Report

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#### **International Union For conservation of Nature (IUCN)**

International Union For conservation of Nature (IUCN), P/Bag W356, Lusaka Zambia

Focal Point for Wetlands

Main datasets and information products: Annual Report Research and other Reports

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#### **North Luangwa Conservation Project**

North Luangwa Conservation Project, P.O Box 450148, Mpika

Focal Point for Wildlife

Main datasets and information products: Annual Report

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#### **Wild Conservation of Society of Zambia,**

Wild Conservation of Society of Zambia, P.O Box 30255, Lusaka

Focal Point for Wildlife conservation

Main datasets and information products: Annual Reports

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#### **Wild Wide Fund For Nature**

Wild Wide Fund For Nature, P.O Box 50557, Lusaka Zambia

Focal Point for Wildlife Conservation, environmental education

Main datasets and information products: Annual Report, Research Reports

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Minister of Tourism, Environment & Natural Resources

#### **Ministry of Tourism, Environment and Natural Resources**

Hon. Patrick Kalifungwa

Ministry of Environment and Natural Resources P O Box 34011 Lusaka Zambia

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### **UNEP Projects**

#### **Support for preparation of National Biosafety Policy Framework**

UNEP provided support for the preparation of a national Biotechnology and Biosafety Policy Framework and proposals for the Establishment of National Biosafety Competent Authority funded under GEF

Support was rendered in the preparation of a policy framework for Biodiversity activities which produced the following: · National Biodiversity Strategies and Action Plan · National Biodiversity Guidelines and Implementation Strategies In this regard two project proposals were formulated and accepted for funding under the Global Environment Fund by UNEP. Implementation of these projects will commence in the year 2001

#### **UNEP-Infoterra**

Zambia joined the Infoterra network in 1978. The focal point is located in the National Institute for Scientific and Industrial Research; Information Services Unit.

**GEF Projects**

Project Name	Project Type	Focal Area	Sub-group	Entry into WB	Implementing Agency	Status	GEF Allocation	Cofinancing	Total Costs	Executing Agency	Approval Date	Duration
Renewable Energy Based Electricity Generation for Isolated Mini-grids in Zambia	Full Size Project	Climate Change			UNIDO					Department of Energy		
Reclassification and Sustainable Management of Protected Areas System	Full Size Project	Biodiversity			UNDP							
Community-based Natural Resources Management and Biodiversity Conservation in the Lukanga Swamps Watershed Area.	Full Size Project	Biodiversity			World Bank							
Securing the Environment for Economic Development (SEED)	Full Size Project	Biodiversity			World Bank					Zambia Wildlife Authority (ZAWA) under the Ministry of Tourism		
National Biodiversity Strategies, Action Plan, and Country Report to the COP	Enabling Activities	Biodiversity		3/24/1997	UNDP	Under Implementation	0.28944		0.28944	Government of Zambia, Ministry of the Environment and Natural Resources	06/03/1997	1
Enabling Activities for the Preparation of Initial Communication	Enabling Activities	Climate Change		4/24/1997	UNEP	Under Implementation	0.256	0.06	0.316	Environmental Council of Zambia	06/01/1997	2

Regional/Global Projects												
Project Name	Project Type	Focal Area	Sub-group	Entry into WB	Implementing Agency	Status	GEF Allocation	Cofinancing	Total Costs	Executing Agency	Approval Date	Duration
Pilot Biosafety Enabling Activity	Enabling Activities	Biodiversity	(Bolivia, Bulgaria, Cameroon, China, Cuba, Egypt, Kenya, Hungary, Malawi, Mauritania, Mauritius, Namibia, Pakistan, Poland, Russian Federation, Tunisia, Uganda, Zambia)	2/27/1998	UNEP	Under Implementation	2.744		2.744	UNEP	02/01/1998	1
The Kijani Initiative	Full Size Project	Biodiversity	(Mozambique, South Africa, Zambia, Kenya, Tanzania, Uganda, Egypt, Sudan, Tunisia, Ghana, Nigeria, Senegal)		World Bank/IFC							

Project Name	Project Type	Focal Area	Sub-Group	Entry into WB	Implementing Agency	Status	CEF Allocation	Co-Financing	Local Costs	Executing Agency	Approval Date	Duration
A Strategy for the Integrated Conservation of Dryland Biodiversity Through Land Rehabilitation in the Arid and Semi-Arid Regions	Full Size Project	Biodiversity	(Mozambique, Zambia, Zimbabwe)		UNEP/UNDP							
Developing Detailed Regional and National Project Proposals and Financial Mechanisms to Implement the Lake Tanganyika Strategic Action Programme and the Convention	Full Size Project	International Waters	(Burundi, Congo DR, Tanzania, Zambia)		UNDP					UNOPS		
Development of National Implementation Plans for the Management of Persistent Organic Pollutants (POPs)	Full Size Project	International Waters	(Barbados, Bulgaria, Chile, Ecuador, Guinea, Lebanon, Malaysia, Mali, Micronesia, Papua New Guinea, Slovenia, Zambia)	05/11/2001	UNEP	Under Implementation	6.185	3.13	9.315	United Nations Environment Programme (Chemicals Unit) National Executing Agencies of participating countries		3.5

Project Name	Project Type	Focal Area	Sub-Group	Entry into WB	Implementing Agency	Status	CEF Allocation	Co-Financing	Local Costs	Executing Agency	Approval Date	Duration
Pollution Control and Other Measures to Protect Biodiversity in Lake Tanganyika	Full Size Project	International Waters	(Tanzania, Congo DR, Burundi, Zambia)	12/01/1991	UNDP	Under Implementation	10		10	United Nations Office for Projects Services		
Southern Africa Biodiversity Support Programme	Full Size Project	Biodiversity	(Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Zambia, Zimbabwe)	11/01/1997	UNDP	Under Implementation	4.503728	4.39	8.893728	Southern Africa Development Community Forestry Sector		5
Africa Community Outreach Programme for Conservation and Sustainable Use of Biological Resources	Medium Size Project	Biodiversity	(Botswana, Malawi, Mozambique, Namibia, South Africa, Zambia, Zimbabwe)	09/02/1999	World Bank	Under Implementation	0.75	0.16795	0.91795	Zimbabwe Trust	10/31/1999	2

**ANNEX 7: 9<sup>TH</sup> EDF**

<b>Accounting No.</b>	<b>Project Title</b>	<b>0 Amount (1)</b>	<b>Commitment II Amount at 31.12.02</b>	<b>Commitment II Amount at 31.12.03</b>	<b>Payment Amount (2) pr. 31.12.02</b>	<b>Payment Amount (2) pr. 31.12.03</b>	<b>Payment pr. 31.12.03 as per cent of Amount (1)</b>
9 ACP ZA 1	Rehabilitation of Kazungula Pontoons	380,000.00	0	0	0	0	na
9 ACP ZA 2	Rider 1: Augmentation de Plafond 8 ACP ZA 19	232,000.00	0	0	0	0	na
9 ACP ZA 3	Capacity Building in Dpt. of Econ and tech Coop	747,700.00	0	0	0	0	na
9 ACP ZA 4	Rider 2: Project 8 ACP ZA 37-44 SAF V / Sysmin funds	11,490,000.00	0	0	0	0	na
9 ACP ZA 5	Poverty Reduction Budget Support Programme 2003-2006	117,000,000.00	0	0	0	0	na
9 ACP ZA 6	Rider 2: Project 8 ACP ZA 37-44 SAF V / Sysmin funds	0	0	0	0	0	na
9 ACP ZA 7	Support to the Education Strategig Plan	0	0	0	0	0	na
9 ACP ZA 8	Feasibility Study 'rehab. and maintenance of feeder roads'	600,000.00	0	0	0	0	na
9 ACP ZA 9	Technical Cooperation	0	0	0	0	0	na



	Facility	-					
<b>TOTAL EDF</b>	<b>9 National</b>	<b>130,449,700.00</b>	-	-	-	-	na
<b>Accounting No.</b>	<b>Project Title</b>	<b>0 Amount (1)</b>	<b>Commitment II Amount at 31.12.02</b>	<b>Commitment II Amount at 31.12.03</b>	<b>Payment Amount (2) pr. 31.12.02</b>	<b>Payment Amount (2) pr. 31.12.03</b>	<b>Payment pr. 31.12.03 as per cent of Amount (1)</b>
9 ACP RSA 12	Evaluation of COMESA projects	80,000.00	0	0	0	0	na
<b>TOTAL EDF</b>	<b>9 Regional</b>	<b>80,000.00</b>	-	-	-	-	na

**ANNEX 8: LOME IV 8<sup>TH</sup> EDF**

Accounting No.	Project No.	Project Title	0 Amount (1)	Commitment II Amount pr. 31.12.02	Commitment II Amount pr. 31.12.03	Payment Amount (2) pr. 31.12.02	Payment Amount (2) pr. 31.12.03	Payments 2003	Payment pr. 31.12.03 as per cent of Amount (1)
8 ACP ZA 001	ZA/7003/002	STRENGTH. OF ZAMBIAN SAFE-BLOOD TRANSF. PRG.	3,735,000.00	3,105,949.78	3,723,612.76	1,983,595.48	3,044,799.13	1,061,203.65	81.5%
8 ACP ZA 002		PAMODZI PULP MILLA (BEI)	0.00	0.00	-	0.00	0.00	0.00	na
8 ACP ZA 003	ZA/7010/001	PRIVATE SECTOR DEVELOPME T PROGRAMME (PSDP)	8,785,000.00	7,321,690.00	8,139,372.19	5,069,796.87	5,791,258.65	721,461.78	65.9%
8 ACP ZA 004	ZA/7003/003	ZAMBIAN EDUCATIONA L CAPACITY BUILD. PROG. (ZECAB)	10,000,000.00	8,583,631.25	10,000,000.00	7,516,274.40	8,734,585.11	1,218,310.71	87.3%
8 ACP ZA 005		ZESCO VIC FALLS (BEI 71117)	20,500,000.00	20,500,000.00	20,500,000.00	3,913,080.00	7,331,854.61	3,418,774.61	35.8%
8 ACP ZA 007	ZA/7200/005	SAF IV	6,020,008.96	6,020,008.96	6,020,008.96	6,020,008.96	6,020,008.96	0.00	100.0%
8 ACP ZA 008	ZA/7200/005	SAF IV	7,000,000.00	6,924,584.48	6,853,301.74	6,717,266.79	6,836,718.32	119,451.53	97.7%
8 ACP ZA 009	ZA/7019/000	DRUGS MASTER PLAN IMPLEMANTA TION	1,100,000.00	1,077,399.71	1,075,557.70	1,042,246.00	1,042,246.70	0.70	94.7%
8 ACP ZA 010		SOCIAL SECTOR SUPPORT PROG. (+ 7.ZA.24)	1,050,000.00	656,228.78	654,220.51	654,220.51	654,220.51	0.00	62.3%

Accounting No.	Project No.	Project Title	0 Amount (1)	Commitment II Amount pr. 31.12.02	Commitment II Amount pr. 31.12.03	Payment Amount (2) pr. 31.12.02	Payment Amount (2) pr. 31.12.03	Payments 2003	Payment pr. 31.12.03 as per cent of Amount (1)
8 ACP ZA 011		ZESCO KARIBA NORTH (BEI 71116)	21,000,000.00	21,000,000.00	21,000,000.00	8,744,989.35	13,660,724.18	4,915,734.83	65.1%
8 ACP ZA 012	DAGM/98005	MICROPROJECTS PROGRAMME I	8,000,000.00	7,994,265.06	7,966,401.37	7,312,484.07	7,312,484.07	0.00	91.4%
8 ACP ZA 013	ZA/7022/000	TA TO THE ROADS' DEPARTMENT	1,900,000.00	1,628,625.93	1,874,269.31	1,200,833.01	1,459,747.62	258,914.61	76.8%
8 ACP ZA 014	ZA/7024/000	HEALTH SECTOR SUPPORT PROGRAMME	4,700,000.00	2,578,852.39	4,680,619.39	2,578,852.39	4,678,320.03	2,099,467.64	99.5%
8 ACP ZA 015	ZA/7011/000	DEVELOPMENT & REHAB. OF URBAN MARKETS	1,395,766.04	1,924,553.77	1,395,766.04	1,395,786.60	1,395,766.04	-20.56	100.0%
8 ACP ZA 016	REG/7323/000	REHAB. OF MONZE- ZIMBA ROAD (& 8.RAU.002)	24,500,000.00	18,387,000.00	20,502,170.00	17,038,597.19	20,376,531.05	3,337,933.86	83.2%
8 ACP ZA 017	DAGT/99002	PREP. PROJECT PROPOS. EDF FUND. ZCCM RETRENCH.	73,018.22	73,835.00	73,018.22	73,018.22	73,018.22	0.00	100.0%
8 ACP ZA 018	DAGT/99003	STUDY OF LUSAKA STOCK EXCHANGE	25,000.00	25,000.00	23,432.42	23,432.42	23,432.42	0.00	93.7%
8 ACP ZA 019	ZA/7026/000	PUBLIC WELFARE ASSISTANCE SCHEME (PWAS)	1,160,000.00	999,809.36	1,099,936.33	851,692.42	904,441.38	52,748.96	78.0%
8 ACP ZA 020	ZA/6014/001	REHAB. KABWE- KAPIRI	26,000,000.00	13,515,000.00	14,992,000.00	6,080,563.14	13,174,208.30	7,093,645.16	50.7%

Accounting No.	Project No.	Project Title	0 Amount (1)	Commitment II Amount pr. 31.12.02	Commitment II Amount pr. 31.12.03	Payment Amount (2) pr. 31.12.02	Payment Amount (2) pr. 31.12.03	Payments 2003	Payment pr. 31.12.03 as per cent of Amount (1)
		MPOSHI & CHISAMBA ROADS							
8 ACP ZA 022		ECONOM. MGMT. & PLANN. SUPP. PROG.	300,000.00	226,482.83	226,482.83	206,386.99	206,386.99	0.00	68.8%
8 ACP ZA 023	DAGT/99148	FINANCIAL CONTROLLER FOR THE NAO	0.00	0.00	0.00	0.00	0.00	0.00	na
8 ACP ZA 025	ZA/7009/000	FORESTRY SUPPORT PROGRAMME	0.00	0.00	0.00	0.00	0.00	0.00	na
8 ACP ZA 026	DAGT/99172	TA TO THE NAO	111,016.26	111,016.26	111,016.26	111,016.26	111,016.26	0.00	100.0%
8 ACP ZA 027	DAGT/99180	FEASIBILITY STUDY ON NRDC	0.00	0.00	0.00	0.00	0.00	0.00	na
8 ACP ZA 028	ZA/5017/002	EXPORT DEVELOPME NT PROG. II	6,500,000.00	23,660.00	3,209,775.71	9,697.71	2,212,157.10	2,202,459.39	34.0%
8 ACP ZA 029		ZAMBIA TOURISM DEV. PROG. (CEIL. INCREASE)	300,000.00	262,900.00	249,399.48	153,991.01	153,991.01	0.00	51.3%
8 ACP ZA 030	REG/6079/001	SUPPORT TO THE CULTURAL SECTOR	1,970,000.00	1,048,124.96	1,970,000.00	294,243.52	1,146,662.52	852,419.00	58.2%
8 ACP ZA 031	DAGT/99337	TA TO THE NAO	14,686.02	14,686.02	14,686.02	14,686.02	14,686.02	0.00	100.0%
8 ACP ZA 032	DAGT/99348	FEASIB. STUDY LIVINGSTONE AIRPORT	400,000.00	382,100.00	382,100.00	305,118.33	305,118.33	0.00	76.3%
8 ACP ZA 033	DAGT/00022	UPDATE PROJECT PROP. FOR EDF SYSMIN	34,029.51	34,145.00	34,029.51	34,029.51	34,029.51	0.00	100.0%

Accounting No.	Project No.	Project Title	0 Amount (1)	Commitment II Amount pr. 31.12.02	Commitment II Amount pr. 31.12.03	Payment Amount (2) pr. 31.12.02	Payment Amount (2) pr. 31.12.03	Payments 2003	Payment pr. 31.12.03 as per cent of Amount (1)
		FUND SUPP.							
8 ACP ZA 034	ZA/7012/000	SUPPORT TO NAO'S OFFICE	1,995,000.00	1,258,746.16	1,994,246.16	856,336.89	1,183,437.07	327,100.18	59.3%
8 ACP ZA 035	DAGT/00086	FEASIBILITY STUDY ON NRDC	208,309.65	235,000.00	208,309.65	208,309.65	208,309.65	0.00	100.0%
8 ACP ZA 036	ZA/09999/001	PROG. DE DIVERSIFICAT ION DU SECTEUR MINIER	30,000,000.00	19,370,968.48	20,825,595.48	16,163,736.76	17,602,250.17	1,438,513.41	58.7%
8 ACP ZA 037	ZA/7200/006	SAF V - SYSMIN	20,200,000.00	15,651,999.00	15,731,499.00	15,249,443.54	15,382,344.65	132,901.11	76.2%
8 ACP ZA 038	ZA/7200/006	SAF V - SYSMIN	19,500,000.00	0.00	18,687,500.00	0.00	18,687,500.00	18,687,500.00	95.8%
8 ACP ZA 041	ZA/7200/006	SAF V - SYSMIN	2,020,000.00	2,020,000.00	2,020,000.00	2,020,000.00	2,020,000.00	0.00	100.0%
8 ACP ZA 042	ZA/7200/006	SAF V - SYSMIN	1,950,000.00	1,950,000.00	1,950,000.00	1,950,000.00	1,950,000.00	0.00	100.0%
8 ACP ZA 043	ZA/7200/006	SAF V - SYSMIN	10,000,000.00	0.00	10,000,000.00	0.00	10,000,000.00	10,000,000.00	100.0%
8 ACP ZA 044	ZA/7200/006	SAF V - SYSMIN	50,000,000.00	50,000,000.00	50,000,000.00	50,000,000.00	50,000,000.00	0.00	100.0%
8 ACP ZA 045	ZA/7102/000	MICROPROJECTS PROGRAMME II	14,500,000.00	14,444,941.76	13,913,369.34	11,472,246.07	12,503,209.54	1,030,963.47	86.2%
8 ACP ZA 046	ZA/7027/000	DEMOCRACY & GOOD GOVERNANCE	6,550,000.00	6,286,465.31	6,182,429.17	4,990,751.31	5,460,547.10	469,795.79	83.4%
8 ACP ZA 048	DAGT/00316	EVALUAT. PREQUAL. DOSS. & INTERN. RESTR. DOSS.	23,576.89	28,602.00	23,576.89	23,576.89	23,576.89	0.00	100.0%
8 ACP ZA 049	DAGT/01024	EVALUAT. TENDER DOSSIERS	19,000.00	19,000.00	19,000.00	10,555.00	10,555.00	0.00	55.6%

Accounting No.	Project No.	Project Title	0 Amount (1)	Commitment II Amount pr. 31.12.02	Commitment II Amount pr. 31.12.03	Payment Amount (2) pr. 31.12.02	Payment Amount (2) pr. 31.12.03	Payments 2003	Payment pr. 31.12.03 as per cent of Amount (1)
		EXPORT DEV. PROG. II							
8 ACP ZA 050		CAPITAL INVESTMENT LINE II PROJECT (BEI 21000)	40,000,000.00	20,000,000.00	40,000,000.00	4,615,342.00	14,766,996.00	10,151,654.00	36.9%
8 ACP ZA 051		FORESTRY SUPPORT PROGRAMME	1,900,000.00	984,062.00	1,348,562.00	301,196.19	705,703.52	404,507.33	37.1%
8 ACP ZA 052		APPRAISAL OF LIVESTOCK SUPPORT PROJECTS	70,372.86	73,997.00	70,372.86	70,372.86	70,372.86	0.00	100.0%
8 ACP ZA 053		LUMWANA STUDY	7,000,000.00	7,000,000.00	7,000,000.00	5,300,000.00	7,000,000.00	1,700,000.00	100.0%
8 ACP ZA 054		SUPPORT TO THE PLANNING AND BUDGETING REFORMS	745,000.00	702,396.00	713,396.00	98,985.20	323,619.63	224,634.43	43.4%
8 ACP ZA 055		REHAB. OF LIVINGSTONE AND LUSAKA AIRPORTS	11,250,000.00	0.00	0.00	0.00	0.00	0.00	na
8 ACP ZA 056		PRE-FEAS. STUDY FOR A FEEDER ROADS PROGRAMME	80,000.00	70,000.00	70,000.00	0.00	54,306.16	54,306.16	67.9%
8 ACP ZA 057		FEAS. STUDY FOR PERIODIC MAINT. OF TRUNK, MAIN.	430,000.00	0.00	264,300.00	0.00	175,967.80	175,967.80	40.9%

Accounting No.	Project No.	Project Title	0 Amount (1)	Commitment II Amount pr. 31.12.02	Commitment II Amount pr. 31.12.03	Payment Amount (2) pr. 31.12.02	Payment Amount (2) pr. 31.12.03	Payments 2003	Payment pr. 31.12.03 as per cent of Amount (1)
8 ACP ZA 058		BWANA MKUBWA MINING EXPANSION	0.00	14,000,000.00	0.00	0.00	0.00	0.00	na
8 ACP ZA 059		URBAN MARKETS DEVELOPME NT PROGRAMME	16,500,000.00	0.00	1,302,997.52	0.00	0.00	0.00	0.0%
8 ACP ZA 060		SUPPORT TO THE NAO FOR CLOSURE OF EDF COMMITMENT S	79,500.00	0.00	79,500.00	0.00	44,664.54	44,664.54	56.2%
8 ACP ZA 061		PROJ. APPRAISAL & PREPARATION FP FOR CONSERV. FARM.	31,000.00	0.00	15,000.00	0.00	12,897.03	12,897.03	41.6%
8 ACP ZA 108		ECHO EMERGENCY TO REFUGEES IN ZAMBIA	3,000,000.00	2,340,000.00	2,340,000.00	1,779,000.00	1,931,622.02	152,622.02	64.4%
<b>TOTAL EDF 8</b>			<b>394,625,284.41</b>	<b>280,855,727.25</b>	<b>331,530,830.82</b>	<b>194,455,759.53</b>	<b>266,816,292.67</b>	<b>72,360,533.14</b>	<b>67.6%</b>

**ANNEX 9: LOME IV 6TH AND 7TH EDF**

Accounting No.	Project No.	Project Title	0 Amount (1)	Commitment II Amount at 31.12.02	Commitment II Amount at 31.12.03	Payment Amount (2) pr. 31.12.02	Payment Amount (2) pr. 31.12.03	Payment 2003	Payment pr. 31.12.03 as per cent of Amount (1)
6 ACP ZA 72	ZA/07021/000	CAPACITY BUILDING BANK OF ZAMBIA	1,150,000.00	1,150,000.00	1,124,469.09	951,454.88	1,124,469.09	173,014.21	97.78%
7 ACP ZA 009	ZA/MICR/7102/010	LOME IV MICROPROJECT PROG. (PHASE I)	4,864,961.57	4,910,043.98	4,864,961.57	4,864,961.57	4,864,961.57	0.00	100.00%
7 ACP ZA 013	ZA/5017/001	EXPORT DEVELOPMENT PROG. I	10,000,000.00	9,938,258.51	9,800,600.21	9,776,233.01	9,776,233.01	0.00	97.76%
7 ACP ZA 024	ZA/7003/000	SOCIAL SECTOR SUPPORT PROGRAMME (+ 8.ZA.010)	12,000,000.00	11,944,461.52	11,944,461.52	11,944,092.80	11,944,092.80	0.00	99.53%
7 ACP ZA 025	PACA/93303	REHAB. KABWE-KAPIRI MPOSHI & CHISAMBA ROADS	257,283.99	257,283.99	257,283.99	257,283.99	257,283.99	0.00	100.00%
7 ACP ZA 026	ZA/FOIR/7109/002	PARTICIP. TO PTA SPECIALIZED TRADE FAIR, MALAWI	0.00	0.00	0.00	0.00	0.00	0.00	na
7 ACP ZA 027	ZA/6001/001	ZAMBIA CENTRE FOR ACCOUNTING STUDIES - PH. II	6,343,374.73	6,456,684.00	6,343,374.73	6,343,374.73	6,343,374.73	0.00	100.00%
7 ACP ZA 034	ZA/5018/000	VACCINE PRODUCTION PROJECT	0.00	0.00	0.00	0.00	0.00	0.00	na
7 ACP ZA 041	REG/5420/000	TRYPANOSOMIASIS CONTROL PROG. - PH. II	959,086.70	846,273.97	755,822.35	746,769.20	746,769.20	0.00	77.86%
7 ACP ZA 042	PACA/94008	MARKETING & PROMOT. COMMERCIALE	0.00	0.00	0.00	0.00	0.00	0.00	na
7 ACP ZA 045	REG/6018/001	RETURN & REINTEGR. OF QUALIF. AFRICAN NATIONALS	497,500.00	497,500.00	497,500.00	269,569.29	269,569.29	0.00	54.18%
7 ACP ZA 046	PACA/96153	APPRAISAL OF SYSMIN II LOME IV FOR ZAMBIA	32,000.00	15,344.70	15,344.70	15,344.70	15,344.70	0.00	47.95%
7 ACP ZA 047	ZA/MICR/7102/025	LOME IV MICROPROJECT PROGRAMME PH. II	4,820,680.71	4,837,681.56	4,820,680.71	4,820,680.71	4,820,680.71	0.00	100.00%
7 ACP ZA 048	ZA/FOIR/7109/004	PARTICIPATION IN INDABA TOURISM FAIR	0.00	0.00	0.00	0.00	0.00	0.00	na



Accounting No.	Project No.	Project Title	0 Amount (1)	Commitment II Amount at 31.12.02	Commitment II Amount at 31.12.03	Payment Amount (2) pr. 31.12.02	Payment Amount (2) pr. 31.12.03	Payment 2003	Payment pr. 31.12.03 as per cent of Amount (1)
7 ACP ZA 054	ZA/6018/000	PRVT. & COOP. LIVESTOCK SERV. NETWORK DEV. PRG.	1,950,000.00	1,673,572.14	1,641,586.84	1,497,431.84	1,545,116.50	47,684.66	79.24%
7 ACP ZA 056	ZA/99101/099	NEW PRODUCT DEVELOPMENT, AGRIC. SECTOR (ASIP)	0.00	0.00	0.00	0.00	0.00	0.00	na
7 ACP ZA 060		ANNULATION VOIR COMPTE 7.RPR.463	0.00	0.00	0.00	0.00	0.00	0.00	na
7 ACP ZA 061	ZA/7002/000	DEVELOP. OF SUSTAINABLE WILDLIFE MANAGEMENT	5,000,000.00	4,815,770.97	4,697,210.33	4,258,736.38	4,356,919.27	98,182.89	87.14%
7 ACP ZA 062	PACA/95038	TA TO THE NAO	70,545.38	70,545.38	70,545.38	70,545.38	70,545.38	0.00	100.00%
7 ACP ZA 072	ZA/7200/004	STRUCTURAL ADJUSTMENT FACILITY PH. III (+ 7.ZA.71)	3,079,368.92	3,079,368.92	3,079,368.92	3,079,368.92	3,079,368.92	0.00	100.00%
7 ACP ZA 073	ZA/99200/163	MICROPROJECTS PROGRAMME PH. III	2,361,122.00	2,356,488.67	2,356,488.67	2,352,993.13	2,352,993.13	0.00	99.66%
7 ACP ZA 078	PACA/95382	TA TO THE NAO	611,747.59	611,747.59	611,747.59	611,747.59	611,747.59	0.00	100.00%
7 ACP ZA 081	ZA/7014/000	DECENTRALISED CO-OPERATION	110,000.00	63,156.18	63,156.18	44,027.47	44,027.47	0.00	40.02%
7 ACP ZA 084	ZA/7010/000	MICRO CREDIT DELIVERY FOR EMPOWER. OF THE POOR	1,507,881.32	1,507,881.32	1,507,881.32	1,507,881.32	1,507,881.32	0.00	100.00%
7 ACP ZA 086	PACA/96117	TA TO THE NAO (+ 6.ZA.73)	445,000.00	382,143.72	382,143.72	371,043.72	371,043.72	0.00	83.38%
7 ACP ZA 088	ZA/7005/000	ZAMBIA TOURISM DEVEL. PRG./FOUND. PH. (+ 8.ZA.29)	1,500,000.00	1,493,893.74	1,426,724.82	1,352,427.87	1,352,427.87	0.00	90.16%
7 ACP ZA 089	ZA/7018/000	ECON. MANAG. & PLANN. SUPP. PRG. (+ 8.ZA.22 & 34)	1,500,000.00	1,497,890.14	1,497,890.14	1,363,767.54	1,363,767.54	0.00	90.92%
7 ACP ZA 092	PACA/96374	NORTH-WEST LUSAKA WATER PROJECT	735,768.81	735,768.81	735,768.81	735,768.81	735,768.81	0.00	100.00%
7 ACP ZA 093	PACA/96377	BASIC TRAIN. IN ACCOUNT. TO MINS. OF HEALTH & ED.	600,000.00	515,395.92	515,395.92	515,395.92	515,395.92	0.00	85.90%
7 ACP ZA 095	ZA/MICR/7102/026	MICROPROJECTS PROGRAMME PH. IV	691,208.48	700,392.06	691,208.48	691,208.48	691,208.48	0.00	100.00%

Accounting No.	Project No.	Project Title	0 Amount (1)	Commitment II Amount at 31.12.02	Commitment II Amount at 31.12.03	Payment Amount (2) pr. 31.12.02	Payment Amount (2) pr. 31.12.03	Payment 2003	Payment pr. 31.12.03 as per cent of Amount (1)
7 ACP ZA 096	ZA/MICR/7102/026	MICROPORJECTS PROGRAMME PH. IV	788,506.13	760,000.00	760,000.00	644,513.93	644,513.93	0.00	81.74%
7 ACP ZA 100	DAGT/97008	REQ. SYSMIN III SUPPT. TO SMALL SCALE MINING SECT.	150,000.00	133,387.35	133,387.35	133,387.35	133,387.35	0.00	88.92%
7 ACP ZA 103	DAGT/99071	FEASIB. ST. - PH. II ECON. MANAG. & PLAN. SUPP. PRG.	15,058.24	15,058.24	15,058.24	15,058.24	15,058.24	0.00	100.00%
7 ACP ZA 104	DAGT/99153	IDENT. OF SUPPORT TO ELECTORAL COMMISS.	35,938.44	36,350.00	35,938.44	35,938.44	35,938.44	0.00	100.00%
7 ACP ZA 105	DAGT/99312	IDENT. OF SUPPORT TO ELECTORAL COMMISS.	16,348.86	16,348.86	16,348.86	16,348.86	16,348.86	0.00	100.00%
7 ACP ZA 106		ECHO/ZMB/254/2000/01000 - AIDE HUMAN. D'URG. AUX	2,000,000.00	1,710,324.25	1,710,324.25	1,660,324.25	1,660,325.25	1.00	83.02%
7 ACP ZA 107		PROVISION OF A FIN. MAN. TO NAO	80,000.00	79,500.00	79,494.96	32,240.00	79,494.96	47,254.96	99.37%
7 ACP ZA 108		BWANA MKUBWA MINING EXPANSION	14,000,000.00	0.00	14,000,000.00	0.00	14,000,000.00	14,000,000.00	100.00%
<b>TOTAL EDF 6 &amp; 7</b>			<b>78,173,381.87</b>	<b>63,108,516.49</b>	<b>76,452,168.09</b>	<b>60,979,920.32</b>	<b>75,346,058.04</b>	<b>14,366,137.72</b>	<b>96.38%</b>

**ANNEX 10: Regional projects 6<sup>TH</sup>, 7<sup>TH</sup> and 8<sup>TH</sup> EDF**

Accounting No.	Project No.	Project Title	0 Amount (1)	Commitment II Amount pr. 31.12.02	Commitment II Amount pr. 31.12.03	Payment Amount (2) pr. 31.12.02	Payment Amount (2) pr. 31.12.03	Payment 2003	Payment pr. 31.12.03 as per cent of Amount (1)
6 ACP RPR 206	PACF/89005	SEMINAIRE EDUC. & FORM. COMPTABLE	0.00	0.00	0.00	0.00	0.00	0.00	na
6 ACP RPR 388	PACA/90227	COMESA/PTA STUDY ON TRADE & INVESTMENT LAWS	240,000.00	240,000.00	240,000.00	234,221.84	234,221.84	0.00	97.59%
6 ACP RPR 420	REG/06922/000	COMPUTERIS. CUSTOMS + FOR. TRADE STATISTICS/COMESA	4,500,000.00	4,471,762.43	4,471,762.43	4,466,897.33	4,466,897.33	0.00	99.26%
6 ACP RPR 539	PACA/95011	EU/PTA COORDINATOR	125,789.33	125,789.33	125,789.33	125,789.33	125,789.33	0.00	100.00%
<b>TOTAL REGIONAL EDF 6</b>			<b>4,865,789.33</b>	<b>4,837,551.76</b>	<b>4,837,551.76</b>	<b>4,826,908.50</b>	<b>4,826,908.50</b>	<b>0.00</b>	<b>99.20%</b>

Accounting No.	Project No.	Project Title	0 Amount (1)	Commitment II Amount pr. 31.12.02	Commitment II Amount pr. 31.12.03	Payment Amount (2) pr. 31.12.02	Payment Amount (2) pr. 31.12.03	Payment 2003	Payment pr. 31.12.03 as per cent of Amount (1)
7 ACP RPR 077	PACA/93087	STUDIES FOR UPGRADING MPULUNGU HARBOUR	279,214.63	279,214.63	279,214.63	279,214.63	279,214.63	0.00	100.00%
7 ACP RPR 242	REG/06922/000	(PTA) COMPUTERIS. OF CUSTOMS + FOREIGN TRADE	1,700,000.00	1,518,641.60	1,518,641.60	1,518,641.60	1,518,641.60	0.00	89.33%
7 ACP RPR 370	REG/99101/051	ANNULATION VOIR PROJ. 7 ZA 050	0.00	0.00		0.00		0.00	na
7 ACP RPR 371	REG/07312/000	ADVANCE CARGO INFORMATION SYSTEM (ACIS)	8,500,000.00	8,477,448.06	8,476,178.23	8,442,859.73	8,476,178.23	33,318.50	99.72%
7 ACP RPR 399		BRIEFING OF PTA ON PRIDE/IOC	0.00	0.00	0.00	0.00	0.00	0.00	na
7 ACP RPR 514	REG/07316/000	REGION. INTEGR. IN EASTERN & SOUTHERN AFRICA	2,145,000.00	2,132,993.71	2,132,993.71	1,981,422.36	1,981,422.36	0.00	92.37%

Accounting No.	Project No.	Project Title	0 Amount (1)	Commitment II Amount pr. 31.12.02	Commitment II Amount pr. 31.12.03	Payment Amount (2) pr. 31.12.02	Payment Amount (2) pr. 31.12.03	Payment 2003	Payment pr. 31.12.03 as per cent of Amount (1)
7 ACP RPR 637	REG/07321/000	DEVELEOPMENT SQMT/COMESA	1,998,000.00	925,456.37	1,252,007.92	576,194.08	835,547.55	259,353.47	41.82%
7 ACP RPR 681	ZA/6001/001	COMPUT. CUSTOMS + FOREIGN TRADE STAT. COMESA	1,000,000.00	1,000,000.00	1,000,000.00	758,610.31	758,610.31	0.00	75.86%
7 ACP RPR 727	DAGT/98333	T.A. SUPP. IN INFORM. TECHNO. TO COMESA SECRET.	500,000.00	460,000.00	460,000.00	402,882.05	402,882.05	0.00	80.58%
7 ACP RPR 743	DAGT/98450	PREP. OF RESA (REGION. EXPORT SERVICES AGENCY)	150,000.00	150,000.00	150,000.00	75,000.00	75,000.00	0.00	50.00%
7 ACP RPR 751	DAGT/99102	FEASIB. STUDY: REV. OF REGION. INTEGRAT. PROJECT	20,000.00	19,839.49	19,839.49	19,839.49	19,839.49	0.00	99.20%
<b>TOTAL REGIONAL EDF 7</b>			<b>16,292,214.63</b>	<b>14,963,593.86</b>	<b>15,288,875.58</b>	<b>14,054,664.25</b>	<b>14,347,336.22</b>	<b>292,671.97</b>	<b>88.06%</b>

Accounting No.	Project No.	Project Title	0 Amount (1)	Commitment II Amount pr. 31.12.02	Commitment II Amount pr. 31.12.03	Payment Amount (2) pr. 31.12.02	Payment Amount (2) pr. 31.12.03	Payment 2003	Payment pr. 31.12.03 as per cent of Amount (1)
8 ACP RAU 002	REG/07323/000	REHAB. OF 212KM OF MONZE-ZIMBA RD (+ 8ZA016)	13,000,000.00	9,260,686.31	10,311,686.31	8,429,961.53	9,685,637.55	1,255,676.02	74.50%
8 ACP RAU 004	REG/09999/000	SADC EU MINING FORUM (MINES 1999)	1,950,000.00	1,927,338.88	1,927,338.88	1,889,582.44	1,889,582.44	0.00	96.90%
8 ACP RAU 008	REG/07437/000	SUPP. TO SADC-MANDATED LUSAKA PEACE PROCESS	2,650,000.00	721,663.85	721,663.85	721,663.85	721,663.85	0.00	27.23%
8 ACP RAU 011	REG/07305/000	REHABILITATION & DEVELOP. OF MPULUNGU HARBOUR	1,500,000.00	685,300.00	577,830.67	451,673.77	519,786.67	68,112.90	34.65%
<b>TOTAL REGIONAL RAU EDF 8</b>			<b>19,100,000.00</b>	<b>12,594,989.04</b>	<b>13,538,519.71</b>	<b>11,492,881.59</b>	<b>12,816,670.51</b>	<b>1,323,788.92</b>	<b>67.10%</b>

Accounting No.	Project No.	Project Title	0 Amount (1)	Commitment II Amount pr. 31.12.02	Commitment II Amount pr. 31.12.03	Payment Amount (2) pr. 31.12.02	Payment Amount (2) pr. 31.12.03	Payment 2003	Payment pr. 31.12.03 as per cent of Amount (1)
8 ACP ROR 001	REG/07332/000	REG. HARMON. CUSTOMS & TRADE STATS. SYSTEMS	13,598,975.00	13,042,570.52	13,042,570.52	6,553,788.24	9,631,609.92	3,077,821.68	70.83%
8 ACP ROR 002	REG/07316/001	REG. INTEGRATION PROG. PHASE II	9,450,000.00	8,499,100.00	9,402,100.00	6,118,612.65	6,759,737.33	641,124.68	71.53%
8 ACP ROR 006	REG/07305/000	REHABILITATION & DEVELOP. OF MPULUNGU HARBOUR	1,500,000.00	1,500,000.00	1,476,220.04	1,476,220.04	1,476,220.04	0.00	98.41%
8 ACP ROR 018	DAGT/00232	AIRTRANSPORT LIBERALISATION	745,000.00	745,000.00	745,000.00	370,000.00	370,000.00	0.00	49.66%
8 ACP ROR 021	DAGT/00321	START-UP OF AFRICAN TRADE INSURANCE AGENCY	740,000.00	739,500.00	739,500.00	369,750.00	369,750.00	0.00	49.97%
8 ACP ROR 026	DAGT/01283	COMESA REGIONAL COMPETITION POLICY	745,000.00	745,000.00	745,000.00	372,500.00	733,045.26	360,545.26	98.40%
<b>TOTAL REGIONAL ROR EDF 8</b>			<b>26,778,975.00</b>	<b>25,271,170.52</b>	<b>26,150,390.56</b>	<b>15,260,870.93</b>	<b>19,340,362.55</b>	<b>4,079,491.62</b>	<b>72.22%</b>

Accounting No.	Project No.	Project Title	0 Amount (1)	Commitment II Amount pr. 31.12.02	Commitment II Amount pr. 31.12.03	Payment Amount (2) pr. 31.12.02	Payment Amount (2) pr. 31.12.03	Payment 2003	Payment pr. 31.12.03 as per cent of Amount (1)
8 ACP TPS 134		Electoral Observers MoU	50,000,000.00	50,000,000.00	50,000,000.00	50,000,000.00	50,000,000.00	0.00	100.00%
<b>TOTAL REGIONAL TPS EDF 8</b>			<b>50,000,000.00</b>	<b>50,000,000.00</b>	<b>50,000,000.00</b>	<b>50,000,000.00</b>	<b>50,000,000.00</b>	<b>0.00</b>	<b>100.00%</b>

**Annex 11: EIB LOAN PORTFOLIO ZAMBIA (all amounts in EUR)**

<b>Own funds</b>												
<b>Contract no</b>	<b>Contract name</b>	<b>Financial</b>	<b>Date of</b>	<b>Status</b>	<b>Sector</b>	<b>Interest</b>	<b>Contract</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount left to</b>	<b>First repayment</b>	<b>Last repayment</b>
		<b>Protocol</b>	<b>signature</b>			<b>rate</b>	<b>amount</b>	<b>cancelled</b>	<b>disbursed</b>	<b>be disbursed</b>	<b>date</b>	<b>date</b>
10785	DBZ PG I	LOME - CONVENTI ON 1	31/08/1978	Reimbursed	Global Loan	5.45	2,500,000.00		2,500,000.00	0.00	28/02/1983	31/08/1990
11112	RCM COBALT	LOME - CONVENTI ON 1	24/09/1980	Reimbursed	Industry	8.00	8,000,000.00		8,000,000.00	0.00	20/09/1983	20/09/1990
11302	DBZ PG II	LOME - CONVENTI ON 2	30/09/1981	Reimbursed	Global Loan	8.00	6,500,000.00	341,700.00	6,158,300.00	0.00	25/03/1986	25/09/1991
11371	NCCM TLP3	LOME - CONVENTI ON 2	17/12/1981	Reimbursed	Industry	8.00	25,000,000.00		25,000,000.00	0.00	15/05/1985	15/11/1996
<b>Total</b>							<b>42,000,000.00</b>	<b>341,700.00</b>	<b>41,658,300.00</b>	<b>0.00</b>		
<b>Risk capital</b>												
<b>Contract no</b>	<b>Contract name</b>	<b>Financial</b>	<b>Date of</b>	<b>Status</b>	<b>Sector</b>	<b>Interest</b>	<b>Contract</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount left to</b>	<b>First repayment</b>	<b>Last repayment</b>
		<b>Protocol</b>	<b>signature</b>			<b>rate</b>	<b>amount</b>	<b>cancelled</b>	<b>disbursed</b>	<b>be disbursed</b>	<b>date</b>	<b>date</b>
70107	CHILANGA CEMENT I	LOME - CONVENTI ON 1	06/01/1978	Reimbursed	Services	2.00	84,000.00	7,427.99	76,572.01	0.00	31/10/1979	30/04/1984
70165	CHILANGA CEMENT II	LOME - CONVENTI ON 1	16/01/1980	Reimbursed	Industry	2.00	2,800,000.00	172,374.79	2,627,625.21	0.00	15/07/1987	15/01/2000
70565	TAZAMA PIPELINE REHABIL. STUDY	LOME - CONVENTI ON 2	23/09/1985	Reimbursed	Services	2.00	500,000.00	256,433.59	243,566.41	0.00	15/09/1988	15/09/1992
70820	ZEGA COLD STORAGE PROJECT	LOME - CONVENTI ON 3	05/12/1990	Reimbursed	Services	4.00	1,200,000.00		1,200,000.00	0.00	20/11/1995	20/11/2002
							<b>4,584,000.00</b>	<b>436,236.37</b>	<b>4,147,763.63</b>	<b>0.00</b>		

**ACTIVE PORTFOLIO**

Contract no	Contract name	Financial	Date of	Status	Sector	Interest	Contract	Amount	Amount	Amount left to	First repayment	Last repayment
		Protocol	signature			rate	amount	cancelled	disbursed	be disbursed	date	date
21657	BWANA MKUBA MINING EXPANSION PROJECT	LOME - CONVENTION 4 - PROT.2	09/08/2002	Disbursed	Industry	flexible	14,000,000.00		14,000,000.00	0.00	15/05/2003	15/07/2003
71144	CAPITAL INV. LINE GL - ZAMBIA	LOME - CONVENTION 4 - PROT.2	22/12/1998	Disbursed	Global Loan	3.00	15,000,000.00		15,000,000.00	0.00	31/10/2002	31/10/2007
71031	CREDIT FACILITY-IND. SECT FIN	LOME - CONVENTION 4	20/11/1995	Disbursed	Global Loan	3.00	496,000.00	179,999.00	316,001.00	0.00	15/09/1999	15/09/2004
71043	CREDIT FACILITY-IND. SECT FIN	LOME - CONVENTION 4	20/11/1995	Disbursed	Global Loan	3.00	9,037,000.00	405,909.15	8,631,090.85	0.00	15/09/1999	15/09/2004
71030	CREDIT FACILITY-IND. SECT FIN	LOME - CONVENTION 4	20/11/1995	Disbursed	Global Loan	3.00	467,000.00		467,000.00	0.00	15/09/1999	15/09/2004
70648	DBZ GLOBAL LOAN III	LOME - CONVENTION 3	03/03/1987	Disbursed	Global Loan	2.00	10,000,000.00		10,000,000.00	0.00	30/06/1995	30/06/2003
70024	DBZ III PROJECT	LOME - CONVENTION 3	03/03/1987	Disbursed	Services		43,562.08		43,562.08	0.00		
70239	DBZ PG II	LOME - CONVENTION 2	30/09/1981	Disbursed	Global Loan	3.25	1,500,000.00	218,000.00	1,282,000.00	0.00	25/03/1986	25/09/2006
70011	DEVELOPMENT BANK OF ZAMBIA	LOME - CONVENTION 1	31/08/1978	Disbursed	Services		548,420.55		548,420.55	0.00		
70891	GAMMA PHARMACEUTICALS PROJECT	LOME - CONVENTION 4	20/11/1992	Disbursed	Industry	1.00	3,000,000.00		3,000,000.00	0.00	15/11/1998	15/11/2004
71045	IND SECT. FIN. ZVCF	LOME - CONVENTION 4	07/02/1996	Disbursed	Global Loan		1,950,000.00	59,096.98	1,890,903.02	0.00		
71046	IND. SECT. FIN. FIS - ZVCF	LOME - CONVENTION 4	07/02/1996	Disbursed	Global Loan		50,000.00	902.63	49,097.37	0.00		

Contract no	Contract name	Financial	Date of	Status	Sector	Interest	Contract	Amount	Amount	Amount left to	First repayment	Last repayment
		Protocol	signature			rate	amount	cancelled	disbursed	be disbursed	date	date
21242	LUMWANA STUDY	LOME - CONVENTI ON 4 - PROT.2	08/10/2001	Disbursed	Industry	5.26	7,000,000.00		7,000,000.00	0.00	30/09/2007	30/09/2014
70955	ROSE PRODUCERS LINE OF CREDIT	LOME - CONVENTI ON 4	29/04/1994	Disbursed	Global Loan	3.00	5,500,000.00		5,500,000.00	0.00	30/06/1998	30/06/2004
71008	ROSE PRODUCERS LINE OF CREDIT	LOME - CONVENTI ON 4	09/08/1995	Disbursed	Global Loan	3.00	3,000,000.00		3,000,000.00	0.00	30/06/1999	30/06/2005
70898	SWARP SPINNING MILLS - ZAMBIA	LOME - CONVENTI ON 4	16/12/1992	Disbursed	Industry		2,500,000.00		2,500,000.00	0.00	15/11/2003	15/11/2007
70899	SWARP SPINNING MILLS - ZAMBIA	LOME - CONVENTI ON 4	16/12/1992	Disbursed	Industry	1.00	4,500,000.00		4,500,000.00	0.00	15/11/1997	15/11/2004
71020	SWARP SPINNING MILLS II	LOME - CONVENTI ON 4	16/10/1995	Disbursed	Industry		6,000,000.00		6,000,000.00	0.00		
70755	TAZAMA PIPELINE REHABILITAT.	LOME - CONVENTI ON 3	15/11/1988	Disbursed	Energy	2.00	13,000,000.00		13,000,000.00	0.00	30/10/1994	30/10/2008
70981	TAZAMA PIPELINES II	LOME - CONVENTI ON 4	12/12/1994	Disbursed	Energy	2.00	18,000,000.00	2,287,460.59	15,712,539.41	0.00	20/11/2000	20/11/2009
70872	ZESCO POWER REHABIL. STUDY	LOME - CONVENTI ON 3	17/02/1992	Disbursed	Services	1.00	175,000.00	4,337.00	170,663.00	0.00	31/01/1997	31/01/2002
21000	CAPITAL INVESTMENT LINE GL II - A	LOME - CONVENTI ON 4 - PROT.2	04/04/2001	Signed	Global Loan	4.00	20,000,000.00		13,443,300.00	6,556,700.00	01/04/2006	01/04/2011
22151	CAPITAL INVESTMENT LINE GL II - B	LOME - CONVENTI ON 4 - PROT.2	14/06/2003	Signed	Global Loan	4.00	20,000,000.00		4,710,788.59	15,289,211.41	01/07/2008	01/07/2013
71116	ZESCO KARIBA NORTH PROJECT	LOME - CONVENTI ON 4 - PROT.2	03/09/1998	Signed	Energy	3.00	21,000,000.00		16,326,194.63	4,673,805.37	20/07/2007	20/07/2013



Contract no	Contract name	Financial	Date of	Status	Sector	Interest	Contract	Amount	Amount	Amount left to	First repayment	Last repayment
		Protocol	signature			rate	amount	cancelled	disbursed	be disbursed	date	date
71117	ZESCO VICFALLS PROJECT	LOME - CONVENTION 4 - PROT.2	03/09/1998	Signed	Energy	3.00	20,500,000.00		7,331,854.61	13,168,145.39	20/07/2007	20/07/2013
22358	KANSANSHI COPPER PROJECT	COTONOU - INVESTMENT FACILITY	11/12/2003	Signed	Mining	variable	34,000,000.00		14628235.38	19,371,764.62	31/10/2007	31/10/2015
<b>Total</b>							<b>231,266,982.63</b>	<b>3,155,705.35</b>	<b>169,051,650.49</b>	<b>59,059,626.79</b>		
<b>Sysmin Funds</b>												
Contract no	Contract name	Financial	Date of	Status	Sector	Interest	Contract	Amount	Amount	Amount left to	First repayment	Last repayment
		Protocol	signature			rate	amount	cancelled	disbursed	be disbursed	date	date
20752	SMALL SCALE MINING SECTOR LOAN FACILITY A	LOME - CONVENTION 4 - PROT.2	12/10/2000	Signed	Global Loan	variable	8,000,000.00		1,187,478.20	6,812,521.80	10/10/2006	10/10/2009
20752	SMALL SCALE MINING SECTOR LOAN FACILITY B	LOME - CONVENTION 4 - PROT.2		Approved	Global Loan		8,500,000.00		0.00	8,500,000.00		
<b>Total</b>							<b>16,500,000.00</b>		<b>0.00</b>	<b>15,312,521.80</b>		
<b>Total Active Portfolio</b>							<b>247,766,982.63</b>					
	<b>Total EIB Portfolio incl.reimbursed loans</b>											

CE special loans

Contract no	Contract name	Financial	Date of	Status	Sector	Interest	Contract	Amount	Amount	Amount left to	First repayment	Last repayment
		Protocol	signature			rate	amount	cancelled	disbursed	be disbursed	date	date
80019	KAWAMBWA TEA SCHEME	LOME - CONVENTION 1	18/07/1978	Disbursed		1.00	3,100,000.00	69,998.98	3,030,001.02	0.00	25/11/1988	25/05/2018
80030	SITE AND SERVICES SCHEME	LOME - CONVENTION 1	22/02/1979	Disbursed		1.00	2,400,000.00	591,589.92	1,808,410.08	0.00	15/07/1989	15/01/2019
80048	BREEDING RANCH BATOKA	LOME - CONVENTION 1	19/07/1979	Disbursed		1.00	1,825,000.00	1,426.08	1,823,573.92	0.00	15/11/1989	15/05/2019
80063	MULTIPURPOSE AGRICULT. STORES	LOME - CONVENTION 1	30/01/1980	Disbursed		1.00	2,200,000.00		2,200,000.00	0.00	15/07/1990	15/01/2020
80064	COTTON DEVELOPMENT	LOME - CONVENTION 1	30/01/1980	Disbursed		1.00	6,050,000.00	262,340.64	5,787,659.36	0.00	15/07/1990	15/01/2020
80068	MPIKA URBAN WATER SUPPLY	LOME - CONVENTION 1	31/03/1980	Disbursed		1.00	2,020,000.00	74,411.78	1,945,588.22	0.00	15/08/1990	15/02/2020
80072	REHABILITAT° OF LOBITO RTE	LOME - CONVENTION 1	18/06/1980	Disbursed		1.00	6,200,000.00		6,200,000.00	0.00	01/11/1990	01/05/2020
80072	REHABILITAT° OF LOBITO RTE	LOME - CONVENTION 2	18/06/1980	Disbursed		1.00	500,000.00		500,000.00	0.00	01/11/1990	01/05/2020
80121	REHAB. ZAMBIAN MINING INDUS.	LOME - CONVENTION 2	22/09/1982	Disbursed		1.00	55,000,000.00		55,000,000.00	0.00	01/12/1992	01/06/2022
80164	VACCINE PRODUCTION	LOME - CONVENTION 2	03/08/1984	Disbursed		1.00	2,000,000.00	842,272.27	1,157,727.73	0.00	31/12/1994	30/06/2024
80218	REHAB. ZAMBIAN MINING INDUS.	LOME - CONVENTION 2	23/05/1986	Disbursed		1.00	28,000,000.00		28,000,000.00	0.00	01/11/1996	01/05/2026

Contract no	Contract name	Financial	Date of	Status	Sector	Interest	Contract	Amount	Amount	Amount left to	First repayment	Last repayment
		Protocol	signature			rate	amount	cancelled	disbursed	be disbursed	date	date
80254	AGRICULTURAL INPUTS IMPORT	LOME - CONVENTION 2	06/11/1987	Disbursed		1.00	17,800,000.01	118,049.70	17,681,950.31	0.00	15/04/1998	15/10/2027
80254	AGRICULTURAL INPUTS IMPORT	LOME - CONVENTION 3	06/11/1987	Disbursed		1.00	14,999,999.99	99,479.40	14,900,519.91	0.68	15/04/1998	15/10/2027
<b>Total</b>							<b>142,095,000.00</b>	<b>2,059,568.77</b>	<b>140,035,430.55</b>	<b>0.68</b>		
<b>Grand Total</b>							<b>436,445,982.63</b>	<b>5,993,210.49</b>	<b>354,893,144.67</b>	<b>74,372,149.27</b>		
<b>Pipeline 2004/05</b>	<b>Indicative project/contract name</b>	<b>Financial</b>	<b>Sector</b>				<b>EIB financing</b>					
		<b>Protocol</b>					<b>envisaged</b>					
	Lumwana Copper	COTONOU - INVESTMENT FACILITY	Copper				50,000,000.00					
	Zesco Rehabilitation	COTONOU - INVESTMENT FACILITY	Energy				15,000,000.00					
	Kafue Hydro	COTONOU - INVESTMENT FACILITY	Energy				50,000,000.00					
	Capital Investment Line III	COTONOU - INVESTMENT FACILITY	Global Loan				40,000,000.00					
	Divers	COTONOU - INVESTMENT FACILITY	Divers				150,000,000.00					
<b>Total</b>							<b>305,000,000.00</b>					

**Annex 12: THE EC BUDGETARY SUPPORT TO ZAMBIA DEC-93 – DEC-03  
COMPOSITION AND DISBURSEMENT OF SAF II, SAF III, SAF IV AND SAF V**

		<b>EC SUPPORT</b>	<b>DATE</b>
		<b>EURO</b>	<b>RECEIVED</b>
SAF II	Tranche 1	27.00	20-Dec-93
	Tranche 2	11.85	08-Dec-94
<b>Total SAF II</b>		<b>38.85</b>	
SAF II	Tranche 1	5.80	09-Feb-95
Supplement	Tranche 2	6.00	21-Feb-95
<b>Total SAF II Sup.</b>		<b>11.80</b>	
SAF III	Tranche 1	1.05	29-Dec-95
	Tranche 2	13.70	28-Dec-95
<b>Total SAF III</b>		<b>14.75</b>	
SAF IV	Tranche 1	20.60	13-Apr-99
	Tranche 2	13.00	12-May-99
	Tranche 3	13.00	03-Aug-99
	Tranche 4	6.00	29-Jun-01
<b>Total SAF IV</b>		<b>52.60</b>	
SAF V	Tranche HIPC	5.95	29-Jun-01
	Tranche 1	15.00	27-Aug-02
	Tranche Regional Integration	3.97	27-Aug-02
	SYSMIN	50.00	12-Dec-02
	Macro and Variable Tranche	18.69	29-Oct-03
	Tranche 2	10.00	29-Oct-03
Remaining SAF Tranches		4.31	
<b>Total SAF V</b>		<b>107.92</b>	
<b>Total</b>		<b>225.92</b>	

## Annex 13 – Selected Economic and Financial Indicators

	2000	2001	2002	2003	2004	2005
			Estimate	Projectio n	Projectio n	Projectio n
<b><u>National Income and Prices</u></b>						
GDP nominal (in billion ZMK)	10,075	13,041	16,202	20,305	24,123	27,326
GNI per capita (USD) /1	N/a	320	330	N/a	N/a	N/a
Real GDP growth, annual change	3.6	4.9	3.0	4.5	4.5	5.0
Consumer prices (end of period) % change p.a.	30.1	18.7	26.7	13.0	11.0	8.0
<b><u>External Sector</u></b>						
Export f.o.b. (million USD)	746	884	916	1,051	1,185	N/a
Imports c.i.f. (million USD)	978	1,253	1,204	1,387	1,456	N/a
Current account balance, (million USD)	-608	-730	-652	-681	-631	-593
Terms of trade (% annual change)	4.1	-1.8	-8.1	1.4	6.0	3.5
External official debt service, in percent of exports	N/a	13.8	11.7	15.9	17.5	14.0
Gross official reserves (in mill USD)	114	114	283	155	264	423
In months of imports of goods and services	1.0	0.9	2.2	1.1	1.7	2.5
Exchange rate, ZMK per USD annual average	3111	3608	4309	4985	5843	6038
<b><u>Money and Credit (% annual change)</u></b>						
Broad money	74.1	10.7	31.5	16.9	16.0	N/a
Net foreign assets	63.9	-6.0	56.0	-13.3	27.2	N/a
Net domestic assets	10.2	16.8	-24.5	30.2	-11.2	N/a
Net domestic credit	18.7	26.7	-31.7	23.7	-11.2	N/a
<b><u>Savings and Investment (% of GDP)</u></b>						
Gross domestic Investment	18.6	20.0	17.5	20.0	20.0	20.5
Of which Public	10.0	11.9	11.9	11.3	10.7	10.5
Gross national savings	N/a	10.0	10.8	12.5	14.3	15.3
<b><u>Public Finance (% of GDP)</u></b>						
Revenue (excluding grants)	19.4	19.2	18.0	18.4	18.1	18.1
Total grants	5.7	5.8	8.3	7.1	7.4	6.4
Expenditure	31.0	32.2	31.9	30.6	29.6	27.9
Overall balance (including grants)	-7.0	-8.1	-6.4	-5.2	-3.4	-2.9
Domestic financing	1.8	4.5	2.1	3.0	-0.5	N/a

Source: IMF and GRZ October 2003, apart from /1 World Bank Country Profile 2003.