Zambia Country Program Evaluation, FY04–13

An Independent Evaluation

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Abbreviations

AAA	analytic and advisory activities
AFDB	African Development Bank
AIDS	acquired immune deficiency syndrome
CAI	Chayton Atlas Investments
CAS	country assistance strategy
CASCR	Country Assistance Strategy Completion Report
CDD	community-driven development
CPE	country program evaluation
CPS	country partnership strategy
DBZ	Development Bank of Zambia
DEG	German Investment and Development Company
DFID	U.K. Department for International Development
EITI	Extractive Industries Transparency Initiative
FDI	foreign direct investment
FSDP	Financial Sector Development Program
FY	fiscal year
GDP	gross domestic product
HIPC	Highly Indebted Poor Country Initiative
HIV	human immunodeficiency virus
ICR	Implementation Completion and Results Report
IDA	International Development Association
IDSP	Irrigation Development and Support Project
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
ISR	Implementation Status and Results Report
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MIGA	Multilateral Investment Guarantee Agency
MTEF	Medium-Term Expenditure Framework
NGO	nongovernmental organization
NRFA	National Road Fund Agency
OAG	Office of the Auditor General
ODA	Official Development Assistance
PAF	Performance Assessment Framework
PEMFA	Public Expenditure Management and Financial Accountability
PFI	participating financial intermediaries
PFM	public financial management

PPCR	Pilot Program for Climate Resilience
PPIAF	Public-Private Infrastructure Advisory Facility
PPP	public-private partnership
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSCAP	Public Sector Capacity Development Program
PSM	public sector management
RDA	Road Development Agency
ROADSIP	Road Sector Investment Program
SEED	Support for Economic Expansion and Diversification
SEMGC	Second Economic Management and Growth Credit
SME	small and medium enterprise
TVET	Technical Education, Vocational, and Entrepreneurship Training
WARMA	Water Resources Management Authority
ZAMSIF	Zambia Social Investment Fund
ZANARA	Zambia National Response to HIV/AIDS
ZESCO	Zambia Electric Supply Corporation

All dollar amounts are in U.S. dollars unless otherwise indicated.

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Overview

Highlights

From 2004 to 2012, Zambia experienced a combination of good economic policies and high rates of growth not seen since the early years after its independence. While growth was mainly driven by rising copper prices, other factors contributed to Zambia's ability to take advantage of this growth. The international debt relief programs in 2004–2005 almost eliminated public debt and provided the fiscal space for selective, high-priority investments and expanded social programs. The privatization of the copper mines brought new investment in rehabilitation and expansion of production.

The period also saw a substantial expansion of primary education and progress in dealing with the most pervasive public health problems. These positive developments set the stage for Zambia to tackle its pervasive poverty. In practice, however, sustained growth over the period has led to little poverty reduction, especially in rural areas of the country.

The Bank Group and other donors provided critical support at the beginning of the evaluation period, when Zambia's debt level became unsustainable.

The Bank provided substantial support for capacity development and better functioning institutions.

The Bank's efforts to strengthen public administration and improve governance met with some partial successes in enhanced audit and procurement capacity, and the achievement of Extractive Industries Transparency Initiative compliance. However, despite nearly a decade of implementation, the Integrated Financial Management Information Systems (IFMIS), is still only partially operational. Further, the Zambian government has not followed through on its positive discourse regarding decentralization of government authority.

The Bank Group contributions to promoting economic diversification and attracting private investment in the nonmineral sector and small and medium enterprises have been limited. The International Finance Corporation (IFC) has provided support to the financial sector, but its efforts to support real sector development have been slow to get off the ground.

In recent years, the Bank has increased its emphasis on support for agriculture, focusing on linking smallholders with larger commercial producers. However, the Bank's efforts in agriculture appear diffuse and ineffective, and have not been based on a well-articulated sector strategy underpinned by extensive analytical work.

Taking into consideration the assessment of Bank Group relevance and effectiveness, the evaluation rates the Bank contribution to outcomes as moderately unsatisfactory. It has the following five recommendations for the Bank Group.

- Help the authorities prepare for potential copper price volatility by jointly exploring alternative scenarios and appropriate arrangements for sound fiscal management and monitoring over the medium-term, as well as developing contingency plans;
- Focus governance and institutional strengthening support on building government capacity for the efficient use of fiscal resources including IFMIS implementation, decentralization, and the leveraging of Bank interventions at the project level (for example, through requiring IFMIS and decentralized decision making for Bank-supported projects) to make progress;
- Work with the transport, power and health ministries to develop a portfolio of priority projects for managing implementation and strengthening capacity. Bring the IFC and the Multilateral Investment Guarantee Agency (MIGA) into the sector dialogue and explore potential collaboration;
- Carry out sector analysis and put in place a strategy for Bank support for agriculture, using potential synergies from the Bank, IFC, and MIGA with the latter two institutions in particular playing a larger role. Ongoing projects should be recast and integrated into the strategy; and
- Addressing rural poverty should be a more central part not just of Bank strategy documents, but also of the Bank's operational program. While there are poverty-related interventions in agriculture and health, the Bank needs to develop a strategic approach in this area, looking at various options by which to have an impact on rural poverty in the medium-term.

For much of the period since independence in 1964, Zambia has been a peaceful and politically stable country, endowed with abundant natural resources, most notably copper. Zambia derived little benefit from its resources, however, given the secular decline in copper prices during most of the review period, as well as the channeling of resources from copper mining into poorly managed state enterprises. In the past decade, Zambia has seen an improving fiscal and economic position based on rapid growth driven by higher copper prices and earlier progress on debt relief and privatization. It has started to enjoy access to private capital and has been reducing aid dependency. Zambia attained lower-middle-income country status in 2012.

Despite these favorable conditions, Zambia continues to face significant development challenges. The overall poverty level, particularly in rural areas, remains very high. Zambia was ranked 163 out of 187 countries on human development indicators and is lagging on a number of Millennium Development Goals, particularly those related to maternal and child mortality. In addition, governance and anti-corruption are part of a growing development agenda for Zambia, although political stability is high as evidenced by the peaceful transfer of power in the 2011 presidential election.

A crucial challenge for Zambia is its extremely high dependence on natural resources. As copper exports and foreign direct investment into the mining industry play a critical role in determining Zambia's economic trajectory, the country is highly vulnerable to the effects of copper price volatility, thereby making macroeconomic and fiscal management extremely challenging. To reduce the impact of copper price volatility, diversification of the economy away from the mining sector is a high priority.

Development of nonresource sectors such as agriculture and infrastructure is also vital for the benefits from copper-driven growth to be shared with a wider segment of the population. Agriculture is the primary source of income and employment in rural areas, which have largely been left out of the copper boom. The strengthening of infrastructure such as roads and power, and improvement in the environment for doing business would support economic activities and entrepreneurship across the country and help make growth more broad-based. With the strong economic growth of recent years, Zambia is better positioned now more than ever to make effective investments in advancing the diversification agenda.

The main focus of Bank Group country strategies in Zambia in the past decade has been to align lending and nonlending activities with Zambia's transition from a low-income to a lower-middle-income country. A heavy debt burden, weak institutional capacity, ineffective spending, and the human immunodeficiency virus (HIV) and acquired immune deficiency syndrome (AIDS) epidemics were the main challenges for the country assistance strategy (CAS) for FY04–07. A key driver of the CAS design was the goal of reaching the completion point of the Enhanced Highly-Indebted Poor Country (HIPC) initiative, which was achieved in April 2005.

The FY08–11 CAS was developed in the context of an improved macroeconomic situation. Strengthening competitiveness and productivity formed the core of the Bank's country strategy.

The current Zambia Country Partnership Strategy (CPS) aims to support objectives relevant to a country that displays both low-income and middle-income characteristics, such as reducing poverty and the vulnerability of the poor; improving competitiveness and infrastructure for growth and employment; and improving governance and strengthening economic management.

This country program evaluation (CPE) evaluates World Bank Group programs in Zambia from FY04 through FY13. The Bank Group includes the World Bank (i.e., International Bank for Reconstruction and Development and International Development Association [IDA]), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA).

This report is part of the clustered CPE for natural resource-rich developing countries that covers four countries including Bolivia, Kazakhstan, and Mongolia in addition to Zambia. These reports follow a similar thematic area based on the following four common areas of review.

- Maintaining macroeconomic and fiscal stability;
- Improving governance and institutions for the effective use of resources;
- Enhancing economic diversification and growth in nonresource sectors; and
- Promoting human capital development.

Maintaining Macroeconomic and Fiscal Stability

Rising copper prices, output and exploration have facilitated high rates of economic growth and foreign direct investment inflows in recent years. There was a significant improvement in its fiscal situation prior to the period for this evaluation because of: (i) the privatization of the mines and some of the other state-owned enterprises; (ii) the steps that were under way with Bank and International Monetary Fund (IMF) support to deal with arrears of the utilities and pension system; and (iii) the progress toward the HIPC completion point. However, the development benefits of the growing mining sector remained relatively low as the economic spillovers from mining were limited. Due to the provisions in the agreements signed at the time of privatization when copper prices were at very low levels, the fiscal revenues from mining in Zambia are far below that of international comparators.

During the evaluation period, the Bank strategy in the macroeconomic area aimed at assisting the government in managing its resources more efficiently and effectively. It also sought to reduce domestic borrowing and arrears of the government. The Bank and the IMF successfully exploited the leverage provided by the debt relief initiatives to achieve progress on privatization and some follow through on fiscal management. The reductions in debt servicing created substantial fiscal space, and the successful mining privatization combined with surging copper prices set the stage for new investment and growth. Subsequent to debt relief, the Bank shifted its strategic focus to the diversification agenda, and while fiscal stability and sustainability remained an important prerequisite for the Bank's operational program, the dialogue in these areas was carried out mainly through the IMF and the multi-donor budget support mechanism.

In 2008 and 2009, the Zambian government attempted unilaterally to adopt new tax regulations for the mines that would have yielded substantially more revenues. The Bank was put in a difficult position and did not take a clear stance out of concern that a unilateral increase in revenues could provide a damaging signal for potential new investors, while recognizing that the original agreements should have included a provision for a windfall tax in the event of sharp price increases. However, the Bank could have done more to support enhanced revenue generation within the existing agreements through helping the Ministry of Finance strengthen the capacity to analyze the company accounts and identify transfer pricing and inappropriate use of write-offs and depreciation allowances.

For much of the period, outcomes were broadly satisfactory as budget deficits were brought down to under 3 percent of gross domestic product (GDP), and inflation declined. However, in 2012 the government announced a 45 percent increase in government salaries, which produced an estimated deficit of 6.6 percent of GDP in 2013. While the increase in expenditures on salaries was partially offset by some positive moves in the form of a reduction in regressive subsidies for fuel, power, maize and fertilizer, the overall consequence is a substantial increase in risks on the macroeconomic front. This has been compounded by a sizeable increase in external debt as a consequence of borrowing $750 million in 2012 and another $1 billion in 2014 on the international capital markets.

The Bank's contribution to outcomes in this area are rated moderately satisfactory. Despite the positive start to the period under review, the specific outcomes supported by the CASs were only partially achieved. The government moved very slowly in dealing with the problems of arrears that were the primary focus of Bank support. The Bank support was subsequently provided through its involvement in the multi-donor budget support mechanisms. However, the Bank did not achieve a meeting of minds with other donors on which priorities should be included in these operations. In view of the sharp increase in the riskiness of the macroeconomic outlook given the recent measures taken by the government, the evaluation recommends that the Bank revisit its decision in the context of the CPS to reduce its focus on the macro-fiscal area. The situation will require close monitoring and intensive analytic work from the Bank. In particular, Zambia is vulnerable to downward movements in copper prices as supply increases. In this context, the Bank needs to help the authorities develop contingency plans as a matter of some urgency.

Improving Governance and Institutions

At the start of the review period, public financial management (PFM) in Zambia was considered inefficient and ineffective. With the substantial increase in the availability of discretionary resources for the government in recent years through mining revenues and market borrowing, this failure to move more effectively on reforming PFM represents a very high cost for Zambia in the medium term.

An intensive effort at public sector reform began at the end of the 1990s with the Public Expenditure Management and Financial Accountability (PEMFA) program supported by a Multi-donor Trust Fund with the Bank as lead donor. Almost every part of Zambia's public financial management system from broad plan and budget formulation to district-level procurement decisions have benefited from this support. The three core areas of reforming governance and public sector management supported by the PEMFA have been Civil Service Reform, Public Financial Management, and Decentralization. During the FY08-12 period, the Bank focused on supporting four areas through PEMFA: the Integrated Financial Management Information System (IFMIS), procurement, auditing, and the Extractive Industries Transparency Initiative (EITI). The Bank strategy during the FY13–16 period places much greater emphasis on the demand side of good governance, including the support through a Multi-donor Trust Fund for the media and the nongovernmental organization (NGO) community.

There have been a number of solid achievements in the PFM area such as in payroll management, better budgeting, auditing and EITI compliance. The payroll system was successfully implemented and the program helped to make the budget process more timely and transparent. The program has helped the Office of the Auditor General strengthen the audit capability, although the challenge remains to ensure that audit findings are used effectively to address the identified weaknesses, and to implement sanctions when necessary. In addition, Zambia was declared EITI compliant in 2012.

However, these achievements have not resulted in an effective overall program. Progress has been made selectively in areas that do not challenge strong vested interests. The absence of a commitment to comprehensive PFM reform means that even if there is progress in one area, inefficiency and rent seeking gravitate to other parts of the government program.

Given that governance and institutional development is a cross-cutting theme, the Bank may be able to further leverage its engagements in diverse sectors to support the IFMIS or decentralization. A start has been made by using the agricultural projects as a platform to move the Ministry of Agriculture to operationalizing IFMIS. This could be extended to other sectors. In addition, with three agriculture projects in the portfolio, it might have been worthwhile for the Bank to try to get agreement to move the relevant Ministry fully to the IFMIS platform. A Similarly, given that the agriculture project sites are often far from the capital, some of these projects could be used to support the decentralization process through management at the local level.

The recent focus on the demand side of better public sector management and governance is well judged. The Bank's Zambia program is one of the most wide-ranging in this regard with a number of interventions in areas such as media training, investigative reporting, and NGO capacity building. There has been some outreach to parliament, but this is an area that merits strengthening.

The Independent Evaluation Group (IEG) rates the outcomes in Pillar 2 as moderately unsatisfactory. There have been significant advances in some of the fiduciary areas, such as the external audit, the deliberations of the public accounts committee and improved capacity in the public procurement office. However, many of the CAS outcomes were not achieved and the progress has not been commensurate with either the efforts made or the urgent need to use resources more transparently and effectively.

With an expanding public investment program, Zambia will need to utilize its resources far more efficiently in coming years to ensure that the benefits are visible to the public at large. In this context, this evaluation suggests that the Bank focus its efforts on the area of investment planning and implementation. The Bank should also work with other donors to support selective implementation of administrative decentralization in the context of regional projects—a key area to reach the rural poor.

Economic Diversification and Nonmineral Sector Growth

The development of nonmineral sectors to diversify the source of economic growth has been a priority in Zambia's development strategy since its independence. By reducing the dependency on the mining sector, it is expected that the Zambian economy will enhance resiliency in dealing with unanticipated boom and bust cycles in copper prices.

Developing nonresource sectors such as agriculture, agro-processing, and mining-linked small and medium enterprises (SMEs) would also help improve the lives of those who do not benefit directly from mining. The broad thrust of Bank Group support in this area was to create the conditions conducive for private investment in nonextractive industries. The support was provided primarily in four areas: infrastructure, private sector development, agriculture, and skills development.

There have been positive trends in diversification in exports and growth of nonmineral sectors, but their impact on job creation is not clear. The areas of support for the Bank Group were appropriate as these provided the necessary underpinning for a long-term diversification strategy. However, the effectiveness of Bank Group support for each of the components has been mixed.

In the road sector, the Bank played an important role in putting into place a well-conceived institutional framework designed to ensure adoption of appropriate standards and effective prioritization of expenditures between maintenance and construction. However, the institutional framework did not function as planned, in large part because of political considerations that have led to an emphasis on new construction and unsustainable standards.

In the power sector, the Bank initially focused on the unbundling and privatization of the Zambia Electric Supply Corporation. However, in the initial years it was unable to provide much needed investment support because of a policy disagreement with the government regarding the sector's structure. The Bank was, however, successful in re-establishing a good dialogue in the latter part of the evaluation period, in part by changing its rigid stance on unbundling and bringing in stronger sector staff.

Bank Group work in support of private sector development was diffuse and unfocused. The Bank and IFC's work on helping improve the business environment was useful, but its impact thus far has been limited. Entrepreneurs see the investment climate as an area of lesser importance than other factors such as infrastructure, access to finance, the high cost of inputs, and cheap imports. Both the Bank and IFC efforts to promote SMEs were largely unsuccessful as they continued to focus mainly on lines of credit that were not much in demand because they did not address the underlying issues of creditworthiness and collateral. Recently, the high yield on government bonds and imposition of interest rate caps may also restrain lending to SMEs.

In agriculture, the Bank's performance has been less than satisfactory. In the initial period, the sector did not receive the necessary priority—despite its importance in diversification. Although the Bank was much more active in the second half of the review period, the projects were overly complex, scattered among un-linked interventions, had a risk of institutional sustainability, and were not based on a well-articulated sector strategy. IFC played a very limited role in promoting investments in nonextractive industries, including investment opportunities along the agribusiness value chain in which it has global knowledge, client relationships and investment experiences. MIGA, on the other hand, had success in engaging in a long-term contract with a private equity firm with expertise in agribusiness in southern Africa.

Overall, IEG rates Bank Group contributions in the diversification pillar as moderately unsatisfactory. The core areas of Bank Group support are appropriate as improving infrastructure, promoting private investment, and developing agriculture are all core aspects that can contribute to economic diversification. However, the Bank Group contribution to each of the components of its diversification strategy has been mixed. The Bank Group would need a much more strategic approach going forward, as is the intent of the most recent CPS. The Bank can have a positive role in the road and power sectors, where it has had successful interventions. However, it should remain cautious by not extending into other infrastructure sectors, such as telecommunications and water as intended in the current CPS as this would diffuse its focus. With its global expertise in public-private partnership advisory services and infrastructure investment, IFC could also contribute to infrastructure finance in Zambia in the future.

In the agriculture sector, the Bank should remain active given the importance of the sector. However, it needs to rethink its support based on the experiences of the past decade. Most importantly, the Bank needs to place its support within a well-articulated sector strategy, something that has been missing so far.

Given the growing availability of financing sources in the Zambian market, the value-added in nonfinancial areas becomes increasingly important for the IFC to play a meaningful role in Zambia. The IFC's global knowledge, experience and network, as well as its expertise in advising on the environment and social standards, sets it apart from other financing sources. Experience shows that the IFC had limited success in adjusting its role as Zambia received growing interest from private investors. It is an appropriate time for IFC to assess its role in Zambia's transition to a middle-income country and to develop a strategic medium-term plan for project development and client relationship building.

Promoting Human Capital Development

Zambia lags behind in various human development indicators compared to countries with a similar per capita income level. Although Zambia spends significantly more than its neighbors at about $87 per capita for health, key health outcome indicators, such as life expectancy lag behind comparator countries in Sub-Saharan Africa. Malaria and AIDS were two critical causes of deaths in Zambia during the period of this evaluation. The AIDS epidemic meant that life expectancy at birth in Zambia fell from 51 to 41 years in the 1990s and early 2000s. Regarding education, primary school net enrollment rates and primary completion rates improved, but adult literacy rates are lower in Zambia than in neighboring countries, raising questions about the effectiveness of education in ensuring learning outcomes. In terms of public service provision, in-country disparity is stark with substantially more limited availability of basic services in poorer regions. Expanding the coverage of infrastructure services is needed not only for economic diversification as discussed earlier, but also to fill the deficiency in public service provision in rural areas.

The Bank has been selective in choosing the areas of engagement in the education, health, and social protection sectors during the period assessed in this evaluation. According to the FY08–11 CAS, the government indicated that it would prefer to use scarce IDA resources for financing infrastructure, and that it would finance social sector interventions either through its own resources or through grant financing.

During the evaluation period, the Bank contributed positively to the government effort to control HIV/AIDS and malaria. The key area of Bank contributions was in institutional strengthening, particularly at the community level. Bank support in the health sector had a lasting impact through the strengthening of local institutional capacity to implement activities to control HIV/AIDS even after the Bank credit was closed. These types of support also projected a positive image of the Bank in Zambia.

However, the extent of Bank contributions to short-term results needs to be calibrated carefully, that is, the true effects of institutional strengthening are expected to emerge over the long term, whereas the important part of the success seen in Zambia today in controlling HIV/AIDS and malaria is associated with the direct effects from treatments made available through the purchasing of drugs and financing of medical services. In this context, the financing by some external development partners (including the U.S. government; the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria; and the Gates Foundation) was significantly larger than that of the Bank.

Support for local community institutions was a major theme of a project in the social protection sector, namely, the Zambia Social Investment Fund Project approved in FY00. It provided useful support for building quality rural infrastructure through community-based initiatives, and contributed to building a valuable local institutional capacity that served as vehicle for implementing HIV/AIDS and malaria programs. In the education sector, the Bank supported rehabilitation and construction of school infrastructure to accommodate expansion in student enrollment but the objective to improve skill development and vocational education was not met.

The Bank's analytical work has generally been of high quality and appreciated by both the government and cooperating partners. In particular, the recent report on the social safety nets has spurred momentum for reform. However, it appears that analyses in other reports have had a limited effect on improvement in policies or performance of public service delivery.

Given the government preference and presence of other donors, the Bank's selective approach in this area is considered appropriate. Taking these results and the Bank's selective approach into consideration, the overall outcomes of Bank operations in these areas were moderately satisfactory. A key lesson from this review is that the Bank can be effective in strengthening institutions at the local level and in providing flexible support, depending on country needs.

Despite rapid economic growth, wide income disparity and a persistent rural-urban gap indicates the need to address rural poverty. To support such an effort, continuing the emphasis on support to local communities could be useful. In this context, the focus on primary and community-level maternal, newborn, and child health and nutrition services in the new Health Service Improvement Project seems promising. The project focus also indicates a departure from the disease-based vertical approach in the past. Given the broad-based nature of health challenges in Zambia, this also seems to be a natural step to take. However, for improvement in a wide area of rural livelihoods, a more integrated approach that combines efforts in relevant areas including infrastructure, private sector development, agriculture, and decentralization may be needed.

Cross-Cutting Issues

Zambia is richly endowed with natural resources, including land, wildlife, forests and water. Over 60 percent of the land area is covered by forest and 31 percent are protected areas. However, the forests are subject to rapid deforestation, mainly driven by the widespread use of wood fuel and charcoal, timber production, and unsustainable land use practices. The country is very sensitive to recurrent floods and droughts, which are likely to be increased in scale and number by climate change in future. Zambia has also suffered from air pollution, soil contamination, water pollution, and lead contamination, concentrated mainly in the mining regions.

The Word Bank Group's support for environmental activities in the FY04–07 and FY08–11 CASs was linked primarily with the diversification pillar (tourism development and National Parks management) and the mining sector privatization agenda. The FY13–16 CPS explicitly incorporates climate variability risks as one of the vulnerability factors for poverty reduction.

During the evaluation period, the Bank assistance to the strengthening of environmental management generated some positive outcomes, although their sustainability is doubtful. The most important achievement was the rehabilitation of Kafue National Park, including the stabilization of its wildlife population. The Copperbelt Environment Project successfully mitigated historic environmental liabilities, but the strengthening of environmental enforcement capacity remains a work in progress. On the other hand, building resilience to climate change variability, which had been effectively promoted under the Emergency Recovery Project, was subject to a lengthy eight-year gap when no progress was made. In addition, forest degradation and deforestation was not addressed, and has continued unabated. The long-term sustainability of the Bank's contributions remains doubtful in face of a general lack of government support for necessary policy, legal and institutional reforms.

With regard to gender, successive country strategies have recognized the magnitude of gender inequalities in the country. The FY04–07 CAS points out the barriers that gender disparities pose to Zambia's low economic growth. It attributes poverty reduction to closing gender gaps in education, health, decision making, and access to and control over productive resources. The FY08–11 CAS notes that the HIV/AIDS epidemic has reached a mature stage, and suggests that the "feminization of the AIDS epidemic" is evident in Zambia. The FY13–16 CPS continues to emphasize the specific challenges faced by women in health, education, labor force participation, agriculture, and access to land.

Although these strategies emphasize the need to recognize and act on gender-related issues in sectoral interventions, it is not clear how this recognition was translated into operations. The FY04-07 CAS mentions that women dominate the agricultural sector and do most of the farm work, but they do not have control over or access to resources. It indicates that sector policies and programs need to explicitly recognize and act on gender-differentiated structural roles in agriculture, but the emphasis on gender disparities has yet to be translated into an increased focus on women in agriculture. The Zambia Strategic Country Gender Assessment, completed in 2005, focused on several important aspects of gender such as women's economic roles in the household and in the market, discrimination against women in the dual legal frameworks of customary and constitutional laws, gender dimensions of poverty, and gender disparities in human development indicators. However, its recommendations were very broad and hard to implement.

During the evaluation period, the Bank recognized gender disparities in health, education, and labor force participation in the CASs, and conducted analytical work on gender. However, there was little emphasis on integrating or addressing gender issues beyond individual project interventions. In the health sector, the Bank focused its attention on gender issues related to the HIV/AIDS and malaria projects, but it did not directly address other gender-related issues in the health sector in general, such as high fertility rates and high maternal mortality. The issues related to job creation or entrepreneurship in the formal and informal sectors for women were left largely unaddressed. Overall, there has been progress in integrating gender aspects in recent sectoral interventions, but the lack of a gender-targeted approach has made it challenging to address and track gender based outcomes.

Conclusions and Recommendations

During the evaluation period, the Bank was able to promote robust macro-policies together with the Fund and the multi-donor budget support program. However, in recent years the Zambian government has taken some decisions that have put the macro-outlook at significant risk unless corrective steps are taken.

The Bank was effective in support of capacity development and institutional strengthening in areas where its focus was clearly defined. More specifically, the Bank provided useful support in the health, roads, and power sectors, as well as in improving the audit and procurement frameworks. The support to improve fiduciary arrangements in audit and public procurement had some visible effects, too. The Bank continued to produce quality economic work and technical assistance, some of which have had some impact, for example with regard to agricultural subsidies, and the implementation of the EITI.

Throughout the evaluation period, the Bank was unable to have much impact on the public investment management system. Bank Group contributions to nonmining private sector investment growth to reduce reliance on copper have been limited. Bank efforts in agriculture have not been based on a well-articulated sector strategy, and have the risk of institutional sustainability. The country program outcome targets regarding skill development were only modestly achieved.

Taking into consideration the assessment of Bank Group relevance and effectiveness in the four pillars, this evaluation rates the overall outcomes of the Zambia country program in 2004-13 as moderately unsatisfactory. In looking ahead, a key element that defines the environment for Zambia's poverty reduction effort is that the medium term outlook for Zambia's fiscal revenues is positive. Resources from the copper boom, which until recently had largely accrued to the private sector, have begun to show in the government budget. Further, it also became evident that Zambia would be able to access funds on the international capital markets on relatively favorable terms, given its low debt levels and the expectation of a continuation of high copper prices with substantially higher government revenues.

However, Zambia faces growing risks to macroeconomic stability as its deficit has risen to 6.6 percent of GDP. With growing debt levels, the country is very vulnerable to a downturn in copper prices. While there has been some success in diversification through the expansion of commercial agricultural production and exports, as well as increased tourism, growth remains dependent on the demand for services and construction resulting from investment in the copper mining sector.

There has been little progress on poverty reduction and the human development indicators are among the lowest relative to per capita income of any country in the world. Progress on public financial management continues at a very slow pace, as there are further delays in making the IFMIS operational as well as a virtual absence of any movement towards decentralization.

It will not be an easy task to achieve a substantial improvement in outcomes of Bank support in the future. There is the legacy of a difficult past relationship and a residual lack of trust to overcome. It will take efforts on both sides to achieve improvement. On the Bank side, there needs to be recognition that the Bank's value proposition in Zambia is no longer the funding, but the knowledge and experience it can share with the Zambian authorities, whether provided through lending operations or analytic and advisory work. Equally on the Zambian side, there needs to be recognition that the access the Bank Group provides to global knowledge networks and the experience it brings to the table are resources that can be tapped for more effective and efficient growth and poverty reduction.

The current Bank strategy appears to be moving in the right direction in setting a stage for undertaking a meaningful dialogue. There is a serious effort to build trust with the government. The most recent CPS also calls for selectivity in Bank Group interventions. The Bank Group should make serious efforts to make selectivity a reality. IEG has the following specific recommendations.

Recommendation 1: Help the authorities prepare for potential copper price volatility by jointly exploring alternative scenarios and appropriate arrangements for sound fiscal management and monitoring over the medium-term as well as developing contingency plans.

With its dependence on copper, Zambia will continue to be vulnerable to periodic price shocks. The most appropriate strategy for Zambia would be to maintain a sound fiscal framework as well as sustainable fiscal deficits and debt profile. One approach could be to set credible ceilings on recurrent expenditures with additional revenues going toward investment. It would be important for the Bank to explore and take advantage of any opportunities for initiating a dialogue with the government on this subject. The Bank, jointly with IMF, should also maintain a dialogue on macroeconomic and fiscal policies and be prepared to step in with exceptional budget support in case of an abrupt downturn in copper prices. It should also support Zambia's efforts in maintaining access to international financial markets that could be tapped if the need arises. It would also be important to undertake an analysis to develop realistic contingency plans for dealing with price downturns. The Bank should proceed together with the government and the IMF to explore the implications of alternative scenarios triggered by declines in copper prices and government revenues.

Recommendation 2: Focus governance and institutional strengthening support on building government capacity for the efficient use of fiscal resources including IFMIS implementation, and decentralization. Leverage Bank interventions at the project level (for example, through requiring IFMIS

and decentralized decision making for Bank-supported projects).

Given the strong medium-term outlook for fiscal revenues, it is increasingly urgent for the government to build its capacity to use these resources efficiently and effectively. IFMIS implementation needs to reach a satisfactory completion point to enhance accountability and transparency of fiscal resource management. In making progress in these areas that cut across sectors, there may be room for the Bank to leverage the cross-sectoral engagements it has with the government. More specifically the Bank should leverage its projects in all sectors to move the relevant ministries fully to the IFMIS platform. Leveraging the inter-linkages could be useful for other items on the policy agenda such as decentralization.

Recommendation 3: Work with the transport, power and health ministries to develop a portfolio of priority projects for implementation, and strengthen their capacity to manage implementation effectively. Bring IFC and MIGA into the sector dialogue and explore potential collaboration.

The Bank's posture in Zambia in the past tended to focus exclusively on preventing the country from doing the wrong things, that is, of avoiding waste and inefficiency, and reducing costly and regressive subsidies. The Bank has had problems in positioning itself in support of growth and poverty reduction. Even when Bank reports include these topics in their titles, they tend to focus their recommendations on greater efficiency. The Bank needs to recognize the political pressures that the government faces to increase investment in human and especially physical capital. The Bank should work with the government to suggest where such investments can have the highest pay-off, and identify activities that can be carried out relatively quickly and provide returns within a reasonably short cycle.

Analytic work at the sector level will be required to develop strategic approaches and identify investment opportunities. In spite of a substantial program of analytic work in Zambia, the work at the sector level has been thin and, as indicated, it has often been focused on policy issues rather than investment opportunities.

The Bank has built good relationships with select sector ministries. In this context, the evaluation recommends that it continue to focus on these areas and not allow itself to be drawn too widely into other areas (for example, education, water and communications).

The Bank can also continue to play a role in mobilizing additional donor and/or private funding for its projects. With its experiences in public-private partnership advisory services in other countries and its diverse menu of infrastructure financing including guarantees, loans, and equity investments, IFC can also make considerable contributions in this area. The opportunities for collaboration with IFC in leveraging private sector financing should be pursued whenever possible.

Recommendation 4: Conduct a sector analysis and put in place a strategy for Bank support for agriculture, using potential synergies from the Bank, IFC, and MIGA with the latter two institutions in particular playing a larger role. Ongoing projects should be recast and integrated into the strategy.

Agriculture is a key sector in the government's effort to achieve economic diversification and the Bank should remain active. The effective linking of smallholders into agricultural value-chains could also contribute to reducing poverty in rural Zambia. However, the multiple Bank project interventions in this area have yet to bring demonstrable benefits and lack synergies between each other. A strategic view of relevant interventions by various players would be useful to increase the effectiveness of support in this sector. The findings of this evaluation also point to the need to take stock of the existing interventions, and redesign or restructure some of the interventions plagued by design complexity. Efforts should also be made to ensure institutional sustainability for activities in the sector beyond specific projects. Focused sector work should be undertaken collaboratively with the government to identify the priorities in the sector and the sequencing of support. Most importantly, the Bank needs to place its support in a well-articulated sector strategy, something that has been missing so far.

Leveraging the knowledge and capacity across the Bank Group in agriculture is also important. Agribusiness value chains should offer substantial investment opportunities for IFC and potential synergies with the World Bank, which could finance the links between smallholder operations and larger private agribusiness partners supported by IFC. MIGA has established notable exposure in this sector in Zambia. The Bank Group needs to be more pro-active in leveraging these inter-linkages between institutions.

Recommendation 5: Make addressing rural poverty a more central part not just of Bank strategy documents, but of the Bank's operational program. While there are poverty-related interventions in agriculture and health, the Bank needs to develop a strategic approach, looking at various options for having an impact on rural poverty in the medium term.

Zambia is becoming two different countries—one is a narrow strip down the central corridor of the country, where more than half the population lives and where growth and development are concentrated; and the other is the two large wings in which the other half of the population is thinly spread and where poverty, disease and illiteracy remain endemic. Even with current rates of migration, there will continue to be a large minority of very poor people in the "wings" in the foreseeable future.

The Zambian authorities and the Bank need to work together to develop an approach to promoting rural development and poverty reduction that is affordable and effective. The Bank needs to carry out analytic work to understand this spatial dimension of Zambian development and to pilot various models. It needs to explore options such as Conditional Cash Transfers and to consider whether it should resume support for a community-driven development program in Zambia. In addition, it could look at the possibility of supporting the development of market towns that can serve as growth poles for the rural areas. An increased emphasis on inclusive growth and poverty reduction should be a major part of the repositioning of the Bank's work in Zambia.

1. Country Context and Purpose of the Evaluation

In the past decade, Zambia has seen rapid growth driven by higher copper prices and earlier progress on debt relief and privatization. It has started to enjoy access to private capital and has been reducing its aid dependency. Zambia attained lower-middle-income country status in 2012.

From independence in 1964 to the early 1990s, Zambia pursued a policy of channeling copper earnings into the development of highly protected state enterprises. At the time of its independence, the Zambian economy was extremely concentrated around the single sector of copper mining. The mining sector accounted for some 45 percent of gross domestic product (GDP), nearly 90 percent of exports, 65 percent of public revenues and the bulk of formal sector employment, other than public services. The collapse of world copper prices in the mid-1970s caused a significant adverse shock on the Zambian economy. The government responded by increasing external borrowing, imposing pervasive controls over an array of factor and product markets, and implemented widespread nationalization of productive assets outside of the mining sector. However, the economy remained concentrated in copper mining and continued to stagnate.

The economic reforms initiated in early 1990s were designed to liberalize the economy and privatize the state-owned enterprises, particularly the copper mines. With declining copper prices, the national company, Zambia Consolidated Copper Mining, did not have the resources needed to undertake the investments needed to maintain levels of copper production, resulting in a steady decline in output. Mines were saddled with excess labor and bore responsibility for expenditures on housing, education, health, and pensions for its mineworkers. The consequence, by the end of the 1990s, was a need for subsidies of more than $500,000 a day. In this context, a comprehensive privatization program was implemented with support from the International Monetary Fund and the International Development Association.

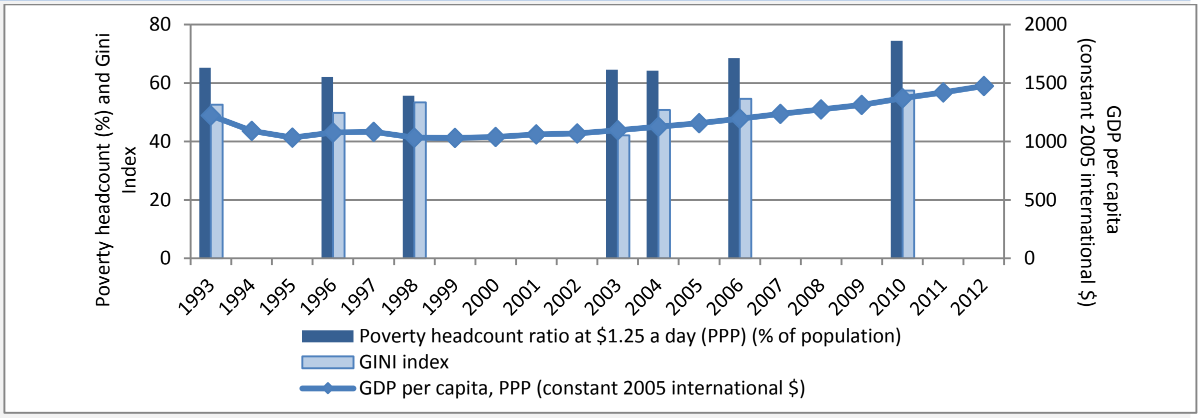
The reforms in the 1990s set the stage for the negotiation of a major debt relief package through the Heavily Indebted Poor Countries (HIPC) Initiative. Zambia was among the most heavily indebted countries in Africa before 2005. The low copper prices and rise in oil prices in the 1970s lay at the origins of the sharp increase in its debt. By the end of the 1990s, debt payments exceeded expenditures on human development. Even with exceptional growth, Zambia would have been unable to repay its debt. Negotiations for HIPC relief started in 2003 and Zambia achieved the completion point in 2005, securing the second largest volume of debt relief after Nicaragua. This resulted in the reduction of its debt by 55 percent. At the same time, Zambia received a 100 percent debt relief from the International Development Association (IDA) and the International Monetary Fund, as part of the Multilateral Debt Relief Initiative, as well as from several bilateral donors. As a result, the external debt-to-GDP ratio fell from 86 percent in 2005 to 9 percent in 2006, creating significant fiscal space for other purposes.

A substantial increase in copper prices beginning in 2004 led to accelerated growth and increased economic stability, even in the midst of the global financial crisis in 2008-09. Over 2005-12, Zambia's GDP per capita increased by on average 3.4 percent annually and reached $1,095 in 2012—compared to 1.8 percent and $382 in the early 2000s. Zambia was among the 10 fastest growing Sub-Saharan African economies in 2012, attaining lower middle-income country status by the end of the period. Annual inflation rates declined from about 30 percent in 2000 to 7.2 percent in 2011. Investor confidence has improved considerably, as evidenced by the successful issue of the $750 million euro bond in 2012. The fiscal deficit declined from 6 percent of GDP in 2004 to 4 percent in 2011. Debt, both internal and external, has been kept at manageable levels since the HIPC debt relief.

Despite the rapid growth in recent years, Zambia faces significant challenges with regard to persistent poverty. Poverty incidence, particularly in the rural areas, remains high. Rural poverty at 74 percent is more than double the level in urban areas (35 percent). Income distribution is highly unequal, with the Gini coefficient at 0.65 in 2013. The poverty headcount has increased as GDP per capita grew 12 percent, from $1,222 to $1,370 (Figure 1.1). In addition, the urban-rural gap in the access to and the quality of public services such as safe water, sanitation, nutrition and primary schooling is stark. Expanding the coverage of infrastructure services and broad based rural development supported by competitive agriculture—the largest source of employment in rural areas—is crucial to reducing the gap. Zambia is also lagging on a number of Millennium Development Goals (MDGs), particularly those related to extreme poverty and maternal and child mortality.

Regarding human development, Zambia was ranked 163 out of 187 countries in the 2012 United Nations Development Programme's Human Development Index, which is below the Sub-Saharan Africa average. Adult life expectancy at below 50 years old lags behind comparator countries in Sub-Saharan Africa. Significant progress was made in primary education enrollment, but improving learning outcomes remains a challenge: adult literacy rates remain at much lower rates than in neighboring countries.

Figure 1.1. Change in GDP per Capita, Poverty Headcount, and Gini Index



Source: World Development Indicator, Povcal.
Note: GDP = gross domestic product; PPP = purchasing power parity.

In addition, governance and anti-corruption remains a significant issue for Zambia. While political stability is high, as evidenced in the peaceful transfer of power in the 2011 presidential election, corruption remains a serious issue. The country ranked 83 out of 177 countries in the 2013 Transparency International Corruption Perception Index. According to the World Bank's governance indicators, Zambia scores high on political stability, but only fair on voice and accountability, regulatory quality, and rule of law. Regarding control of corruption and government effectiveness, Zambia scores very low. The Zambian Auditor General's reports have indicated misuse and misappropriation of public resources. Countries such as Malawi, Rwanda, South Africa, Tanzania, and Uganda are all ranked higher than Zambia in terms of control of corruption, and, of these countries, only Malawi is rated worse than Zambia with regard to government effectiveness.

A crucial challenge for Zambia is its extremely high dependency on natural resources. As copper exports and foreign direct investment to the mining industry play a critical role in determining Zambia's economic trajectory, the country is highly vulnerable to the effects of copper price volatility, making macroeconomic and fiscal management extremely challenging. To reduce the impact of copper price volatility, diversification of the economy away from the mining sector is a high priority.

The development of nonresource sectors, such as agriculture and infrastructure, is vital for the benefits from copper-driven growth to be shared with a wider segment of the population. Agriculture is the primary source of income and employment in rural areas—areas which have largely been left out of the copper boom. The strengthening of infrastructure, such as roads and power, and improvement in the environment for doing business would support economic activities and entrepreneurship across the country and contribute to broad-based growth. With strong economic growth in recent years, Zambia is better positioned now than ever before to make effective investments to advance the diversification agenda.

Country Assistance Strategies, FY04–13

The main focus of the Bank Group country strategies in Zambia in the past decade has been to align lending and nonlending activities with Zambia's transition from a low-income to a lower-middle-income country. Bank assistance during the period of this evaluation was guided by two country assistance strategies (CASs) for FY04–07 and FY08–11 as well as a country partnership strategy (CPS) for FY13–16. The CASs for FY04-07 and FY08-12 are the strategies only for IDA. The International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) were not formal participants of the early CASs, but their plans and activities are noted in both documents. As such, their activities are reviewed within the framework of Bank Group program trying to achieve outcomes as defined in the CASs during the evaluation period. The FY13–16 CPS is a joint strategy of IDA, IFC, and MIGA.

The FY04-07 CAS was prepared against a growing realization of the unsustainability of the policy and institutional frameworks in Zambia. A heavy debt burden, weak institutional capacity, ineffective spending, and the human immunodeficiency virus (HIV) and acquired immune deficiency syndrome (AIDS) epidemic posed considerable challenges for poverty reduction efforts. Over the preceding decade, there had been little progress toward the achievement of the MDGs.

The national policy imperative driving the CAS design was the requirement for reaching the completion point of the enhanced HIPC Debt initiative. In early 2002, Zambia finalized and adopted a full Poverty Reduction Strategy Paper (PRSP) that was aligned with the commitments for a series of measures and reforms to reach the HIPC completion point. The FY04–07 CAS was designed to align with the PRSP and the Transitional National Development Plan. The CAS had three strategic priority areas including: (i) a diversified and export-oriented economy; (ii) improved lives and protection of the vulnerable; and (iii) an efficiently and effectively managed public sector. Zambia reached the HIPC completion point in April 2005, resulting in a significant improvement in the external debt situation.

The FY08–11 CAS emphasized improving the macroeconomic situation, and strengthening competitiveness and productivity as the core strategy. Support for improved management of fiscal resources, and investments in infrastructure to improve connectivity and integration were expected to serve as the key vehicles for increased competitiveness. Macroeconomic and expenditure management; infrastructure development; institutional capacity enhancement; and social sector development were the key instruments to operationalize these goals.

The key theme of the ongoing CPS (FY13–16) is to support objectives relevant to a country that displays both low-income and middle-income characteristics. The main objectives pursued in the CPS include reducing poverty and the vulnerability of the poor; improving competitiveness and infrastructure for growth and employment; and improving governance and strengthening economic management.

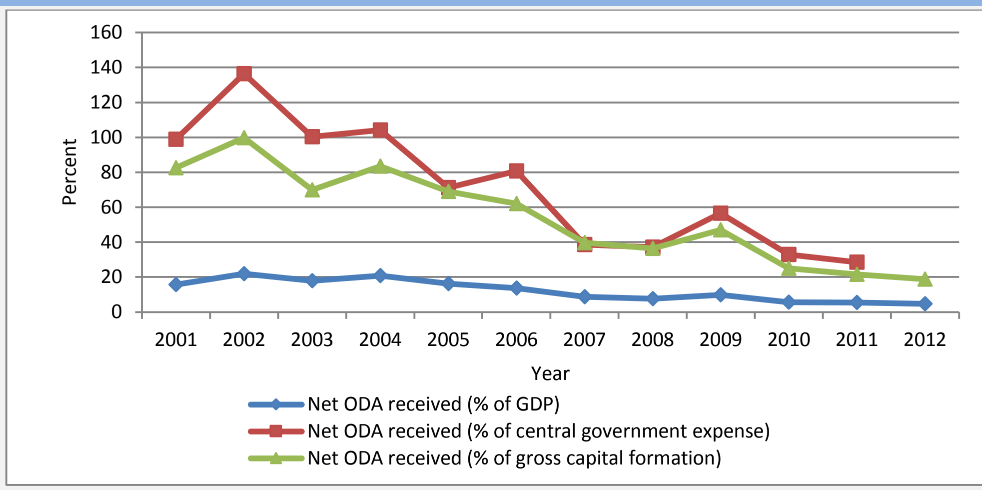
The review by the Independent Evaluation Group (IEG) of the CAS Completion Reports (CASCRs) rated the achievement of outcomes for both CASs as moderately unsatisfactory. The IEG reviews recognize strong economic growth during the two CAS periods. However, the reviews emphasize that much of the fast growth was due to exogenous factors, such as the strong performance of international copper prices—which did not translate into commensurate poverty reduction, particularly in the rural areas. The self-assessment of CAS outcomes—the CASCR—for these two CAS periods calls for simplification of project design, and the effective use of partnerships to leverage resources. Three lessons from the FY08 CAS period include the need for greater realism in setting CAS objectives, a sound results framework, and an incremental approach to addressing policy and institutional issues. The performance of Bank Group interventions during this period are described in appendix A.

Coordination with Cooperating Partners

Zambia has a highly structured framework for aid coordination, in which the Bank Group plays an important role. The Joint Assistance Strategy for Zambia II (2011–2015) designates the roles of 15 cooperating partners in 17 sectors. Typically, three lead partners are selected for each sector, subsector or thematic area. They act as the focal contact points and facilitator for dialogue with the government. Among the three lead partners, one donor acts as the lead. The Bank has been the leading partner or part of the troika in a number of sectors in which it is active.[1]

This framework provides a useful forum for information sharing, but the need to enhance the value of donor support is growing. This framework has helped cooperating partners avoid overlapping efforts through regular information sharing. However, the scope and quality of collaborative work varies across sectors and themes. An example of substantive collaboration is in the agriculture sector, in which concerned donors took a unified approach regarding the need to reform government policy on agricultural subsidies and emergency reserves. However, opportunities for candid discussion to enhance the quality of each partner's interventions appear to be rare. Increasing the value-add of support is a key challenge for traditional donors, including IDA, as Zambia quickly moves away from reliance on external development assistance (Figure 1.2). Economic growth, the emergence of new donors, and growing opportunities to tap into the international financial markets have all led to decreased reliance on traditional donors.

Figure 1.2. Official Development Assistance Flows to Zambia



Source: World Development Indicators.
Note: GDP =gross domestic product; ODA =Official Development Assistance.

Evaluation Objectives and Report Structure

This country program evaluation (CPE) evaluates World Bank Group operations in Zambia from FY04 through FY13. The Bank Group covers IDA or the Bank, the International Finance Corporation, and the Multilateral Investment Guarantee Agency. The period reviewed was covered by two completed country strategies, one for FY04–07 and the other for FY08–11, as well as part of the ongoing Country Partnership Strategy FY13–16 (see appendix B for methodology).

This report is part of the cluster CPE for natural resource-rich developing countries that covers Bolivia, Kazakhstan, and Mongolia in addition to Zambia. The CPEs in this clustered report assess whether the Bank Group assistance supported relevant objectives; the extent to which these objectives were achieved effectively and efficiently; and the institutional development impact and sustainability of the Bank

Group's interventions. It will also make recommendations for future Bank Group programs in the four countries reviewed based on lessons of experience.

To maintain consistency across the analyses for four countries, each CPE follows a similar organizing framework. This is based on a set of challenges that arise from high dependency on natural resources. These areas are consistent with Zambia's core development challenges, as indicated above. The common set of challenges that guide this Clustered CPE are indicated below. In addition, each CPE reviews Bank Group operations in the two cross-cutting themes of gender and environment, as incorporated in the country program.

- Maintaining macroeconomic and fiscal stabilities;
- Improving governance and institutions for the effective use of resources;
- Enhancing economic diversification and growth in nonresource sectors; and
- Promoting human capital development and poverty reduction.

This report has seven chapters including this introductory chapter. Chapter 2 summarizes the Bank Group strategies and examines trends and patterns related to its operations in Zambia during the evaluation period. Chapters 3 to 6 assess the relevance and effectiveness of these operations for the four themes described above. The concluding chapter draws lessons and recommendations for the Bank Group's future engagement in Zambia.

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[1] The Bank is a leading partner in six areas of the Joint Assistance Strategy for Zambia II. These areas include energy, transport, water and sanitation, tourism, environment and natural resources, and macroeconomics. Active partners delegate "voice" to the lead partners, but remain involved in discussion. Background partners have delegated full authority to lead (or active) partners, including sector dialogue and their funding in the sector.

2. Maintaining Macroeconomic and Fiscal Stability

For purposes of comparative analysis of these resource-rich countries, Pillar 1 covers activities related to addressing risks to macroeconomic and fiscal sustainability posed by short-term volatility and medium-term cycle of natural resource prices. It covers the link between intergenerational sustainability of the resources, savings and investment, and fiscal sustainability, including management of price volatility risk. A second level of issues includes the composition of spending and ways to transfer the resource revenues to the private economy; and securing a sustainable extraction rate for the country's natural resource by adopting a supportive regulatory regime, an incentive framework, and relevant tax policies and administration. Not all of these issues are relevant to the particular countries, so coverage is partial in each case.

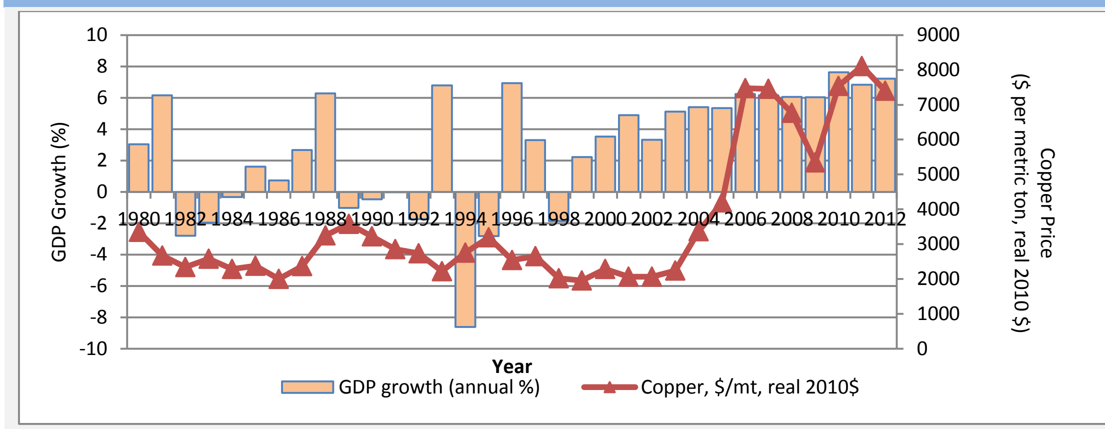
During the 1990s and until the privatization of the copper mines in 2000, the mineral sector was a drain rather than a contributory factor for Zambia's fiscal resources. This was a function of low copper prices, low productivity in the mines due to weak management, the lack of investment on maintenance and rehabilitation, and the costs borne directly by the mines for social services provided to the miners and their families. Privatization and the subsequent rise in copper prices reversed this trend, but the contracts entered into with the new private owners to induce them to take over the mines meant that only a very small share of the profits went to the Treasury. Thus for much of the period, many of the questions related to the use of resource revenues had little relevance. Instead, the key question asked was whether the Bank could have done more to assist the government in maximizing revenues from the mineral sector.

Starting in 2010, the impact of mineral revenues became more substantial. New mines came on-stream under arrangements that were more favorable from a fiscal perspective. The privatized mines were no longer able to take advantage of provisions such as the carry forward of losses, given the sustained profitability of their operations. In particular, the government was able to borrow on favorable terms on the basis of future copper revenues. As a consequence, in more recent years, questions relating to the role of the Bank in helping Zambia to manage these resources in a fiscally sustainable way have become more relevant.

Context

Rising copper prices, output and exploration in Zambia have enabled high rates of economic growth in recent years (Figure 2.1), outperforming most other resource-rich and Sub-Saharan African countries. Natural resources were responsible for most of the economic growth in Zambia, with their share in gross domestic product (GDP) rising from 4 percent to 27 percent over the period of 2000–2011. High copper prices in the recent decade have attracted substantial foreign direct investment (FDI) to the mining industry, which has driven much of the growth in GDP and exports. Compared to the average 6.7 percent share of FDI in GDP of resource-rich countries, Zambia attracted 7.9 percent of GDP over the period of 2005–2011. Other sectors such as financial institutions, trade, real estate activities and communication also experienced an inflow of FDI.

Figure 2.1. Zambia's Economic Growth and World Copper Prices



Source: World Development Indicators.
Note: GDP =gross domestic product; mt = metric tons.

Zambia began the period under review (2004–2014) with the most promising fiscal situation in decades. First, the privatization of the mines and some of the other state-owned enterprises had the potential to stop the persistent hemorrhage of resources in the form of operating subsidies. Second, steps were under way with support from the Bank and International Monetary Fund (IMF) to deal with the arrears of the utilities and pension system. Third, the country was moving slowly but steadily toward the Highly Indebted Poor Country (HIPC) Initiative completion point which, given the high levels of external debt, would provide the fiscal space for much-needed public investment and expansion of social programs.

However, the development benefits of the growing mining sector remain relatively low. The major channels through which the mineral sector can contribute to inclusive growth and poverty reduction are job creation, economic spillovers, and public revenues from extraction, which can then be invested in sustainable development. However, Zambia's mining sector employs just 1.3 percent of the labor force nationwide. Economic spillovers from mining are minimal, given the nature of production which is primarily exported as smelted copper, though with increasing exports of copper cables to South Africa in recent years. Mining taxes accounted for less than 2 percent of GDP, and 8 percent of total tax revenues in 2009–2010—far below international standards. While worldwide resource taxes tend to be about 25-40 percent of exports for major resource-rich developing countries, they amount to only 3–5 percent in Zambia.

Box 2.1. Why are Zambia's Mineral Tax Revenues So Low?

The contracts with the private mining companies negotiated at the end of a very long cycle of declining copper prices allowed, among other things, 100 percent tax write-offs for investments and carry forward of losses. Regular corporate profit rates were applied to the balance. Net mineral revenues were actually even lower, if one factors in the low negotiated price at which electricity is supplied to the mines. All this was embodied in a stability contract that did not allow for any changes for 15 years. Since the government reversal of the proposed unilateral rate changes of 2008–2009, the Bank and the International Monetary Fund have focused their support on helping the Zambian government collect more tax under the existing rules. In the past two years, the Bank, together with the Organisation for Economic Co-operation and Development, have been providing support to the Zambian Revenue Authority to build capacity on international transfer pricing issues.

Low mineral tax ratios are the result of the Development Agreements signed during privatization. When the government entered into negotiation to privatize the copper sector between 1997 and 2000, the outlook for copper prices was extremely bleak. Given that the copper sector was the major source of fiscal deficit, the government had to agree to a generous package of incentives in order to reach a deal (see box 2.1 and appendix D). The mines were subject to the regular Zambian profit tax, but there was no variable tax based on the size of earnings, nor a windfall profits tax as is common with mining contracts. As a result, when copper prices rose steadily after 2004—against expectations—there was no commensurate increase in the Zambian government's revenues. During the period of the privatization negotiations, the Bank and the International Finance Corporation provided a financial adviser to assist the government in the negotiations, but there was no fiscal advice provided.

The government's decision at the time to proceed with the privatization even with a generous package for investors can be justified, given the economic and fiscal status of the Zambian economy and the widely shared expectation that low copper prices would continue for some time. However, with the benefit of hindsight, this experience highlights the importance of ensuring that the country obtains support from high quality expertise in various areas in addition to financial analysis—for example in taxation arrangements and fiscal regimes—at the negotiation stage of mineral contracts/privatization.

The Zambian government attempted to modify the Development Agreements by adopting new tax regulations in 2008 and 2009. These changes would have followed international practices and increased the effective tax rate to 47 percent of pre-tax profit (World Bank 2011c). Following resistance from the mining companies, these regulations were withdrawn for existing mines, though their application to new mines has produced a modest increase in tax revenues.

With a peaceful political transition and the increase in copper revenues starting in 2011, Zambia was able to secure international market financing on favorable terms. Government revenues from copper averaged around 5 percent of GDP between 2011 and 2013. The strong copper prices combined with a generally positive perception of the country's steady growth and political stability after the peaceful transition of power in the 2011 elections, allowed Zambia to raise $750 million in the market at a rate of 5.375 percent in September 2012.[1] These trends allowed for resources to be channeled into increased capital expenditures (up from 3 to 4 percent in 2009-11 to 6 to 7 percent of GDP in 2012 and 2013).

However, recent government decisions demonstrate that macro-stability remains a significant risk. There were positive fiscal steps taken in reducing subsidies on fuel, fertilizer and maize in 2012 and 2013. However, this was more than offset by the decision to increase government salaries by 45 percent, with the increase skewed toward the lower salary levels.[2] In the short run, this has raised the budget deficit from around 3 percent of GDP to around 7 percent. Although there is a commitment on the part of the responsible officials to bring this down steadily over time to the 3 percent level, the situation remains vulnerable to political considerations. Meanwhile, a new $1 billion market borrowing in April 2014 required a much higher interest rate of 8.625 percent, reflecting both less market willingness to take on emerging market debt and the deterioration of Zambia's own fiscal situation. While the annual interest burden remains reasonable, Zambia has to make a repayment of $750 million in 2022, and $1 billion in 2024. Substantial new public infrastructure investment is taking place, but the procedures for preparation, appraisal and management of investment projects have been questioned by various World Bank analyses.

Bank Strategy

From active support for better macroeconomic and fiscal management at the start of the review period, the Bank has gradually phased down its strategic focus. This can be seen in Table 2.1 (see table E.1 in appendix E for more detail).

Table 2.1. Bank Strategy for Macro-Fiscal Support in Successive CPS Documents

CPS FY04-07	CPS FY08-12	CPS FY13–16
1. Sustained economic growth anchored in a diversified and export-oriented economy. (*IEG rating: moderately satisfactory*)	1. Macroeconomic and expenditure management. (*IEG rating: moderately satisfactory*)	No specific macro-economic or fiscal objectives. Pillar 1 relates to poverty reduction.
A growth conducive macroeconomic environment.	Macroeconomic stability and support for the growth and diversification of the economy.	
A diversified and export-oriented economy.		

Source: World Bank (2004, 2008, and 2013).
Note: CPS = country partnership strategy; IEG = Independent Evaluation Group.

- The Bank strategy in the macroeconomic area during the FY04-07 period was broad. It aimed at assisting the government in managing its resources more efficiently and effectively, and in particular at reducing domestic borrowing and government arrears. The targeted outcomes were as follows:
- Reduced domestic borrowing requirements from 3 percent of GDP in 2003 to less than 1 percent annually. This was substantially achieved. Domestic borrowing was reduced from 3 percent to 1.3 percent in 2007.
- Reduced arrears of the government, including parastatals, from 2 percent of GDP in 2003 to zero. Government arrears only declined from 2 percent to 1.7 percent and the resolution of state-owned enterprises was only partially accomplished.
- Credible and predictable budget preparation and execution. There were partial improvements here, most notably the preparation of the Medium-Term Expenditure Framework and a move to Activity-Based Budgeting.
- Resolution of state-owned financial institutions. The Bank provided assistance in close collaboration with the IMF in supporting the proposed privatization of the remaining state-owned financial institutions. This was only partially achieved. The government proved unwilling to privatize the largest state bank, the Zambia National Commercial Bank and since this had been a trigger for HIPC completion, the Bank and the IMF agreed to a waiver.

The Bank strategy in the macroeconomic area during the FY08–12 period was to participate in the multi-donor effort. The Bank was part of the multi-donor group that provided budget support to Zambia. The size of the Bank's contribution to budget support was small. The country partnership strategy (CPS) acknowledged that it would be impossible to attribute macro-stability to the Bank's contribution. The Bank's objectives in the macro-area were defined as broad topics. There was one rather specific indicator defined within each topic, but no obvious results chain runs from the indicator to the topic. The broad topics included:

- ***Macro-stability.*** The Bank proposed to support the government in putting into place guidelines for the use of additional resource flows from mining. The Bank's particular focus was on the creation of a sovereign wealth fund that could have been used in the event that there was a substantial increase in tax revenues from mining. This reflects the government's intention at the time to put in place a windfall profit tax and unilaterally abrogate the stability agreements with the mines. As noted, this was subsequently reversed by the government, so that revenues from mining expanded only modestly. In the meantime, the Bank supported training and study tours for Zambian officials to countries where such sovereign funds were in operation. (The Country Partnership Strategy Completion Report uses the provision of this training to justify a "partially achieved" rating for this indicator).
- ***Public expenditure allocation.*** The indicator was defined as real increases from 2007 levels in the allocations to pro-poor sectors, including agriculture, tourism and rural infrastructure. In the Country Assistance Strategy Completion Report (CASCR), this is defined not just as a real increase in amounts, but in each sector as a share of GDP. In practice, there was a reduction for tourism, a virtually unchanged share for agriculture, and a very large increase for infrastructure. The CASCR, does not separate rural infrastructure from the total, so it is unclear to what extent this met the criterion. It is also difficult to define public agricultural investment in Zambia as pro-poor, as the focus of this investment was support for medium- and large-scale commercial farming. The "fully achieved" rating in the CASCR is generous based on available information.
- ***Better fiscal reporting.*** The indicator is defined as the inclusion in the budget of information on donor funding and the expenditures of quasi-fiscal institutions, such as the Bank of Zambia, the pension fund, and state-owned enterprises. Here, there seems to have been genuine forward movement supported by the Bank's credit for a public sector management project.

The Bank strategy did not define any macroeconomic and fiscal objectives during the FY13–16 period. This seems to reflect the Bank's projection that current expenditures would remain fairly stable as a percentage of GDP, while the growth in mineral revenues would be used mainly for increasing capital investment along with the $750 million that Zambia had raised in the international capital market at the time. The focus was therefore not so much on the overall availability of resources, but on the capacity to use these resources efficiently. The CPS emphasized efficiency of resource use and increased allocations to pro-poor sectors to address the slow pace of poverty reduction. As it turned out, current expenditures did not remain stable after the President decided to increase government salaries by an average of 45 percent.

The Bank Program

Bank support for macro-fiscal management was designed to assist the government in reducing its budget deficit to modest levels consistent with growth and sustainable levels of debt. The Bank worked closely with the Fund in this area. The instruments used by the Bank were, first, a series of budget support operations, and, second, an intensive program of analytic work. In the earlier years of the review period, reforms were supported under the Economic Management and Growth Credit (FY05) and Second Economic Management and Growth Credit (SEMGC, FY08) projects. The first of these was intended to support HIPC completion. After the achievement of HIPC, the Multilateral Debt Relief Initiative (MDRI) was implemented, which left the International Development Association with very limited resources for new funding and resulted in a token amount of support in the SEMGC credit. This credit was intended to consolidate the steps undertaken as part of the HIPC and MDRI agreements.

The Bank's objectives were to support the attainment of broad macroeconomic stability in large part through reducing arrears and improving the financial viability of the utilities and the pension system. These objectives were substantially achieved. The major areas of achievements are as follows.

- The government maintained a satisfactory macroeconomic framework in agreement with the IMF.
- The Cabinet issued a decision to empower utilities and insurance companies to treat government institutions as any other client.
- The government made arrangements with each of the relevant utility and insurance companies to eliminate the stock of arrears over time.
- The Accountant General instructed accounting officers to pay their utility and insurance bills on time.

- The Ministry of Finance and National Planning adopted a restructuring plan for payment of the government's arrears to the utility and insurance companies.

As a result of these measures, domestic borrowing declined to 1.9 percent of GDP, and the government arrears were reduced to 1.2 percent of GDP at the end of 2005 (World Bank 2006). In the area of pensions, a series of measures were undertaken that substantially restructured the system and partially enhanced its financial viability, though follow up measures were still required in the subsequent budget support operations.[3]

In 2009, there was a shift to multi-donor support for fiscal and governance objectives, and the Bank sought to play a leading role in providing this support. The Bank provided three Poverty Reduction Support Credits (PRSCs) for Zambia in 2010, 2011 and 2012 as part of the program of multi-donor budget support. There were issues regarding the positioning of these PRSCs in relation to the Performance Assessment Framework (PAF), jointly agreed to between the government and the Poverty Reduction Budget Support cooperating partners. The 33 PAF indicators were a subset of the monitoring and evaluation framework of the government's Fifth National Development Plan. The large number of indicators reflected the interests of individual donors in providing additional leverage in the specific areas of their support to Zambia. While the PAF served as a basis for dialogue among development partners, it also included areas pertaining to weak government ownership.

This multi-donor effort appears to have had limited impact in supporting fiscal stability objectives. The absence of a focused program with a limited number of indicators appears to have contributed to this lack of progress. The government score for the number of PAF indicators achieved has declined steadily since 2005. The large number of indicators was a source of considerable frustration to the Bank, which wanted the PAF to focus on a few key indicators. In 2009, when the PAF was finally consolidated down to 19 indicators (and later to 14), a disconnect emerged between the triggers agreed between the Bank and the government for the PRSCs, and the list included in the donor- supported PAF. The Bank was determined, however, to include indicators relating to operations of the Zambia Electric Supply Corporation (ZESCO), including cost recovery issues that were of lesser interest to other donors. The Implementation Completion and Results Report attributes this disconnect in part to a lack of continuity in Bank staffing during the review period. The weak record of the PRSCs, as well as the availability of more revenues from mining, and funding from the market, has raised serious questions concerning the role of donor budget support in the future.[4]

In recent years, the Bank appears to have made a significant contribution to the reduction of inefficient public expenditures. The Bank has focused on the need to increase the economic viability of ZESCO and to reduce the subsidies for fuel, maize and fertilizer, which were seen as having a limited impact on productivity and adverse distributional effects. The maize subsidy had the effect of shifting resources away from other, potentially more profitable, crops. The Bank's policy dialogue and investment lending appear to have contributed to the significant increase in electricity tariffs between 2009 and 2011, which enabled ZESCO to realize an operating profit. In addition, the steady analysis and dissemination by the Bank on such topics as the adverse distributional impacts of subsidies on energy, fertilizer and maize, and the potential for increasing mining revenues, among others, has clearly helped contribute to a broad understanding of these issues (see appendix C for the list of analytic and advisory activities during the period). In addition, it probably had a role in recent subsidy reforms.

There is stronger interest in the Bank's analytic work than had appeared from earlier assessments. An assessment carried out by the Bank in 2004 found very little impact from the Bank's sizeable investment in economic and sector work. There was a general lack of interest on the part of government officials. In this evaluation, the Independent Evaluation Group found a significant change in this regard. Indeed, there was a general appreciation of the quality and value of Bank analytic work, particularly among middle-level government officials.

A series of policy notes produced for the new administration in 2011 provided in-depth analysis of several important topics.[5] These included a study on revenues from mining and a political economy analysis that, among other things, warned against industrial policy approaches to diversification and repeating the experience of creating parastatals in the 1970s and 80s. The note on enhancing the quality of public investment in Zambia laid out a set of requirements for efficient public investment, which could well be an important basis for future Bank support in this area.

A new series of semiannual Country Economic Briefs is a very useful innovation. Along with the IMF Article IV consultation document, this has become the instrument of choice to which officials, academics and Zambia's growing group of think-tanks and civil society organizations turn to obtain objective analysis of the current economic situation. The special topics taken up in each brief, such as employment, also provide a useful instrument for disseminating Bank analytic work.

Assessment and Lessons

The Bank and the IMF successfully exploited the leverage provided by the HIPC and MDRI to help the government make progress on privatization and fiscal management, laying the foundation for fiscal sustainability. The reductions in debt servicing through the HIPC and MDRI agreements created substantial fiscal space and allowed the government to increase support for infrastructure in particular. The successful mining privatization combined with surging copper prices set the stage for new investment and the most prolonged period of growth since the 1970s. Given the vested interests and political risks, it would have been very difficult for the government to achieve this without the involvement of the Bank and the IMF, as well as the impetus provided by HIPC completion. This combination of actions, which set the stage for subsequent growth, is a significant achievement of the Bank and IMF in their engagement with Zambia.

Subsequent to HIPC completion and MDRI, the Bank shifted the main focus of its program away from fiscal sustainability issues. This seemed an appropriate response at the particular historical moment at which the FY08–11 Country Assistance Strategy (CAS) was prepared. The key structural problems appeared to have been dealt with, and the ongoing responsibility for fiscal stability and sustainability rested mainly with the IMF and the multi-donor budget support dialogue. The Bank's comparative advantage lay in improved public sector management and supporting pro-poor expenditures and investments. The performance in these areas is assessed in the other pillars of the evaluation.

Could the Bank have done more to help the government increase its revenues from the mining sector? In a country like Zambia, given the high poverty levels and poor state of economic infrastructure, there is huge pressure on the government to expand social expenditures and infrastructure investments. Increasing copper prices have led to higher GDP per capita. As a consequence, some donors are withdrawing from Zambia, thereby resulting in stagnant or declining official development assistance. It is understandable that this combination of events would lead the government to try to renegotiate its agreements with the copper mines. The Bank had two options during the first part of the review period: first, to support the renegotiation of the mining contracts or, second, to support the Zambians in maximizing revenue collection within the limits of the existing contracts.

The Bank had a difficult time developing an agreed approach on whether to support a unilateral change in privatization contracts to increase the government's revenue share. The Bank shares some responsibility for the contracts negotiated with the privatized mines. These contracts did not include a provision for capturing windfall profits in the event of a rise in copper prices. The focus was on stopping the outflow of government resources to the mines and the upside potential was not looked at closely. Subsequently when the government introduced new legislation to abrogate the agreements with the mining companies in 2008, the Bank found itself in a very difficult situation. On the one hand, the change was clearly to the advantage of the Zambian fiscal outlook. On the other hand, the credibility of the Zambian government in promoting FDI and a positive investment climate could be damaged by such unilateral action. There were strong sentiments on both sides of this issue in the Bank.

However, the Bank could have done more to support enhanced revenue generation within the existing agreements. While, on balance, the evaluation team is sympathetic to the general constraints which the Bank faced in this area, in our view it could have made an earlier start on the agenda which is now being undertaken to strengthen the capacity of the Ministry of Finance to analyze the company accounts and identify transfer pricing and inappropriate use of write-offs and depreciation allowances. This could have been done much earlier as a matter of urgency.

Should the Bank have done more to help the government increase its revenues from the mining sector? The answer to this question rests on whether additional resources would have been used efficiently. Those who argue against putting additional resources in the government's hands point to the use of the resources borrowed from the capital market on projects that were often poorly appraised and seem politically motivated, or in contributing to a possible bubble of construction projects in the main towns. It is difficult to argue that additional tax revenue would have found its way into worthwhile and productive public expenditure and investments. On the other hand, it can be argued that leaving these resources in the hands of the mining companies meant that a large portion of resource revenues were lost to the Zambian economy, given the limited spillover of mineral earnings. On balance, this evaluation is of the view that the Bank should support honest and efficient tax collection provided that tax rates are set at levels that are appropriate for the continuing development of the private sector, regardless of its views on the appropriateness of expenditures. The efficiency of expenditures needs to be addressed simultaneously of course, but it should not be used as an argument against efficient resource mobilization.

Both the relevance and the effectiveness of the Bank's contribution to outcomes in Pillar 1 are rated moderately satisfactory. The Bank's focus in supporting fiscal stability has been in such areas as the closure or sale of loss-making public enterprises, reducing arrears to the pension system, raising inadequate levels of electricity tariffs, and reducing inefficient and regressive subsidies for fuel, maize, and fertilizer. There has been considerable success in all these areas.

Bank support in Pillar 1 areas has employed a wide variety of instruments including HIPC and MDRI completion, investment and policy loans, and strong analytic work. Subsequent to the initial impact of HIPC completion, there was a steady improvement in the overall fiscal balance between 2005 and 2012. The continuing dialogue between the government, the Bank, the IMF and the donor community, undoubtedly contributed toward this stability. However, the specific outcomes supported by the first two CASs were only partially achieved, as the government moved much more slowly to deal with the problems of arrears and subsidies that were the primary focus of Bank support. The misalignment toward the end of the series of budget support operations between the Bank PRSC and the donor PAF also raises questions about the adequacy of the Bank's contribution. The substantial increase in government salaries in 2013, combined with the failure to utilize the amounts borrowed on the international capital market efficiently, seriously undercut the achievements of the preceding part of the review period.

Given the sharp deterioration of the fiscal balance in 2013, the Bank may need to revisit its decision in the context of the CPS to reduce its strategic focus on the macro-fiscal area. Fiscal instability is emerging as perhaps the most serious risk facing Zambia. The size of the budget deficit combined with the new build-up of debt means that the economy has little or no capacity to weather a potential downturn in copper production or prices. The Bank has attempted to expose ministers, members of parliament, and key officials, to good practices in management of natural resources, such as the case of Chile, through exchange visits and study tours. The Bank has limited leverage through its lending at present to help the Zambian government put a fiscal stability framework back in place. In these circumstances, the Bank would need to undertake a major program of analytic work that would clarify the implications of the steps they have taken. This would require risk and sensitivity analysis based on various price scenarios, and international comparisons of Zambia's performance relative to comparators, and effective dissemination of this analysis. It is only when the Zambian leadership becomes aware that they will suffer disproportionately from the impact of an economic downturn, that they are likely to support the measures needed to restore longer-term stability.

The key lessons that emerge from the Bank's support for Pillar 1 in Zambia are the following:

- The importance of ensuring that the country has the right expertise available at the negotiation stage of mineral contracts/privatization. The failure to look at other fiscal regimes and obtain expertise on appropriate taxation arrangements has had major consequences for Zambia.
- The need for institution building for the National Revenue Authority early in the cycle. Transfer pricing is a fact of life in large multinational corporations and the tax authorities need to be able to identify this.
- Within fifty years since its independence, Zambia experienced a gradual deterioration from a prosperous and resource-endowed country to a highly-indebted poor country; and then a quick rise to a lower-middle-income country. This experience demonstrates the importance of maintaining sound macroeconomic and fiscal management in the face of unpredictable cycles of boom and bust in the commodity markets. In this context, adopting some form of fiscal rules or agreed mechanisms for sustained monitoring of key indicators should be considered.
- Budget support cannot be a matter of democratically reflecting the interests of all donors. Support needs to be focused on the key policy issues over time. An inter-agency working group with representation from the four or five largest contributors should select and define a limited set of triggers for budget support for discussion with the government.
- The Zambian economy remains vulnerable to a downturn in the world copper price. There are major new copper mines coming on-stream such as Oyu Tolgoi in Mongolia. The government needs to take into consideration the appropriate policy response to a potential downturn in copper prices. In this context, there is a strong case for the Bank to undertake jointly with the Ministry of Finance a risk and contingency analysis of the macro-situation to analyze various alternative copper price and output scenarios.

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[1] The issue was substantially over-subscribed.

[2] The wage increase took effect in September 2013.

[3] In November of 2005, the Cabinet approved reform proposals of the Public Sector Pension Fund (PSPF), including amending the constitution to allow PSPF to undertake reforms in order to achieve and remain on a sound financial footing. The PSPF completed a draft three-year implementation plan to reduce administrative expenses, and negotiated a plan with the government to retire a small percentage of its arrears. The Local Authorities Superannuation Fund (LASF) strengthened its financial position through retiring arrears, completed its first actuarial valuation since 1998, collected data for analysis of various policy reform options, and negotiated a debt/equity swap to retire a part of its central government arrears. The National Pension Scheme Authority (NAPSA) drafted an operation manual on its corporate governance. A revised investment policy was also adopted in 2005 by NAPSA's Board that

allowed NAPSA to invest in assets externally. Only the PSFP remains active in providing new pension coverage.

[4] While budget support continues, some donors such as the Netherlands and Denmark are withdrawing from Zambia as a result of its attaining lower-middle-income country status. Other donors who remain active are moving their entire aid programs away from budget support (the European Union and the UK). In an environment where the government has substantially increased available resources, the leverage of budget support (which is now less than 2 percent of the total budget) for promoting an effective policy dialogue, has declined.

[5] These notes drew on an important Public Expenditure Review (PER) prepared a year or two earlier, which was not published. This study was produced in draft just prior to the elections and was not subsequently disclosed. It is critical of public sector management, but provides very clear analysis of the issues. While it is true that the dissemination of the PER in draft means that many of the Bank's interlocutors are well aware of the existence of the document and what it says, the failure to publish it comes at a cost to those who do not have access to these analyses, including Zambia's nascent think-tanks and academia.

3. Improving Governance and Institutions for the Effective Use of Resources

Pillar 2 covers public financial management from the standpoint of the efficient and effective use of the resources generated both from mineral taxation and other sources. Specific issues and questions covered in this section include:

- *Efficiency of the country's public financial management institutions and arrangements, including*: (i) institutions to support efficient spending at the project level (such as procedures for project evaluation and selection); and (ii) accountability elements of the public financial management (PFM) system, that is, institutions and practices to support the monitoring, reporting, audit, and evaluation of public spending at the macro, sectoral and project levels.
- *Strengthening accountability of the public sector* in the midst of an increased flow of income from natural resources. Mineral resource revenues are much less subject to public debate and scrutiny than other forms of taxation, and therefore more susceptible to misuse. This makes traditional public sector reforms a major priority for these countries, including: (i) strengthening the system of checks and balances (for example, judiciary reforms, accountability of parliament); (ii) civil service reforms to improve incentives and attract higher quality people; (iii) laws and regulations regarding the availability of public information; and (iv) strengthening the demand for good governance, which may be weak in view of the perceived windfall nature of resource revenues.

As explained in the previous section, in the case of Zambia, mineral revenues and foreign borrowing have resulted in increased resources for the government only in the latter part of the review period. During the earlier period, resources were rarely sufficient to go much beyond government salaries, basic administration and maintenance expenditures—and were often inadequate to cover the last of these. Most investment was financed through donor-supported projects. In this situation, there is a risk that too little attention will be paid to the quality of expenditure and investment processes and management, as well as the need to build up a portfolio of efficient investment projects that can be funded when mineral resources come on-stream.

In the Zambian context, therefore, the questions relate not only to the effectiveness of the support provided in these areas, but also to their timeliness. In the latter period when these issues emerged as high priority for Zambia in the context of the increased availability of resources associated with mining, a key question would be whether the Bank assign sufficient priority in its program to 'traditional public sector reforms."

Context

At the start of the review period, public financial management in Zambia was inefficient and ineffective. A World Bank assessment found that the government faced considerable problems in ensuring sound public financial management and accountability, which are prerequisites for higher growth and improved service delivery to the poor and the private sector (World Bank 2003a). A report issued in 2004 (World Bank 2004b) characterized the key problems in Zambia's public expenditure management and accountability as follows:

- Spending rules and regulations are not enforced. The Ministry of Finance has not held officers who misspent public funds accountable.
- The budget is ineffective and unrealistic. Spending occurs before it is approved by parliament. Huge deviations occur between budget approved and actual expenditures.
- Supplementary appropriations are large.
- Public procurement is wasteful and inefficient. One estimate suggests that the government could save as much as $50 million a year by implementing good practice procurement rules and regulations.
- Budget management is not transparent. Reports are produced late and not disseminated widely.
- Audit systems are not effective, and findings of audit reports are not adequately followed up on.
- Institutions for accountability and oversight (the Office of the Auditor General, the Estimates Committee of Parliament) are weak and lack the resources to carry out their functions.

This section looks at the extent to which the government—with the support of donors, including the Bank—has succeeded in improving the quality of public sector financial management. It also examines the extent to which it continues to constrain effective public investment and poverty reduction.

An intensive effort at public sector reform began at the end of the 1990s: a Multi-Donor Trust Fund with the Bank as lead donor supported the Public Expenditure Management and Financial Accountability (PEMFA) program. Almost every part of Zambia's public financial management system from broad plan and budget formulation to district-level procurement decisions have benefited from this support. There has been extensive training, provision of technical assistance, and study tours, among other things. This has resulted in a cadre of articulate and knowledgeable civil servants who appear to have the capacity to manage public services effectively and efficiently, but who are operating in a system in which there are very limited incentives and accountability for doing so. The three core areas of reforming governance and public sector management supported by the PEMFA have been Civil Service Reform, Public Financial Management, and Decentralization.

On civil service reform, efforts have been made to put in place the basic personnel systems and to begin to reform wages. The objective was to allow key staff to be attracted, retained, and motivated to provide quality services, while continuing to right size and restructure the public service. While considerable capacity building through training took place in the early 2000s and systems were enhanced, policy reforms-such as public sector rightsizing and pay reform have not been accomplished.

As for public expenditure management reform, the period under review has seen genuine progress. This included the strengthening of the Office of the Auditor General and the oversight role of the Public Accounts Committee of Parliament; and building capacity of the Anti-Corruption Commission, the Extractive Industries Transparency Initiative (EITI), and the oversight role of the Zambia Public Procurement Agency. In addition, a payroll system has been put in place and reportedly has resulted in removing some ghost workers from the payroll. However, the Integrated Financial Management Information System (IFMIS) is not yet fully operational after a decade of implementation efforts. A Medium-Term Expenditure Framework (MTEF) has been prepared, but is poorly integrated with either the five-year plans or the annual budget.

Despite frequent public pronouncements regarding decentralization, Zambia has not so far undertaken any serious effort to move authority to the local level. There has been an impressive build-up of capacity at the local level, but officials have very little authority and even the most minor decisions are taken in Lusaka (see box 3.1).

Box 3.1. Why Hasn't Zambia Decentralized?

Zambia is divided into 10 provinces and 103 districts. The provinces are simply administrative structures with the central ministries deploying staff in the provincial offices to supervise their regional activities. The districts are genuine local governments with elected district councils that meet and approve budgets, and staff report directly to the councils.

However, the government has not been willing to devolve any serious authority to the councils. Their roads departments, for example, can fill potholes but they cannot decide on resurfacing a small stretch of a local road without reference to Lusaka. The evaluation asked each of the senior officials of Kitwe district council what their titles were. Eighty percent turned out to be "acting" because only the central government can confirm them in their positions and they have been waiting for decisions, sometimes for years, while continuing to perform the functions. When asked what his or her most important problem was, almost everyone responded that it was a lack of authority.

Officials from the Ministry of Local Government claim that there is a serious program for decentralization. They informed the evaluation team that responsibility for primary education, maternal and child health, and agriculture would be moved to the district level. No one elsewhere in the government confirmed this. There is some willingness to increase the number of officials at the provincial level, but with no attendant increase in their authority. Meanwhile, the government continues to expand the number of local authorities, which is popular since it brings budgets and jobs to the local level. It is difficult to interpret the lack of genuine progress on decentralization except in terms of the desire of the Lusaka-based civil servants and elite to retain control over local decision making and procurement.

Achievements over the review period have been modest relative to both the needs and to the substantial support provided to Zambia in this area. In the words of a donor representative with close involvement in the support program, "In public financial reform, Zambia has flown under the radar—you never get too worried or too excited—it is never a disaster, but at the same time the government never takes on transformational reforms. During the past 10 years, other countries have caught up with Zambia and moved faster." With the substantial increase in the availability of discretionary resources for the government in recent years through mining revenues and market borrowing, this failure to move more effectively on reforming public financial management represents a very high risk for Zambia in the future.

Zambia has the capacity and institutions to remedy its under-achievement in control of corruption. Some evidence suggests that corruption may disproportionately impact the poor. According to surveys conducted in 2003 by the University of Zambia, citizens in the lowest income deciles have had to pay bribes that represent a higher share of their income than their counterparts in the middle- and high-income brackets (Ianchovichina and Lundstrom 2009). There have been some effective steps taken to address the issues arising from corruption. If the remaining missing elements of the puzzle such as the IFMIS, the Freedom of Information bill, and more effective press and civil society can be put into place, Zambia could avoid some of the worst features of corruption often associated with resource-rich countries.

Bank Strategy

The core of the Bank's public expenditure support was the multi-donor supported PEMFA program with the IFMIS as its centerpiece, as well as enhanced public procurement and the strengthening of audit capacity. The Bank is the lead donor for the PEMFA program. During the period of the FY04–07 Country Assistance Strategy (CAS), the Bank broadly took on the PEMFA agenda, and targeted most of the issues identified as major public financial management weaknesses.

The FY04–07 CAS covered many of the fundamental issues related to public financial management noted above. Unfortunately, the Bank made no provision to monitor their achievement. The Country Assistance Strategy Completion Report (CASCR) has as one of its key lessons that if indicators are included in the CAS, arrangements need to be made both for collecting baseline data and for monitoring them. The indicators for improved civil service performance were not achieved since the government did not have the money to fund them, according to the CASCR. The only indicator for which some quantitative outcomes reported was for procurement, where 160 staff were trained and 38 certified. However, in the absence of baselines or targets, it is difficult to evaluate the outcomes from this training. Detailed CAS outcome targets are illustrated in table E.2 in appendix E.

The Bank strategy during the FY08–12 period was essentially to address and, if possible in some areas, complete, the long agenda of institutional reforms supported by the PEMFA. The approach this time was more selective with a focus on four areas: IFMIS, procurement; auditing; and the EITI.

- *IFMIS.* A great deal of effort was put into getting the IFMIS operational, but progress was slow. The IFMIS was seen as the flagship of the PEMFA program. The strategy included milestones for getting it to various government ministries, agencies, and provinces. There was progress over the review period, but the program moved at a slow pace. The high staff turnover after the new government came into office was a particular challenge, with new officials needing to be brought up to speed on a system with which many were unfamiliar. After nearly a decade, the system is still not operational.

- *Procurement.* Procurement reform has also moved forward slowly. An important milestone that was achieved was the passage of the Public Procurement Act in 2008. However, the law had still not been implemented by the end of the country partnership strategy (CPS) period. Indicators on the speeding up of the procurement processing were also not achieved.
- *Audit.* By contrast, audit capacity strengthening has been a success story. The Office of the Auditor General (OAG) has gradually increased its coverage to the district level and there has been a considerable increase in the number of qualified auditors. The OAG provides timely audits to the Public Accounts Committee of the Parliament, where they are discussed, with considerable media coverage of the findings. This part of the governance program qualifies as good practice—even though the malpractices identified have often not had the expected consequences in terms of staff dismissal or prosecution.
- *EITI.* Zambia became a candidate country for the EITI in 2009 and was compliant before the end of the CPS period. The first Revenue Reconciliation Report was published in February 2011, and the subsequent ones have been produced yearly. There has been little discussion of discrepancies, however, and the EITI Secretariat does not have the capacity to investigate them, given its limited access to financial and production information from the copper mines.

The Bank's current strategy during the FY13–16 period places a much greater emphasis on the demand side of good governance. Although not reflected in the 2007 CAS, this began during the earlier period, reflecting an evolution in Bank thinking. The Multi-Donor Trust Fund (MDTF) financed an extensive program of activities involving support and training for the media and the nongovernmental organization community. For the rest, the FY13–16 CPS program represents a continuation of Bank support for the IFMIS and improved public procurement.

The Bank Program

Capacity development has been the main thrust of Bank support for PFM throughout the period. This has been supported both by International Development Association credits for technical assistance, as well as Bank analytic work. It also includes the Bank's leadership of a Multi-Donor Trust Fund. Technical assistance involved helping set up new institutions (for example, the Public Procurement Agency, the EITI secretariat), instituting new processes or enhancing existing ones

(MTEF, IFMIS, investment planning procedures, more timely and realistic budgets) and training government officials.

In 2000, the Bank initiated the Public Sector Capacity Development Program (PSCAP) program. This was intended to be a three-phase adaptable program lending in recognition of the long timeframe required for PFM improvement. With the need to move to Highly Indebted Poor Country (HPIC) Initiative completion, there was some willingness on the part of the government for reform. At the same time, the donor community wanted to be able to account for the considerable additional resources Zambia would be able to spend as a consequence of the debt relief. In 2006, the second phase of PSCAP was initiated. The name of the program was changed to the Public Service Management Program Support Project, because the PSCAP was associated with retrenchment of staff in the mines and other privatized industries. The program targeted three broad reform areas public expenditure reform, public service reform, and decentralization. After the second phase closed, the Bank decided not to proceed with a third phase because of the lack of progress over the 12 years of project support. It was also due to an expectation that the ongoing MDTF would allow the Bank to maintain its involvement in this area without a lending operation.

Results of the program have been mixed. The Implementation Completion and Results Report ratings were moderately satisfactory for the first phase and moderately unsatisfactory for the second. As indicated in box 3.2, a core part of the program—the IFMIS implementation—was significantly delayed. Progress in integrating the MTEF and in implementing the procurement legislation was slow. Decentralization has not moved forward. Perhaps most worrying for the longer term has been the limited progress in putting in place improved processes for the preparation, appraisal and implementation of public investments.

The achievements in payroll management, better budgeting, auditing and EITI compliance should not be minimized. The payroll system was successfully implemented and the program helped to make the budget process more timely and transparent. The program has also assisted the Office of the Auditor General, and helped strengthen the audit capability. Capacity building under the program resulted in enhancing the auditing of government financial statements to meet legislative requirements, and in the strengthening of provincial offices of the central government. Internal audit functions were computerized. The percentage of entities covered by annual audit has subsequently increased substantially to about 80 percent in 2010 from 50 percent in 2006. Another instance of successful support was that Zambia was declared EITI compliant in 2012. The challenge still remains in ensuring that audit findings are used effectively to address the weaknesses identified by the audit units and to implement sanctions when necessary.

Box 3.2. What is Holding up Zambia's Integrated Financial Management Information System?

Work on the Integrated Financial Management Information System (IFMIS) started before the completion of the Highly-Indebted Poor Country Initiative in 2005. Nearly 10 years later it remains a work in progress. One donor said that if the government wanted, it could complete the full roll out of IFMIS within a year. Indeed the Ministry of Finance told the Independent Evaluation Group (IEG) it was their intention, though no other part of the government was willing to confirm this. In one small district office, the head of the information technology unit excitedly told the evaluation team that in using the IFMIS, he was able to do in a matter of two hours what was traditionally done in three days under the old manual system. His superiors hurriedly interjected that there was still a great deal to be done to implement the system.

During the course of this evaluation, IEG has encountered a number of hypotheses to explain the failure to fully implement the IFMIS. One explanation points to the inertia and reluctance in some quarters to do the work needed to get the system in place. Other observers noted fear of the impact on employment, and the fact that it would be more difficult to hide the misuse of public funds through computerized and transparent records. As a way to overcome these hurdles, a local nongovernmental organization observer pointed out, "All the Ministry of Finance has to do if it wants the system is to declare that no ministry or agency will receive its funding, unless it is operating through the IFMIS."

The Bank has not utilized its sector programs adequately in support of governance objectives. Governance and institutional development is a cross-cutting theme that needs to be taken up in all parts of the Bank program. In some countries, this has been a major thrust of the Bank's strategy, but it has not yet taken root in Zambia. While Bank support for better procurement practices is reasonably well integrated across sectors, there has been less of an attempt to leverage Bank projects to support the IFMIS. A start has been made with the agriculture projects, which have helped move the Ministry of Agriculture to the IFMIS platform. The same approach should be adopted in other areas of the portfolio. Similarly, given that the agriculture project sites are often far from the capital, some of these projects could be used to support the decentralization process through management at the local level.

The Bank has had an extensive program of analytic work in support of better governance. The Public Expenditure Review and Policy Notes were at the core of the effort, and both had chapters dealing with public financial management. In addition, the Bank had three staff members working on governance issues in the Lusaka office during the period from 2010 to 2012[1] as evidence of its commitment. However, the number has been reduced to one at the time of writing, and it is not unreasonable to assume that this reflects among other things the lack of progress on governance issues.

The Bank's continuing involvement is through its management of a new MDTF that, at the time of writing, is being finalized. At present, the task team leader for this MDTF is based in Washington rather than in the field. At the same time, the Bank is considering a new budget support operation that could provide some leverage on issues such as IFMIS implementation and the other areas of Bank activity. The effectiveness of this will depend on whether the Bank is able to form a strong alliance with the Ministry of Finance, so that it can use the budget support program as an instrument to bring the line ministries on board with the proposed approaches.

Assessment and Lessons

While there have been a number of solid achievements in the PFM area, they have not resulted in an effective overall program. The evaluators were impressed with the capacity that has been built up in the Ministry of Finance and recognizes that there has been progress in some of the "soft" areas that are difficult to capture in a results framework. But it is all the more puzzling given the presence of a team of articulate and thoughtful civil servants in the key ministry that the progress in the "hard" institutional and process areas remains so limited. The government moves selectively on those areas that do not challenge strong vested interests and where it is able to deliver on them. Whenever a program threatens to promote genuine change, however, the implementation slows down (IFMIS) or stops completely (decentralization). The absence of a commitment to comprehensive PFM reform means that even if there is progress in one area, inefficiency and rent seeking gravitate to other parts of the government program.

The recent focus on the demand side of better public sector management (PSM) and governance is well judged. It will be difficult to get progress on PSM without a perception that there are political rewards from efficient and effective government. This requires a great deal of effort to build up the demand side of the equation. The Bank's Zambia program is one of the most wide-ranging in this regard with a number of interventions in areas such as media training, investigative reporting, and capacity building of nongovernmental organizations. There has been some outreach to parliament, and this is an area that merits strengthening.

- *The Independent Evaluation Group rates the outcomes in Pillar 2 as moderately unsatisfactory.* There have been significant advances in some of the fiduciary areas, such as the external audit, the deliberations of the public accounts committee, and improved capacity in the public procurement office and EITI compliance. However, many of the CAS outcomes were not achieved and the progress has not been commensurate with either the efforts made or the urgent need to use resources more transparently and effectively. While EITI compliance is a useful first step, EITI still needs to be taken to the next level in terms of access to basic information on mining production and sales in order to have an impact. The mechanisms for reviewing and publicizing its findings also have to be explored further.

Sluggish performance in the area of governance and institutional capacity is going to be an increasing cost for Zambia in the future. With an expanding public investment program, Zambia will need to utilize its resources far more efficiently to ensure that the benefits are visible to the public at large. The dilemma for the Bank is whether, given the limited progress of the sizeable staff and loan resources it has already put into this area, it should re-focus its program on other areas as the latest CPS suggests.

The evaluation suggests that the Bank focus its future efforts on the area of investment planning where there may be more receptiveness to Bank support. In the past, the Bank has been perceived as essentially slowing down the investment process through its insistence on exhaustive project evaluations, safeguard procedures, and cumbersome procurement arrangements. The challenge that the line ministries face in putting together a portfolio of good quality investment projects that can then be financed through Zambia's own resources or by donors, is a critical one however. This is an area where the Bank could play a useful role and at the same time provide training and support in project evaluation, preparation, monitoring and implementation support, if and when needed by the ministries. The Bank can help put in place a triage procedure whereby relatively simple and smaller projects can proceed quickly, while others are subject to more careful preparation and evaluation.

The Bank should work with other donors to support selective implementation of administrative decentralization in the context of regional projects. The Bank has tended to take the position that decisions on decentralization should precede some of its support at the local level in rural areas. However, this position is simply keeping the Bank out of a range of activities that could play an important role in reaching the rural poor. A better approach may be to secure agreement to a decentralized approach for a particular project activity. This will increase the comfort level of the line ministry and the Ministry of Finance—without requiring them to make an across-the-board commitment to decentralization of decision making to local authorities.

For the Bank to remain relevant in this area, the Bank needs to continue building trust and confidence. The Bank can increase its relevance in the efforts to improve governance and institutions in Zambia in two ways. First, it can do so through leveraging resources, as was the case with HIPC and Multilateral Debt Relief Initiative completion. However, this is simply not an option during the part of the business cycle when copper prices are strong. Under these circumstances, the Bank's engagement with Zambia is increasingly similar to that with emerging middle-income countries that are not financially dependent on donor funding. The message must be couched in terms of enabling Zambia to leverage the enormous knowledge and experience the Bank brings to the business of development by allowing the Zambians to choose where that knowledge will be deployed.

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[1] Excluding staff working on Bank procurement.

4. Enhancing Economic Diversification and Nonmineral Sector Growth

The high concentration of (GDP) gross domestic product in the exportable natural resource sectors with low spillovers and limited job prospects can keep the exchange rate high, thereby hurting the competitiveness of other sectors of the economy. Broad-based economic development through diversification of the economy is crucial in generating employment and reducing the vulnerability of the country to fluctuations in the prices and output of mineral resources. Pillar 3 covers various areas of Bank Group support to diversify Zambia's economy away from the copper industry. Major areas of activities include infrastructure, private sector development, and agriculture.

Context

Developing the nonmineral sectors to diversify sources of economic growth has been a priority in Zambia's development strategy since its independence. By reducing the dependency on the mining sector, it is expected to develop resiliency in the Zambian economy in dealing with the unanticipated boom and bust cycles of copper prices. Developing nonresource sectors such as manufacturing, small and medium enterprises (SMEs), tourism, and agriculture would also help improve the lives of those who do not benefit directly from mining. Given the limited spillovers from the mining to other sectors, it is an important policy objective toward reducing overall poverty and promoting shared prosperity.

With the economy under stress during the 1970s and 1980s, the government introduced a few measures to provide incentives for agricultural production and manufacturing. However, these measures were short-lived and depended heavily on either subsidies or protection against competition. With low copper prices and a secular decline in the production of copper, Zambia's exports dropped, its foreign debt increased, and per capita GDP declined. The economic reforms initiated in early 1990s led to some diversification through the development of commercial agricultural production, but the overall results were mixed.

The lack of satisfactory progress on diversification led the government to focus anew on the issue starting in 2001. The National Economic Diversification Task Force set up in that year developed a strategy drawing on successful international experiences. With the main objective of improving competitiveness, the Task Force recommended: (i) improving the policy and regulatory environment for business; (ii) promoting small and medium-sized enterprises, including building SME linkages with mining; (iii) improving infrastructure; (iv) promoting agriculture; and (v) developing labor skills. These areas have become a priority in successive Zambian national development plans, starting from the 2002 Transitional Development Program, and continuing through the fifth and sixth Five-Year National Development Plans covering the periods 2006–2010 and 2011–2015.

Empirical data on the structure of the economy show that some limited diversification has taken place in recent years. Nonmineral growth in 2004–2008 was led by growth in construction and services, both of which grew at a slightly faster rate than the overall GDP growth. Since 2008, growth in agriculture has also outpaced GDP growth (Table 4.1). Manufacturing growth continued to be slow, although it has grown at a respectable pace of 5 percent per year in the 2009–2012 period.

Table 4.1. Average GDP Growth by Main Sectors (percent)

Sector	2004–2008	2009–2012[a]
Mining and Quarrying	7.1	6.9
Manufacturing	4.0	5.0
Construction	17.2	9.7
Services	6.1	6.4
Agriculture	1.8	7.2
Gross Domestic Product Growth	5.8	6.9

Source: World Bank 2013e.
a. The data for 2012 are preliminary.

There has also been some diversification of exports in recent years. While copper (and increasingly other mineral) exports remained dominant, there has been a surge in nontraditional exports since 2010, driven in large part by agricultural commodities. The number of items exported has increased from 139 in 2004 to 240 in 2011, but minerals still dominate in value terms.[1]

Bank Group Strategy and Programs

Diversification was an important area of engagement for the Bank Group for three consecutive CAS periods from FY04 to FY16. One of the three strategic priorities in the FY04–07 CAS was to provide support for developing "a diversified and export-oriented economy." In this context, it identified five possible areas of Bank Group support. These areas included: (i) trade reforms and facilitation; (ii) the investment climate; (iii) infrastructure improvement, particularly roads and logistics; (iv) labor skills; and (v) agriculture, including raising productivity of smallholder crop and livestock systems, and support for commercial agriculture.

The FY08–11 CAS and the FY13–16 Country Partnership Strategy (CPS) continued to emphasize the diversification objective, albeit under different formulations. The FY08–11 CAS aligned Bank Group support with the objectives as stated in the government's Fifth National Development Plan. Diversification was not mentioned as an explicit goal of the FY08–11 CAS, but was implicit in its overarching goal of "achieving broad-based wealth and job creation." The most recent FY13–16 CPS has as an explicit focus on diversification and private sector development as one of three themes under "Objective Two: Improving Competitiveness and Infrastructure for Growth and Employment." It envisages promoting diversification through support for the investment climate, SMEs, finance, power, telecommunications, and water.

The broad thrust for diversification in all three strategies was based on creating the conditions conducive for private investment in nonextractive industries, such as manufacturing, tourism, agriculture and agro-processing, as well as other nontraditional sectors. SME development was a key objective, although not specifically articulated. The broad areas of Bank Group support and the expected outcomes in these CASs are reviewed below. Specific indicators for the three key sectors of Infrastructure, Private Sector Development, and Agriculture are presented in table E.3 in appendix E.

INFRASTRUCTURE

The cost of road transport and the lack of reliable power and limited coverage were considered the main constraints to private investment. Accordingly, the main areas of support for infrastructure sectors during the evaluation period were roads and power. The particular focus of the Bank was to create the institutional and regulatory structures in both subsectors to ensure sustainability as well as investments to upgrade quality and reliability. The Bank used financial and advisory instruments to support these areas. For long-term infrastructure investments such as toll roads and airports, the International Finance Corporation (IFC) can provide financing and advice to public-private partnerships (PPPs) through its long-term financing and global expertise. In practice, IFC has had no engagements with long-term infrastructure investment, except its PPP advisory work for Kafue George hydropower project.

Roads

Until the 1970s, Zambia had a well-developed highway and railway system financed by the proceeds from copper mining. However, the decline in mineral exports from the late 1970s, and the impact of macroeconomic and sector mismanagement on maintenance funding meant that transport infrastructure deteriorated sharply during the 1980s and 1990s. However, subsequent economic growth enabled the work toward restoring the road network, and the government launched an ambitious multi-donor supported 10-year (1998–2007) Road Sector Investment Program (ROADSIP-I). In 2003, following the successful completion of the first five years of ROADSIP-I, the government expanded the program to the following 10-year period, 2004–2013, with an estimated total cost of $1.2 billion (ROADSIP-II). The Bank has supported both ROADSIP-I and II through a series of International Development Association (IDA) credits totaling more than $200 million.[2] Overall, the program has met its investment objectives, albeit with issues of high unit costs, cost over-runs, and allegations of corruption.

An important feature of ROADSIP II is that it was accompanied by a significant institutional reform program. Under the program, three new road agencies were created. The National Road Fund Agency (NRFA) coordinates and manages road financing. The Road Development Agency (RDA) builds and maintains the country's core road network. The Road Transport and Safety Agency implements the government's road transport policy, including its traffic management and road safety components. These agencies were set up as autonomous entities with their own boards of directors and financial resources.

The institutional framework was designed to ensure the setting of appropriate priorities between different types of roads, and between construction and maintenance. This is particularly important, as Zambia has a dispersed population over a large area, and low traffic volumes on most of its road network. The three sector agencies are fully operational, but their effectiveness is hampered by a number of factors including internal and external coordination issues, weak local construction industry capacity, a shortage of qualified labor, and political interference. Instead of channeling all funds through the NRFA, the government has tended to fund RDA directly, thus defeating the key goal of prioritization of investments, as well as between investment and maintenance.

In addition to supporting the ROADSIP program, the Bank led donors in helping the government develop its national policy in the roads sector in 2002 that instituted the policy and institutional reforms. There was no formal sector work undertaken, but the Bank helped develop the policy with its input in the government-donor dialogue in formulating the roads policy. Despite some ongoing issues, the reform program is considered to have been successful. The Implementation Completion and Results Reports rate the Bank contribution to institutional development as "substantial." However, as noted, the policy framework has not been able to fulfill its assigned mandate in recent years.

Most of the road sector outcome targets for the FY04–07 CAS were met—a reflection of the generally positive outcomes from the projects supported by the Bank. The FY04–07 CAS defined outcome indicators for the road sector as the percentage of roads in good condition, and increased local participation in road maintenance. These outcomes were largely met as paved and unpaved networks in good condition increased from 58 percent and 7 percent in 2004 to 65 percent and 32 percent, respectively, in 2006. The goal of increasing the proportion of road network under routine maintenance with community participation was partially met, increasing from 19.5 percent in 2004 to 40 percent in 2006 (and 33 percent in 2005). However, outcome indicators for the FY08–11 CAS were not monitored well. The CAS specified the outcome indicators as the percentage of the rural population in targeted provinces with access to reinstated river crossings and the amount of increased volume of traffic on improved roads. As indicated in the Country Assistance Strategy Completion Report (CASCR), the first outcome was achieved, but it could not assess the second indicator as it was not monitored.[3]

The Bank now faces new risks to the sustainability of the institutional reforms implemented over the last decade. There is a growing divergence in views between the government and the donors on the investment priorities in the sector. The RDA, which is responsible for construction and maintenance of even the tertiary roads, has often come under political pressure to upgrade these roads without adequate consideration of future maintenance. The Accelerated Program of Road Construction adopted by the government in 2011 would have increased the paved network to 8,000 kilometers, which is well in excess of the ROADSIP-II target of about 5,000 kilometers. The original stated concept of an independent Roads Board that would set priorities seems to have broken down, with decisions increasingly made based on political considerations.

Donors, including the Bank, may have contributed to the breakdown of the institutional concept because of the channeling their funds to discreet projects. While a project approach is appropriate for financing the main roads, the secondary, tertiary, and rural roads should have been funded as a part of the program to support the concept of sectorwide planning and investment/maintenance prioritization by the Road Board.

Power

Zambia is still far from achieving universal access to electricity. Only 23 percent of the population has access to electricity in Zambia, with about 40 percent coverage of the urban and peri-urban areas, and a mere 3.1 percent of the rural population. These numbers are well below the levels in comparable middle-income countries. Moreover, supply is unreliable with frequent load shedding that has increased in the last few years as the economy has grown.

The shortfall of supply was a direct consequence of under-investment in new power generation in the last two decades, stemming from fiscal and economic constraints. The stagnation of the economy and dying mining sector in the 1980s and 1990s meant that there was no pressure on the system. However, demand is now growing, with economic growth fueled by the strong expansion of mining that consumes 50 percent of the electricity. Agriculture and manufacturing also require increased electricity supply for further growth. Peak demand is projected to increase from 1,600 megawatts in 2010 to 2,400 megawatts in 2020. The National Development Plan estimates investment needs at $6 billion over the next 10 years. This would cover needs for new generation, transmission, and distribution to meet demand and alleviate the problem of load shedding.

As a part of the reforms under the Highly Indebted Poor Country Initiative, the government committed to unbundle the Zambia Electric Supply Corporation (ZESCO), a state-owned integrated utility, and to privatize the generation and distribution functions. The decision, however, was abrogated in 2003 under the revised energy policy. The view was that privatization of ZESCO was premature and not feasible given the small size of the system and the immediate need for additional investments. Accordingly, the focus shifted to commercialization of ZESCO and to improving its financial viability. The government approved a tariff increase by 87 percent on average over 2009–2011. The increase helped improve ZESCO’s finances significantly, turning around an operating loss of about $21 million in FY06-08 to a net operating profit of $70 million in 2010. A key remaining impediment for ZESCO to become a commercially viable and self-reliant power company is that it has not been able to obtain regular annual tariff increases from the Energy Regulation Board. Also, the problem of arrears by government agencies to ZESCO ($58 million, or 50 percent of ZESCO’s total accounts receivable) remains to be addressed.

The Bank had a difficult time establishing an effective sector engagement during much of the evaluation period. Initially, the Bank was viewed, particularly by ZESCO, as being unrealistic in pushing for sector unbundling and privatization. It took several years for the Bank to change its stance and agree to commercialization of ZESCO as the appropriate strategy. Meanwhile, the government's noncompliance with tariff agreements resulted in the Bank-financed power rehabilitation project (FY98) closing with an unsatisfactory outcome. As a result, the Bank was not able to finance any other project in the power sector for almost 10 years.

The Bank was able to resume financing projects in the sector in 2008, when it reached agreement with the government on commercialization of ZESCO as the appropriate strategy. The government too showed a stronger commitment to improving ZESCO's finances as a part of the agreements under the budget support loans. The first project, approved in 2008, financed the rehabilitation and expansion of ZESCO's distribution system. However, project performance was initially unsatisfactory because of the rural electrification component (through mini-hydro and solar power) that was not well designed and that added undue complexity to implementation. It was not until 2010 that the Bank restructured the project, and removed the poorly performing mini-hydro component and scaled back the solar component. The Bank also reportedly strengthened project supervision. These measures helped it regain the confidence of an increasingly competent and self-reliant ZESCO.

The Bank was subsequently able to re-establish its dialogue in the power sector through moving away from its insistence on unbundling the sector and through good performance in its recent projects. The Bank approved two additional power projects during the review period.[4] Both projects are aimed at strengthening and expanding transmission and distribution systems. Project implementation has been generally satisfactory and all three existing projects are serving a clear need. The Bank's positive contributions to the sector are recognized by the government and donors. This has allowed the Bank to mobilize significant co-financing.

The advisory service for a major hydropower project was the only IFC involvement in the sector, but it did not reach financial closure. The FY08 CAS listed the Kafue Gorge Lower hydropower project (550 megawatts) as a potential project for IFC investment and an IDA partial risk guarantee. IFC provided advisory services for the transaction structuring work on this project. However, before the transaction was formally launched, the government decided to work with the Chinese government to implement the project, and IFC's contract was not renewed.[5]

The outcome targets of both the FY04 and FY08 CASs were largely met, albeit with delays and some modifications. The target of completion of commercialization of ZESCO (of the FY04 CPS) was met, although as noted, without the envisaged unbundling and privatization. The FY08 CAS target of continued improvement in

ZESCO's financial viability through regular tariff increases, and for increased access to electricity (20 to 23 percent) was also largely achieved.

Government strategy over the medium- to long-term envisages exploitation of its large hydro potential (estimated at over 6,000 megawatts) to meet domestic demand and to become a major regional supplier of electricity. A number of hydroelectric projects are under preparation, some of which are expected to be undertaken as public-private participation projects.[6] In addition, the Zambian government continues to focus on improving the sector performance and finances, and further integration of Zambia's power system into the Southern African Power pool. These are potential areas for future Bank Group support. However, it has yet to define its role in these plans, lacking any significant sector work and a robust dialogue in the sector.

Rural electrification is another possible area for future Bank support, but as yet, there is no clear strategy for expanding coverage. Current government plans to expand electricity coverage to rural areas need more consideration, taking into account the highly dispersed rural population that will be hard to reach at a reasonable and affordable cost with on-grid solutions. In addition, the cost and institutional constraints in implementing an expanded program of nonconventional sources of energy need to be considered.

PRIVATE SECTOR DEVELOPMENT

To promote private sector development, the FY04 CAS proposed support for a program of reforms to improve the investment climate. Promoting private investment in nonextractive industries, particularly in manufacturing and SMEs, was another part of Bank Group support for diversification. The main elements of this included: (i) improving the business and regulatory environment; (ii) providing support for private sector investments; and (iii) increasing access to finance by micro, small, and medium-size enterprises. Bank Group support for each of these components is assessed below.

Business and Regulatory Environment

Regarding the investment climate agenda, IFC support was mainly through advisory services, while the Bank's primary vehicle for involvement was through policy-based operations. The Bank carried out a policy dialogue and included relevant conditionality in most of the budget support operations, starting with the series of Economic Management and Growth Credits and continuing with the Poverty Reduction Support Credits.

IFC's advisory service helped Zambia reduce the number of business license requirements. IFC helped reduce 42 out of a total of 152 business licenses. IFC also supported elimination of the minimum capital requirements. With these improvements, Zambia became one of the top 10 performers in the Doing Business Indicators in 2011 (World Bank 2011b). During this period, the responsibility for investment climate reforms was shifted from the Ministry of Trade to the Private Sector Development Reform Unit at the cabinet office. This was done with IFC support, which facilitated the associated inter-ministerial coordination.

However, Zambia still faces significant challenges in improving its business environment, requiring further efforts. Compared to neighboring countries, a considerably longer time is needed to process imports and exports in Zambia.[7] IFC has been working toward reducing the processing times by at least 30 percent, and strengthening the tribunal function to improve the government's oversight capability against cartels.[8] There appears to be some early indication that the impact of this support will be to help streamline the processing time.

Promoting Private Investment

During the evaluation period, IFC explored various ways to promote private investments in Zambia, but its efforts have not yet translated into a diverse and robust portfolio. Although IFC has been able to increase its committed investment portfolio from $14 million in FY04 to $62 million in FY13, IFC's average annual net commitment was less than $10 million in FY04–13—too modest a level of investment to make a meaningful impact on the size of the overall private sector investments in Zambia.

Nevertheless, two activities could have a positive far-reaching impact over a longer term:

- IFC issued 150 million Kwacha bond (approximately $28.4 million) to deepen Zambia's capital market. Since its proceeds had not been allocated to any IFC investments at the time of this evaluation, it has had a limited short-term impact on private sector development. However, this bond issue has been well received by the banking sector in Zambia because it added depth to the capital market, which has been dominated by government bond issues. It is also expected to serve as a benchmark for future corporate bond issuance by Zambian companies.
- IFC made a $6 million equity investment in a junior mining company in FY09.[9] This investment was made at the early stage of feasibility study—generally considered a high-risk period—without a guarantee of commercial

production. IFC also set international environmental standards for this mining project. IFC's presence and its due diligence gave comfort to First Quantum, a mining major, which later acquired IFC's equity stake. This investment produced an attractive return to IFC. More importantly, given the expected total investment of $2 billion for this mining project, the project can potentially contribute to Zambia's long-term economic growth and auxiliary private sector investments. IFC had a significant and unique value-added role through the process, which was made possible by it taking a relatively high-risk in supporting mining investment at an early stage.

Institutional and policy reform in several industrial subsectors was an important objective of Bank support in private sector development, but the efforts had limited results. The Bank carried out a number of high quality subsector studies that identified key constraints to private sector investments. However, the studies found limited traction with the government to implement the recommended reforms. The studies were carried out under the Jobs and Prosperity: Building Zambia's Competitiveness Program, with funding from the United Kingdom's Department for International Development and other donors.[10] Based on extensive consultations with the public and private sectors, the studies identified the critical policy and institutional constraints to attracting private investments, and the actions needed to deal with them.

Most studies reached similar conclusions about constraints, which include the regulatory environment, land, infrastructure, and access to finance. Most also had a long list of recommendations, but with insufficient emphasis on sequencing. Moreover, the Zambia Development Authority, the agency responsible for investment promotion, is very weak and did not indicate any specific plans to follow up on the recommendations. A lack of clear government ownership for action in this area led to limited impact of the Bank studies.

The Bank also financed one investment project to promote private investment, which had an unsatisfactory outcome. The Support for Economic Expansion and Diversification (SEED) project, approved in 2005,[11] was designed to support institutional and policy reforms in tourism, agro-processing and the gem industry. However, the agro-processing component was dropped due to a lack of interest by the Ministry of Agriculture. The gem component was apparently also implemented, but there was not much information regarding its achievements in the Implementation Completion and Results Report or during the field visit.

Ultimately, the project primarily financed tourism infrastructure and conservation in two national parks, which had some positive outcomes. However, there was no follow-up to build on the initial achievements. Under this component, infrastructure in one of the largest national parks, Kafue, was rehabilitated. In addition, the project improved conditions of several Game Management Areas, and improved the park monitoring system. Bank support helped the development of a national policy for the tourism sector and the development of Kafue as a viable tourist destination. There has also reportedly been an increase or stabilization in the number and distribution of selected species. One account estimates that it helped increase tourism revenues almost tenfold between 2004 and 2011 (World Bank 2012b). However, risk to the environmental objective in SEED was rated as significant because of the lack of direct government counterpart funding, as well as the lack of a follow-up operation to support achievements in the Kafue National Park. The Independent Evaluation Group (IEG) rated the overall project outcome as moderately unsatisfactory.

Access to Finance: Micro, Small, and Medium Enterprise Development

Improving access to finance was the key objective of Bank activities in the financial sector. Through the Financial Sector Assessment Program (FSAP) and other analytical support, the Bank helped the government develop and implement a Financial Sector Development Program (FSDP). Led by the Bank of Zambia, the FSDP helped strengthen bank supervision, restructuring and privatization of state-owned banks and nonbank financial institutions. It also helped to develop a consolidated legal framework for nonbank financial institutions, and introduce better accountability and financial discipline in the remaining state-owned financial institutions. The relevant conditionality was included in the three Economic Management and Growth Credits. The ICR for these credits rated the outcome of this effort as moderately satisfactory, noting that while all core and noncore conditions were met, implementation took longer than expected.

The banking sector in Zambia has grown, but SME access to finance remains constrained. The banking sector has significant competition, with 17 commercial banks now operating in the country. The latest FSAP assessment in 2008 rated the sector as generally sound and adequately supervised by the Central Bank, which is the beneficiary of Bank technical assistance. However, lack of access to finance for SMEs has been a recurring theme throughout the review period. Banks are reluctant to lend to SMEs because of a lack of adequate collateral and perceived credit risk. More recently, banks have found it more profitable to invest in government securities, as borrowing by the government has grown.

Efforts were made through IFC advisory services and Bank-supported operations to expand SME financing but yielded limited success. Under the Africa Micro, Small, and Medium Enterprise Finance Program, IFC provided SME banking advisory services to commercial banks in Zambia. IFC helped establish a long-term SME loan product for its client banks. However, it is yet to be seen whether IFC has realized sector-wide impact on SME lending. The majority of SMEs in Zambia are either importers or exporters, and the main financing needs are short-term working capital loans.

The Bank prepared a project for approval in 2013 that would have provided a line of credit to participating financial institutions through the Development Bank of Zambia (DBZ). However, the project was abandoned when, according to Bank staff involved, the government decided to impose caps on lending rates. DBZ officials, on the other hand, indicated that it decided not to pursue the credit line when the Bank insisted that the funds had to be on-lent through Participating Financial Intermediaries (PFIs), while it preferred to do direct lending. The Bank has meanwhile provided technical assistance from the Public-Private Infrastructure Advisory Facility for “institutional strengthening” of DBZ, and for exploring the potential of subnational lending.

In retrospect, this is an area where the Bank has yet to develop an appropriate strategic approach. The concept of on-lending is based on the premise that the PFIs lack access to funding, whereas the actual constraint is not liquidity but concern for creditworthiness. In addition, high yields for government bonds in recent years have further dampened the incentive for SME lending. The choice of DBZ as the apex institution is also questionable, given that its mandate still seems to be largely as a directed credit institution. More sector work, possibly as a part of a FSAP follow-up, might have been useful in developing the strategy, examining issues in depth and devising possible solutions.

As a way to promote both SMEs and inclusive growth, efforts were made to develop stronger linkages between SMEs and mining companies. IFC extended support for local SMEs to improve their operations to meet the procurement requirements of multinational companies, building on its successful pilot in Konkola Copper Mines. Training was provided to 170 SMEs, but only one out of five participating multinational companies replaced imports of goods with local products supplied from SMEs.[12] Overall, the efforts have had only limited success so far.

Private Sector Development Outcomes

The relevant FY04–07 CAS outcome indicators were designed around reduced administrative barriers to exports, investment and production through: (i) improved duty drawback for exporters; (ii) informed exporters of the African Growth and

Opportunity Act and Everything But Arms; (iii) improved perception by foreign and domestic investors of the investment climate; and (iv) continued high level satisfaction of industry with Technical Education, Vocational, and Entrepreneurship Training (TVET) graduates. As noted in the CASCR, the first three indicators were not monitored, and there was actually deterioration in investor perceptions. The TVET indicator was met as measured by industry surveys.

The only private sector related outcome indicator in the FY08 CAS was for the tourism sector. This was linked to the only Bank private sector development project: a decrease in average number of days to process tourism licenses by the Ministry of Tourism, Environment and Natural Resources at Livingston's new "one stop." The decrease was from 90 days in 2004 to 60 days in 2010. In practice, the indicator was not monitored, but some evidence suggests that the indicator did not improve and may have even deteriorated (World Bank 2012b).

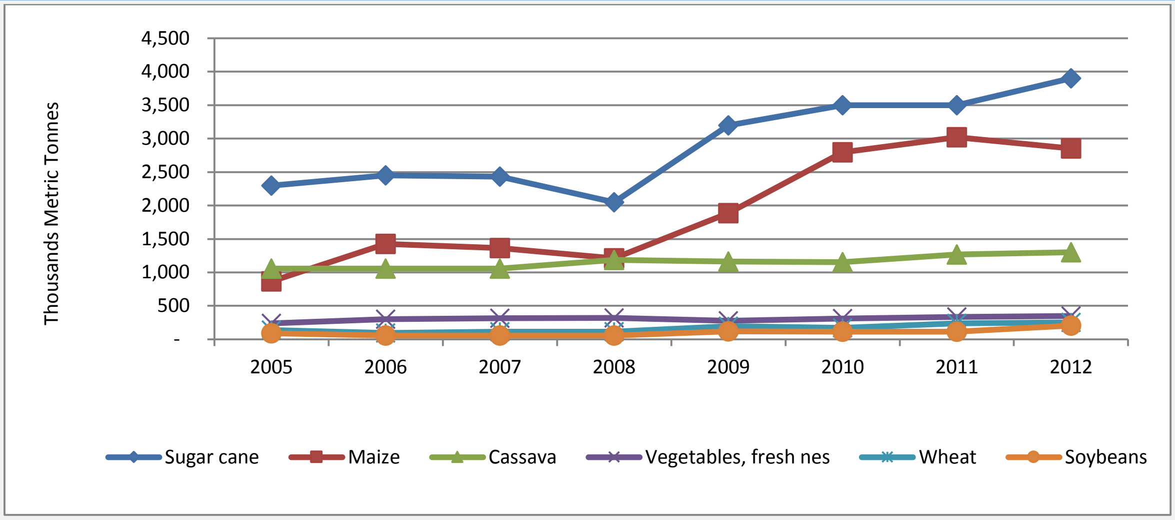
At the same time, the relevance of this indicator for the private sector development agenda is somewhat peculiar. This is indicative of the overall weakness in the results framework that was noted by the 2011 CASCR. The FY08 CAS also set indicators for satisfaction and employability of TVET graduates. The CASCR noted that the indicator was met. However, as noted in chapter 5, the Bank-supported TVET project was not successful. Thus, the outcome was probably not attributable to the Bank's program.

AGRICULTURE

Zambia's agriculture sector has considerable potential to contribute to growth and diversification, as well as to rural poverty reduction. Zambia has 42 million hectares of arable land, of which only 1.5 million hectares are cultivated each year. Agriculture accounts for 19 percent of GDP and about 8.4 percent of export earnings. It provides employment to some 70 percent of the labor force.

Because of the poor policy environment in the first 25 years of independence, agricultural growth stagnated at about 2.5 percent per annum. This was considerably below the population growth rate, estimated at 3.1 percent. The reforms during the 1990s led to faster agricultural growth—at 3.9 percent, before slowing down to 1.7 percent in 2000–2004 as a result of a series of droughts. Growth has since resumed with increases in production, particularly in maize and sugar cane (Figure 4.1). Agriculture has also become an important source of export earnings. Between 1990 and 1994, agricultural exports went from $30 million to $61 million and increasing to $300 million by 2006 (World Bank 2009c).

Figure 4.1. Crop Production in Metric Tons (2005–2012)



Source: Food and Agriculture Organization data.

Even though some progress was made, the sector has not achieved its full potential in contributing to growth and diversification, particularly with respect to smallholders. The sector is dominated by smallholders, who have low productivity and have not benefited from sector growth. Only a third of these smallholders are organized in some form of out-grower arrangements to benefit from the government's commercialization-driven approach to the sector. For the rest, the lack of market linkages is a major constraint.

Against this background, the FY04 CAS proposed a two-pronged strategy to support agriculture development, including: (i) support for raising the productivity of smallholder crop and livestock systems in a sustainable manner (especially arresting the spread of disease); and (ii) support for commercial out-grower linkages. However, there were no outcome indicators specified for the sector in the CAS. The 2008 CAS envisaged a much larger Bank Group engagement in the agriculture sector. The focus was on increased agricultural productivity and marketing for smallholders, as well as specified outcomes such as increased agricultural exports of specific products from improved productivity and value chains in cotton, sunflower, groundnuts, paprika/chili, and soybean. The CASCR reports that the export targets have been largely met, but the achievement cannot be attributed to Bank support.

Despite the significance of the sector to increased diversification of the economy and rural poverty reduction, the outcomes of Bank efforts in the sector have not yet had much impact. During the evaluation period, the Bank supported three major projects in the agriculture sector.[13] The only project that had closed at the time of this evaluation, the Agriculture Development Support Project of 2006, tried to address the challenges related to smallholder productivity through improving linkages between smallholder producers and markets.[14] The outcomes of the project are unclear, even though the Implementation Status and Results Report (ISR) of March 2014—the latest obtained for this evaluation—reports satisfactory progress toward meeting the project development objectives of increasing production exports and the volumes of specific crops. This is because the extent to which the reported increases can be attributed to the project or to the general overall growth in agricultural production is not clear. Moreover, there is no evidence of the project having achieved its key objective of promoting out-grower schemes for smallholders.

The other two agriculture projects, which are currently ongoing, continue to focus on improving the productivity of smallholder farmers. The Irrigation Development and Support Project, approved in 2011, aims at increasing yields per hectare and the value of diverse products marketed by smallholders. These smallholders are to benefit from investments in irrigation in selected sites to be made by both the private and public sectors.[15] The Livestock Development and Animal Health Project in FY12 aimed at improving livestock production with an emphasis on disease control—an area of growing interest among smallholder farmers, both for family consumption and sale.

Zambia is also one of three beneficiary countries of a regional project approved in 2013 that supports agricultural research and development.[16] Each of three countries focuses research on different crops, results of which are shared among all three participating countries. The total cost of the regional project is about $95 million, with Zambia's share as $29.8 million. The project is just starting implementation, but initial indications are that it is a promising effort for introducing new and improved varieties and technologies.

Recently, the Bank financed a project dealing with Water Resource Development (FY13). Although the project does not directly deal with agriculture, it has important potential linkages with the sector that were not fully exploited.

Experiences and early indications of implementation status of these projects point to several design and implementation challenges across the four projects. First, the highly complex project designs have resulted in long gestation periods, difficult implementation phases, and a significant likelihood of a major restructuring.

For example, the Agriculture Development Support Project closed in May 2014, some eight years after approval and two years after the original closing date. The credit component of the project, which aimed to provide funding to DBZ for on-lending to participating financial institutions, has not been successful and was cancelled after a few years. The Irrigation Support Project is in the start-up stage three years after approval, and there is uncertainty over the public-private partnership concept—an important feature of the project design. The Agriculture Development Project has gone through a restructuring, and there is a high likelihood that the Irrigation Support Project will require restructuring in the not too distant future as well. The Livestock Development Project approved in FY12 was in the start-up phase as of March 2014, with detailed design work yet to commence on most components. The latest ISR in December 2012 rates project development objective achievement and implementation progress as moderately unsatisfactory.

Second, there has been insufficient sector work to under-pin the key features of project design. Regarding the Irrigation Development Project, it is uncertain at this time whether the proposed public-private partnership concept will materialize as potential investor(s) have yet to be identified, posing a significant risk for meeting project development objectives. More consideration could have been given to the fact that potential farm investors have had many other choices of farmland that are better located than the project sites—without assuming the obligation of serving adjacent smallholders, and without reliance on the public sector for the provision of irrigation infrastructure.

Third, the sustainability of positive outcomes is an issue since these projects largely rely on freestanding Project Management Units and lack an institutional base within the responsible ministry. As a result, even the successful components within a project, for example, the competitive grants and rural roads under the Agriculture Development Support Project, have not been scaled-up. The sustainability of the effects of the rural roads component, which have demonstrated successful 'output-based contracting' for maintenance, would also be affected by how the institutional mechanisms for the roads sector will evolve, as noted above.

Finally, Bank efforts in agriculture have not been based on a well-considered and agreed sector strategy. Each of the four project interventions during the review period dealt with different aspects of the sector. However, project design and implementation status show little linkage among various types of interventions and national strategies in the agriculture and relevant sectors. In addition, there was no evident effort to build on individual project experiences. For example, it appears that the Irrigation Support Project is not based on an overall national strategy that takes into account the intersection of water resource availability, agriculture prospects and markets. A water sector study indicates that there are serious gaps in information on water resources in Zambia, as well as potential scarcity in specific geographical locations, despite overall abundance of water (World Bank 2009d). It is not clear whether such factors have been incorporated in the project site selection.

The Water Resources Development Project raises questions about appropriate sequencing. The project is aimed at supporting institutional development of the newly created Water Resources Management Authority (WARMA) that replaced the previous Water Boards. The project intends to address the water resource planning issues over time, something that should ideally have been done as a precursor to the irrigation project.

Also, the small dams/reservoir component of the Water Resources Development Project raises a question about the appropriate role of WARMA in water resource management. There might be value in considering a cross-sectoral approach, that is, by having this function managed through community-driven development executed by local governments under the overall control of the Ministry of Local Government rather than through WARMA. This could be a means to help pilot decentralization.

There is a need for the Bank to work with the Ministry of Agriculture and WARMA to develop a long-term strategy for the sector that would delineate institutional and policy options, as well as immediate and medium-term investment priorities.

A key constraint in agriculture development in Zambia has been various forms of inefficient subsidies, and there is indication that collaborative efforts with other donors have had some effect on this constraint. The Bank, along with other donors, has been engaged in dialogue with the government on input subsidies for maize production and the food reserves program, and a recent policy change by the government is promising. The two major government agriculture programs—the Farmer Input Support Program and the Food Reserve Agency—have major weaknesses. Analysis by the Bank indicates that these programs are costly and regressive. They encourage expansion of maize, and increase production through area expansion rather than through productivity enhancement. Both programs have been under discussion for many years, but without much progress. However, the government recently took some initial steps along the lines advocated by the donors, such as reducing the size of the input package and expanding eligibility to include rice in addition to maize.

In terms of improving Zambian agriculture productivity, developing agro-processing capability as well as scaling-up its investment activities along the agribusiness value chains can be highly valuable. This is an area where IFC has global experience and knowledge. However, IFC has not been able to develop a strong investment portfolio in the area due partly to its inability to distinguish itself from other available financing sources. Zambeef has been IFC's only major client in the agro-processing sector: it received financing from IFC in June 2010, four years after the German Investment and Development Company (DEG) provided its first loan to the company at a time when the risk profile of the company was much higher. Zambeef has been listed on London's Alternative Investment Market since June 2011 and it has a wide range of financing sources, including local and international banks. IFC had a positive impact on the stock listing of Zambeef with the signaling effect of its involvement. IFC also offered 10-year local currency loan through a swap, which Zambeef could not have accessed from the local banks, and supported the international expansion of its operations. Although IFC, jointly with DEG, has helped improve the company's operation in the area of environmental impact and safety, IFC's potential value-added on a wider range of areas along the agribusiness value chains does not appear to be clearly recognized by the agribusiness sector as Zambeef has been IFC's only main agribusiness client during the country program evaluation (CPE) period.

IFC also set up a loan scheme to promote entrepreneurial farmers, but there was limited demand for such a program. IFC worked with Zambia National Commercial Bank (Zambia's state-owned commercial bank) to provide a combination of advisory and loan services to help develop financing to Zambia's emerging farmers.[17] The aim was to support those farmers who have the entrepreneurial skills and track record to become independent large-scale commercial farmers. This new loan program has reached its target by financing 171 emerging farmers.

MIGA, in contrast, had notable exposures to the agribusiness sector through a long-term contract with a private equity firm. MIGA entered a master contract agreement with Chayton Atlas Investments (CAI) in May 2010. CAI is a private equity fund with extensive regional farming experience focused on investing in agribusiness in countries in the Southern African Development Community. This long-term contract helped expand MIGA's activities in the sector, which reached the total gross exposure of $60.6 million. MIGA's guarantees supported CAI's equity investments in Chobe Agrivision Company Ltd. (Chobe), an agricultural operating company in Zambia. With installations of irrigation systems and other improvements in farm lands, these farms were able to increase productivity of their agricultural products.

Assessment and Lessons

There have been positive trends in export diversification and growth of nonmineral sectors, but their effects on building broad-based development have been limited. The prospect of faster growth and job creation in manufacturing, and among small-scale enterprises specifically, in the short-term is unclear. Apart from inadequate infrastructure and lack of access to finance, entrepreneurs cited the high cost of inputs (including labor) and "cheap imports" from China (via South Africa) as major challenges. The Bank needs to undertake a detailed analysis to assess the validity of these claims.

Notwithstanding the slow pace of diversification, the core areas of Bank Group support remain appropriate. Improving infrastructure, promoting private investment, and developing agriculture are all core aspects that can contribute to economic diversification. As a recent Bank study in Central Asia (Gill and others 2014) has argued, it is difficult, if not impossible, to make diversification happen. Instead, the strategy for resource-rich countries should be to efficiently convert their resource rents into physical, human, and institutional capital. The Bank's focus on infrastructure, agriculture, skills, and private investment is consistent with this approach.

The Bank Group contribution to each of the components of its diversification strategy, however, has been mixed. Regarding infrastructure, the Bank's contributions have been generally satisfactory, albeit with some weaknesses. In the power sector, the Bank's focus on unbundling and privatization before the sector had achieved a critical mass was seen by many in Zambia as inappropriate. It was also a stumbling block to an effective sector dialogue and to the Bank's ability to provide much needed support. The Bank was successful in re-establishing a good dialogue in the last 4-5 years, in part by changing its rigid stance on unbundling and by bringing in stronger sector staff. The Bank is well placed to provide further assistance to the sector, and should do so in the context of a longer, sustained engagement to ensure effectiveness.

The Bank also played an important role in the development of the road sector. The Bank was instrumental in putting in place a well-conceived institutional framework designed to ensure adoption of appropriate standards and effective prioritization of expenditures between maintenance and construction. However, the institutional framework did not function as planned, in large part because of political considerations that have led RDA to emphasize new construction and unsustainable standards. This potentially jeopardizes the gains from the institutional reforms.

Bank Group work in support of private sector development was diffuse and unfocused. The Bank Group's work on helping improve the business environment was useful and helped Zambia to improve its regulatory environment. However, its impact thus far has been limited. Entrepreneurs see the investment climate as an area of lesser importance than other factors, such as infrastructure, access to finance, the high cost of inputs, and competing cheap imports. Both Bank and IFC efforts to promote SMEs were largely unsuccessful, as they continued to focus mainly on lines of credit that were not much in demand because the underlying issues of creditworthiness and collateral were not addressed. Recently, the high yield on government bonds and imposition of interest rate caps may have also restrained lending to SMEs.

Regarding agriculture, the Bank's performance has been less than satisfactory. In the initial period, the sector did not receive the necessary priority, despite its importance to the country's economic diversification. Although the Bank was much more active in the second half of the review period, the projects supported have been overly complex. They are scattered among un-linked interventions, have the risk of institutional sustainability, and have not been based on a well-articulated sector strategy. IFC played a very limited role in strengthening the relevant industries, including private businesses along the agribusiness value chains for which it has global knowledge, client relationships, and investment experience. For its part, MIGA has had success in engaging in a long-term contract with a private equity firm with expertise in agribusiness in southern Africa.

Overall, IEG rates Bank Group performance for the diversification pillar as moderately unsatisfactory. In future, the Bank Group would need a much more strategic approach, as is the stated intent of the most recent CPS. The Bank can have a positive role in the infrastructure sector (roads and power), given its past successful interventions, as well as the priority the government places on rapid infrastructure development. With its expertise in public-private partnership advisory services and infrastructure financing, IFC could also make a contribution.

However, the Bank should be cautious about expanding into other infrastructure subsectors, such as telecommunications and water—areas that the current CPS indicates as potential areas of support—in order to avoid diffusion of efforts. A more promising area, and the one that could also have a beneficial poverty impact, would be to extend services to selected secondary cities through the development of local government.

One potentially fruitful extension of the Bank's involvement in infrastructure would be in the development of selected secondary cities and market towns. Such a project would have a potential impact in terms of spreading benefits to rural areas, which is necessary both from a political economy perspective and for rural poverty alleviation. The project would also be a vehicle to promote decentralization and local government development, as suggested in chapter 3.

In the agriculture sector, the Bank should remain active given the importance of the sector, but it needs to rethink its support. Bank support can only be effective if it is recast with (i) a narrower focus on fewer areas; (ii) the building of successive project interventions; (iii) simplification of project designs; and (d) a focus on institutional sustainability beyond specific projects. Most important, the Bank needs to place its support within a well-articulated sector strategy, something that has been missing thus far.

There are opportunities for the IFC to play a more meaningful role in private sector development in Zambia. It can work to explore business opportunities and attract investors in areas such as the agribusiness value chain and tourism where Zambia has potential, as well as in building linkages between mining and SMEs. To expand the opportunities for more active operations, IFC needs to distinguish itself from an increasing number of funding sources for high-performing Zambian corporate clients. In this context, the value-added in nonfinancial areas becomes increasingly important. IFC's global knowledge, experiences, and network as well as expertise in advising on environmental and social standards sets it apart from other financing sources. The experiences during the review period show that the IFC has had limited success in adjusting its role as Zambia receives growing interest from private investors. It is an appropriate time for IFC to assess its role in Zambia's transition to a middle-income country and develop a strategic medium-term plan for project development and client relationship building—something that it lacks at the moment.

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[1] The data were obtained from the World Integrated Trade Solution.

[2] These were: an Adaptable Program Loan (APL) in 2004 for Road Rehabilitation and Maintenance ($50 million), the second phase of an APL in 2009 ($75 million), and an additional financing of $15 million in 2010.

[3] The 2008 CAS set a goal of average vehicle traffic on improved roads to increase from 3,480 in 2009 to 4,176 in 2010 and 5,046 in 2011. No information is available to assess performance.

[4] These projects are the Victoria Falls Transmission Line Reinforcement Project ($60 million with $30 million in co-financing; 2011), and the Lusaka Transmission and Distribution Project ($105 million with $105 million in co-financing; 2013).

[5] The Zambian government had received an offer from the Chinese government to fund the project but, in the end, the project did not reach financial closure. At the time of IEG mission to Zambia (March 2014), the government was in the process of structuring the transaction with different financing arrangements.

[6] These projects include: (i) the Kariba North Bank Expansion (360 megawatts); (ii) the Lower Kafue Gorge hydropower station (600 megawatts); and (iii) the Ithezi-tezi

hydropower stations (120 megawatts). Both the Lower Kafue and Ithezi-tezi projects are envisaged to be constructed as public-private ventures.

[7] For importing, Zambia still costs 25 percent or more, as compared to neighboring countries. It usually takes 56 days to process imports, partly due to a 100 percent check for all imports (most of the countries are risk based and there is a 60 percent random check). For exporting, it takes 46 days to process.

[8] For example in the fertilizer industry, the government paid an extra $20 million from the cartel behavior of the industry being controlled by a few main market players.

[9] IFC looked at other mining investment possibilities in Zambia (around 170 projects) and did not find another investment opportunity. About 30 percent of projects were rejected because of integrity due diligence issues (e.g., the contract award was not transparent). Other projects were supported by major mining companies and did not require IFC financing.

[10] They covered beef and dairy, tourism, copper mining, copper fabrication, the service industry, and light manufacturing (textiles, leather, wood, metals, and agro processing).

[11] The project had an IDA Credit of $28.15 million, and a GEF grant of $4 million.

[12] Project Completion Report for CSSDP—Copperbelt SME Supplier Development Programme Zambia (Project ID 538363), December 12, 2010.

[13] Zambia has also received a regional project in this area. It is one of three beneficiary countries (Malawi, Mozambique and Zambia) of the regional Agricultural Productivity Program for Southern Africa (APPSA). It was approved in 2013 and supports agricultural research and development. Each of three countries focuses research on different crops, the results of which are shared among all three participating countries. The total cost of the regional project is about $95 million, with Zambia's share as accounting for $29.8 million. The project is just starting implementation, but the concept appears to be promising.

[14] Project components included: (i) a supply chain credit facility that was to provide short- and medium- to long-term loans to agribusiness/commercial farmers to allow them to strengthen agribusiness and linkages with smallholders; (ii) a market improvement and innovation facility that provided matching grants for the development of innovative business linkages to agricultural value chains; and (iii) and a rural roads improvement facility for improving roads in high agricultural potential areas. The PDOs for the project included increases in: agricultural exports from target value chains; commodities produced by target out-grower schemes; and participating farmer incomes.

[15] Investment in source works and transmission is to be done by the public sector, with investments in on-farm infrastructure to be made by the anchor private investor.

[16] Agricultural Productivity Program for Southern Africa or APPSA. Three beneficiary countries are Malawi, Mozambique, and Zambia.

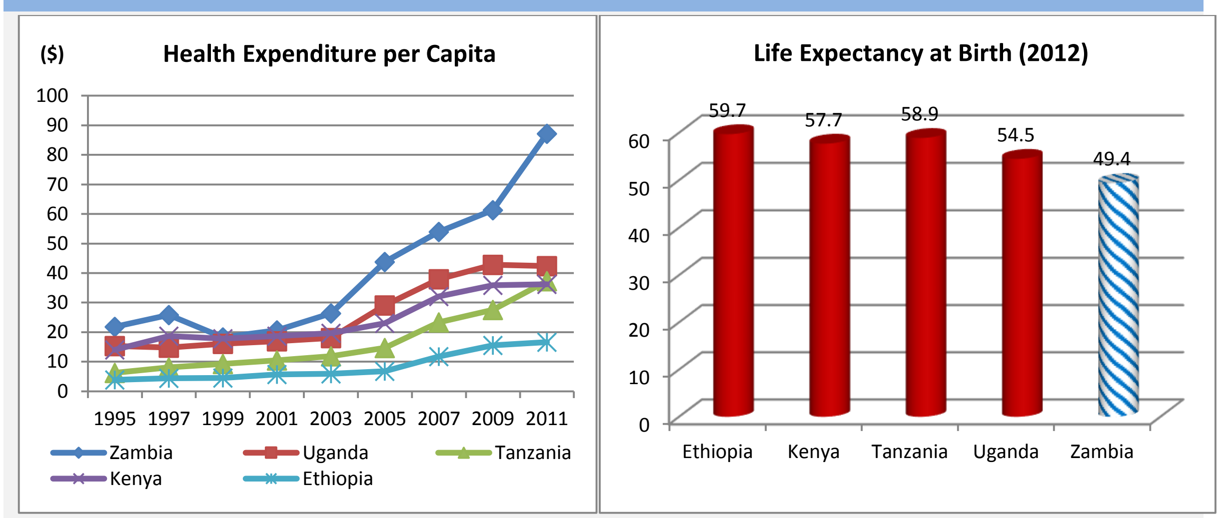
[17] Farmers with proven entrepreneurial skills and track record, as well as minimum farming sizes and assets, with the aim of transforming these farmers into larger, independent, commercial farmers. In the Zambian context, emergent farmers have been defined as those farmers with an annual turnover of $10,000 to $100,000 or minimum cropping acreage of 20 hectares with a three-year track record in farming.

5. Promoting Human Capital Development

In many resource-rich developing countries, the pace of poverty reduction and human capital development lags behind that of macroeconomic growth, missing the opportunities to translate the natural resource earnings into inclusive growth for the population at large. This chapter covers the activities related to sharing the benefits of economic growth more widely through interventions in the health, education, and social protection sectors.

In comparison to countries with similar per capita income levels, Zambia lags behind in various human development indicators. In the health sector, although Zambia spends significantly more than its neighbors at about $87[1] per capita for health, key health outcome indicators, such as life expectancy, lag behind comparator countries in Sub-Saharan Africa (Figure 5.1). The acquired immune deficiency syndrome (AIDS) and malaria were two critical causes of deaths in Zambia during the evaluation period. As a consequence of the epidemic of the human immunodeficiency virus (HIV) and AIDS in the 1990s and early 2000s, life expectancy at birth in Zambia fell from 51 to 41 years. Likewise, malaria was the leading cause of morbidity and the second highest cause of mortality, especially among children when the FY04 Country Assistance Strategy (CAS) was prepared (World Bank 2007b).

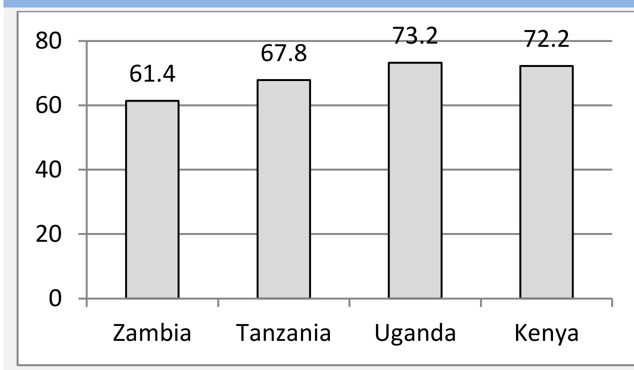
Figure 5.1. Health Expenditure and Life Expectancy at Birth



Source: World Development Indicators, World Bank.

Regarding education, Zambia made progress in primary education enrollment, but improving learning outcomes remains a challenge. Primary school net enrollment rates increased from 73 percent in 1998 to 94 percent in 2012. Primary completion rates improved from 68 percent to 91 percent, and the number of children out of primary school drastically declined from approximately 500,000 to 124,000. However, adult literacy rates are lower in Zambia than in neighboring countries (Figure 5.2). The 2012 Zambian National Assessment Survey reports that that only roughly 30 percent of Zambian learners (5th grade) are meeting minimum levels of achievement in Reading in English, Mathematics, and Life Skills. Another study of early grade reading and math skills in a sample of Bemba-speaking schools shows severe learning deficits among Zambian students.

Figure 5.2. Adult Literacy Rates



Source: United Nations Development Programme (2014).
Notes: Data refer to the most recent year available during 2005–2012. Adult literacy rate is percentage of the population ages 15 and older who can, with understanding, both read and write a short simple statement on their everyday life.

In addition, in-country disparity in the access to and the quality of public services is stark. There are substantial disparities across the country regarding the access to basic public services such as safe water, sanitation, nutrition, and primary schooling (World Bank 2012c). In poorer regions, the opportunities to access such basic services are significantly limited. Another finding is that inequality between rural and urban areas and among provinces accounts for more than three-quarters of the observed inequality in the country (World Bank 2012d). Expanding the coverage of infrastructure services is needed not only for economic diversification, but also to fill the deficiency in public service provision in rural areas.

Bank Strategy and Programs

The Bank has been selective in choosing the areas of engagement in the education, health, and social protection sectors during the evaluation period. According to the 2008 CAS, the government indicated that it would prefer to use scarce International Development Association (IDA) resources for financing infrastructure, and would finance social sector interventions either through its own resources or through grant financing (World Bank 2008b). There were also a number of cooperating partners that were capable of providing grant funding. In addition, the FY08 CAS noted that there was a demand for the Bank's analytical leadership in the social sectors, and thus a need to direct the Bank's focus on analytical activities, including managing grant funding associated with global programs and grant resources provided by bilateral cooperating partners. The broad areas of Bank Group activities and the expected outcomes in these CASs are described here. A detailed listing of indicators for the health, education, and social protection sectors can be found in table E.4 in appendix E.

IMPROVING HEALTH

In the health sector, the Bank focused on addressing the human immunodeficiency virus (HIV), acquired immune deficiency syndrome (AIDS), and malaria, which was appropriate given the severity of their impact on the overall health status of the Zambian population. Out of 14 CAS outcome indicators on health over the three country strategy documents, nine are related to HIV/AIDS or malaria. The two more recent country strategies also include indicators measuring improvements in maternal health.

These indicators were largely met as the government made important progress in controlling HIV/AIDS and malaria. The HIV prevalence and incidence rates declined during the first decade of the 2000s, and the government effort to control HIV/AIDS is broadly regarded as a success.[2] Between 2000 and 2008, the annual number of malaria deaths in the country decreased by at least 50 percent, which contributed to a decline in the all-cause mortality rate for children under five years of age by 29 percent between 2002 and 2007 (World Bank 2010).

The Bank's main HIV/AIDS intervention helped to build the institutional capacity that continues to be used in fighting HIV/AIDS, long after project completion in 2008. The Zambia National Response to HIV/AIDS (ZANARA) Project, approved in FY03, was the main instrument used to help Zambia control HIV/AIDS. Feedback from government counterparts consistently suggests that the project helped build the capacity for project management, procurement, and monitoring and evaluation of the relevant central and local organizations, including those at the community and district levels. This capacity serves as the institutional foundation for fighting HIV/AIDS today. The Bank also leveraged engagements in other projects to enhance support to fight HIV/AIDS. For example, the Basic Education Sector Project (approved in FY99) helped develop a strategy to integrate HIV/AIDS into the school health and nutrition curriculum, and the Zambia Social Investment Fund (ZAMSIF) Project supported the training of counselors and peer educators.

The project provided useful support for local authorities and communities and helped to improve the Bank's image in Zambia. The Community Response to HIV and AIDS component of the project provided direct funding to community-based initiatives and interventions, which helped enhance community ownership in confronting HIV/AIDS. The Bank was seen as responsive to local demand because it ensured reallocation of project resources for use at the district and local levels, as and when justified. The community response component also focused on supporting some of the most vulnerable groups, including orphans who had lost their parents because of HIV/AIDS, as well as empowering grandmothers who were taking care of these orphans. These types of support shed a positive light on the Bank's image in Zambia. Until then, the Bank's image had been dominated by its perceived role in structural adjustment and privatization, and the associated hardships experienced by parts of the population.

Bank support in combatting HIV/AIDS has been largely successful, but the extent of its contributions to the short-term results needs to be carefully calibrated. The key area of Bank contributions is in institutional strengthening, particularly at the community level—the true effects of which are expected to emerge over the long term. However, an important part of the success seen in Zambia today is associated with the direct effects from treatments made available through the purchasing of drugs and financing of medical services.[3] In this context, the financing by some external development partners (including the U.S. government; the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria; and the Gates Foundation) dwarfed the amount provided by the Bank in this area.[4]

With respect to malaria, the Bank helped the government by sustaining financial support at a time of uncertainty. The Bank's main channel of support was the Malaria Booster Project approved in FY06. Its project targets were substantially achieved (Table 5.1). However, the sustainability of this success was threatened when a corruption case involving the malaria program surfaced in 2008. Several key donors withdrew funding, which led to a disruption in the preparation for the 2009–2010 malaria season.

Table 5.1. Key Outcome Indicators of the Zambia Malaria Booster Project (percent)

Indicator	Baseline (2006)	Status in 2010[a]	Status in March 2013[b]	Target
Percentage of children under five years of age who slept under an insecticide-treated bed net last night.	24	50	57	55
Percentage of pregnant women who took two or more doses of intermittent presumptive treatment for malaria	59	70	72	75
Percentage of households reported sprayed within the previous 12 months[c]	N.A.	23	29	26

Source: World Bank 2010, World Bank 2013a.
Note: N.A. = not applicable.
a. The reported status in the project paper for additional financing (November 2010).
b. Status in the Implementation Results and Status Report (June 2013)
c. Revised from the original indicator at the time of the approval of additional financing in November 2010.

The Bank was able to maintain financial support, while also taking necessary measures to safeguard its resources. It undertook an in-depth financial transactions review in addition to the forensic audit led by Zambia's Office of the Auditor General. The amount identified as an ineligible expenditure was repaid by the government ($ 1.3 million). Part of the amount was later found to be eligible through further examination of evidence, and the Zambian government was reimbursed.

The FY04 CAS also aimed to reduce key constraints for better health outcomes as measured by the efficient use of financial and human resources in the health sector, as well as the reliable and sustainable provision of water in areas of Bank support. With regard to enhancing the efficient use of financial and human resources in the health sector, the Bank has had limited impact. The main operations considered at the time of CAS preparation, the Health Sector Support Program and the Health Poverty Reduction Support Credits, did not materialize. The Bank undertook a Health Public Expenditure review to contribute to this objective. However, given the continuing challenge of shortages of skilled human resources and high expenses in the health sector, its effects are considered limited. In the future, the ongoing pilots for results-based financing could provide a useful analytical base. The core of the pilot is performance-based financing to health facilities. An impact evaluation of the pilot phase is expected in the near future, and the recently approved Bank-financed project, Health Services Improvement Project, aims to expand the use of results-based financing.

Regarding the reliable and sustainable provision of water, the health outcomes of the two water sector operations are not clear. The review by the Independent Evaluation Group of the Mine Township Services Project reports some improvements in constancy of water supply, solid waste collection, and sewerage treatment in five townships affected by the privatization of the Zambia Consolidated Copper Mines. The self-evaluation of the Water Sector Performance Improvement Project reports an improvement in access to safe water and institutional strengthening in the urban water sector. However, there is no assessment as to whether or how these operations contributed to better health outcomes.

STRENGTHENING SKILLS AND EDUCATION

In the education sector, the Bank supported efforts for primary education enrollment, vocational and technical education, and public expenditure reviews. The focus of support for primary education was tightened from a broad objective encompassing completion rates, learning achievements, and admission rates in the FY04 CAS to exclusively focus on completion rates in the 2007 CAS. Outcome indicators related to the quality of technical and vocational education and training are included in both the 2004 and 2007 CASs.

The main Bank contribution to primary education was through rehabilitation and construction of school infrastructure to accommodate an expansion in student enrollment. The IDA-financed Basic Education Subsector Project contributed to 65 percent of the total classrooms and teachers' houses constructed and rehabilitated under the government program (World Bank 2007a). The project also aimed to improve learning outcomes through the provision of learning materials and strengthening of teacher training. However, given the persistent challenge in improving learning outcomes, it is likely that the effects of these activities have been marginal.

Regarding vocational and technical education, the objective of creating a system capable of improving worker skills for the formal and informal sectors was only modestly achieved. Skill development through vocational and technical training was a key CAS objective during the evaluation period. Financial and managerial autonomy in the publicly owned training institutions, as well as the establishment of an autonomous national training authority responsible for regulation and quality assurance, were considered important for progress. However, IDA support for the TVET Development Support Program (approved in FY01) did not lead to the envisaged transformation of the sector governance and financing framework.

The intended activities for sector information management, a skills development strategy and policy development were not accomplished. The Program Coordination Office supported by the project was seen as operating in a semi-detached manner, and training providers felt that the program did not reflect the needs on the ground. Training initiatives for the informal sector were successfully piloted through a competitive fund, but these initiatives ceased when the donor funding ended. The project also had an explicit focus on encouraging women to undertake vocational training. However, gender balance had an unrealistic target of a 25 percent increase in the share of female TEVET graduates, and the target was not met (IEG 2011).

The Bank produced a series of analyses on education expenditures, which were well received by the government and the donor community, but their impact on the policy debate is unclear. In 2002, the Bank helped the Ministry of Education carry out an Expenditure and Service Delivery Survey to examine the structure of funding and service delivery in the education sector. In addition, the Education Sector Public Expenditure Review and a public expenditure tracking survey were undertaken in 2006 and 2008, respectively. These reports informed the Ministry of Education about the efficiency and equity of fund flows and identified areas that required policy actions. However, there is little evidence as to how these analyses actually helped change education expenditures in Zambia.

HELPING POOR AND VULNERABLE GROUPS—SOCIAL PROTECTION

There are no specific CAS outcome targets for the social protection sector, although the Bank supported an important social protection sector mapped project—the Zambia Social Investment Fund Project approved in FY00. The project was the key operation to support poor and vulnerable groups in local communities, and it helped to strengthen their capacity. It provided useful support for building quality rural infrastructure through community-based initiatives. More importantly, the project helped build a valuable local institutional capacity for implementing HIV/AIDS and malaria programs, as well as the ongoing pilot program for climate resilience (box 5.1).

The project aimed to reinforce the anticipated efforts toward decentralizing the management of resources to local entities. However, the Bank saw that the systematic efforts to strengthen local participation waned during project implementation, and it did not proceed with the originally envisaged second phase of the project. In addition, the project self-evaluation reports it has helped address some of the gender-related issues through focus group discussions during the Participatory Rural Appraisal processes. However, its effects are not clear, as the beneficiary figures in the project monitoring system were not disaggregated by gender, beyond the composition of the subproject committee membership (World Bank 2008a).

A recent Bank report on social safety nets in Zambia has raised awareness about the weaknesses of the existing transfer and subsidy programs. The report (World Bank

2013d) found that Zambia spends substantially on transfer and subsidy programs. However, most of it goes to the better-off, and almost none of the very poor are benefiting from public transfer program. Given the attention this report has drawn from policy makers in Zambia, the actions that stem from the ensuing dialogue could lead to important improvements in sharing the benefits of economic growth more widely. The report recommends a move toward an integrated social safety net system composed of expanded cash transfers for the most vulnerable; public works for routine maintenance and environmental measures; and an element to promote better behavior and decision making. The Bank is also helping Zambian officials learn from experiences in other countries (for example, Brazil) through encouraging cross-country knowledge sharing opportunities.

Under the theme of improved lives and protecting the vulnerable, the FY04 CAS aimed to increase the resilience of poor households and communities in areas vulnerable to droughts and floods. The Emergency Drought Recovery Project (FY03) included elements of building resilience to climate variability in the design. However, the overall effect is not clear due to a lack of information. At the same time, this project has made an important contribution: it helped increase the resilience of farmers who applied sustainable land management techniques. About 35 percent of project participants adopted conservation farming practices, and farmers who had continued the conservation farming suffered much lower crop losses than farmers applying traditional farming practices in the 2004-05 dry season (IEG 2007b).

Assessment and Lessons

There is a strong case for the Bank's decision to be selective in its support of the health, education, and social protection sectors over the evaluation period. Regarding health, the Bank focused on two diseases with the most impact on the lives of the Zambian people. In the education sector, skill development and vocational training formed the core part of intervention. The Bank continued to provide analytical work in all of these areas. These decisions are appropriate based on the government preference, limited IDA allocation, and the presence of active operations financed by other donor institutions.

Important outcomes from past interventions are associated with working at the community level. The community support component of the ZANARA project and the community-based activities under the ZAMSIF projects are cases in point. The Bank is right to build on these experiences, as in the recently approved project to support health services, which aims to leverage community organizations. However, to further increase the effectiveness of these efforts, progress in the overall decentralization plan will be an important factor. The Bank also made positive contributions in the health sector and the ZAMSIF project, but the objective to improve skill development and education was not met. The Bank's analytical work has been of high quality and appreciated by the government and cooperating partners. The recent report on the social safety nets has spurred momentum for reform. However, it appears that analyses in other reports have had limited effect on improvement in policies or public service delivery performance.

Taking these results and the selective approach the Bank chose to follow into consideration, the overall outcomes of Bank operations in these areas were moderately satisfactory. A key lesson from this review is that the Bank can be effective in strengthening institutions at the local level and in providing flexible support, depending on the needs on the ground.

Despite economic growth, wide income disparity and a persistent rural-urban gap indicate the need to address rural poverty. To support such an effort, a continuing emphasis on support to local communities could be useful. In this context, the focus on primary and community-level maternal, newborn, and child health and nutrition services in the new Health Service Improvement Project seems promising. The project focus also indicates a departure from the prior disease-based vertical approach. Given the broad-based nature of health challenges in Zambia, this also seems to be a natural step to take. However, for improvement in a wide area of rural livelihoods to take place, a more integrated approach that combines efforts in relevant areas including infrastructure, private sector development, agriculture, and decentralization would be needed.

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[1] The WDI data were available only through 2011.

[2] The 2007 Zambia Demographic Health Survey estimates the prevalence rate of the human immunodeficiency virus (HIV) to be 14.3 percent for adults nationally—a decline of more than 2 percentage points over five years.

[3] For example, there was a significant improvement in coverage of prevention of mother to child transmission of HIV between 2008 and 2011. This was due largely to a booster made available through U.S. government funding (National AIDS Council 2012).

[4] The Bank is one of the few early contributors to Zambia's effort in combating HIV and the acquired immune deficiency syndrome. At the start of the ZANARA project in 2003, the Bank provided about 22 percent of $8 million of total donor funding in this area. However, when donor financing reached the annual average of $258 million between 2006 and 2008—the share of the ZANARA project was about 9 percent. The same percentage became about 1 percent at the closing of the project in 2008. In addition, some of the high-risk, high-

transmission groups (for example, miners, sex workers, and long-distance truck drivers) were not fully captured in the objectives of the Bank-supported projects. Gains made through behavioral changes among these groups are therefore not linked directly to Bank-financed operations.

6. Cross-Cutting Issues

This chapter discusses how the two cross-cutting themes of the clustered country program evaluation (CPE)—gender and environment—were addressed in the context of the Zambia country program during the period of this review.

Environment

Zambia is richly endowed with natural resources, including land, wildlife, forests and water. Over 60 percent of the land area is covered by forest and 31 percent are protected areas. However, the forests are subject to rapid deforestation estimated at about 250,000 to 300,000 hectares per year, mainly driven by the widespread use of wood fuel and charcoal, timber production, and unsustainable land use practices. National Parks and Game Management Areas (GMAs) cover about 30 percent of the land and provide a solid basis for the development of tourism. Wildlife is protected in the National Parks and hunting is permitted through a licensing system in the surrounding GMAs. Compared to other countries in southern Africa, Zambia is also well endowed with water resources. However, because of high spatial and seasonal variability, the country is very sensitive to recurrent floods and droughts, which are likely to be increased in scale and number by climate change in future.

Zambia's pollution issues are concentrated in the mining regions. A decade ago, major environmental issues in the Copperbelt and in Kabwe were identified as:[1]

- *Air Pollution.* The copper smelters emitted 300,000 to 700,000 tons per year of sulfur dioxide (SO2) into the air.
- *Soil contamination.* SO2 emissions from the smelter contaminate the soils downwind of the smelter and causes loss of vegetation.
- *Water pollution.* Runoff and leakage from mine tailing dumps and dams were polluting mine area streams, causing widespread downstream impacts that extended to the Kafue River and adjacent wetlands.
- *Lead contamination.* In Kabwe, tens of thousands of residents (including about 9,000 children) had been exposed to high levels of lead contamination, both from naturally occurring mineralization in the soil and the impact of the zinc mining and smelting operations.

The Word Bank Group's 2004 and 2008 strategies do not have an explicit focus or a dedicated pillar on environment and sustainable natural resources management. Instead, environmental activities were included to support the diversification strategy (tourism development and National Parks management) and the mining sector privatization agenda. This was in line with the government's Fifth and Sixth NDPs, which did not identify environment as a stand-alone strategic theme, but as one of the cross-cutting issues. The FY13–16 Country Partnership Strategy (CPS) explicitly incorporates climate variability risks as one of the vulnerability factors for its Pillar 1 focus is on poverty reduction.

The main Bank Group interventions with environmental and climate change activities focused on three areas:

- Tourism and sustainable management of the National Parks;
- Environmental compliance as a part of the privatization process; and
- Climate resilience and climate change mitigation.

The Bank's two operations in support of tourism and sustainable park management achieved some environmental results. The GEF-funded Miombo Woodland Project promoted integrated ecosystem management and conservation farming as an alternative for traditional slash-and-burn *(chitemene)* agriculture. However, the project reached 400 ha, which is a fraction of its target area—6,000 ha. Its impact is also questionable because of weak monitoring and evaluation as well as the absence of incentives to prevent the recurrence of slash-and burn practices.

The Support to Economic Expansion and Diversification Project (SEED) (see chapter 4) was intended to improve the business environment for sustainable tourism in the greater Livingstone area and securing critical wildlife habitats in the Kafue and Mosi-o-Tunya National Parks. While the business environment improvement objective was not fully achieved, the Kafue National Park, the largest in Zambia, was rehabilitated and turned into attractive tourist destination. The number and distribution of wildlife has also been stabilized, as confirmed by surveys and observations (World Bank 2012b). It should be noted, however, that the sustainability of both projects was affected by lack of general support from the government on overall policy, legal and institutional reforms.

The Copperbelt Environment Project aimed to address the adverse environmental legacy accrued over years and facilitate the privatization of the copper industry. The key mining induced environmental problems at the time of project appraisal included such issues as air pollution, soil contamination, water pollution, risk of failure of tailing dams, and lead poisoning. The project was also intended to strengthen the regulatory and institutional frameworks for controlling environmental impacts related to mining. By the time the project was completed, it had successfully mitigated the environmental issues associated with historic mining activities and prevented further deterioration of air, water and soil quality in the region. This was achieved despite an increase of more than 100 percent in copper production between 2003 and 2010. The project also helped improve the reputation and capacity of the environmental regulatory institutions. However, indications are that the strengthening of enforcement capacity remains a work in progress, as suggested by continuing repots about mining sector chemical spills in the Copperbelt in 2007, 2011, and 2013.[2]

In spite of the country's growing vulnerability to climate change, there was an eight-year gap between the Bank Group's two explicit interventions on this issue. The Pilot Program for Climate Resilience (PPCR) was the first Bank Group intervention to explicitly address Zambia's climate vulnerability following an eight-year hiatus after the closure of the Emergency Drought Recovery project (discussed in Chapter 5), which included elements of building resilience to climate variability (see box 6.1). The PPCR was designed in cooperation with the International Finance Corporation, African Development Bank, and other partners. Under the recently completed Phase I, climate change risks have been systematically mainstreamed into the Sixth National Development Plan's sector strategies. With about 20–30 percent in budgetary allocation towards adaptation activities in the 2011 budget, a National Coordination Secretariat for Climate Change was set up under the Ministry of Finance, and a Disaster Management Act was adopted to help address climate-related disasters and require more climate resilience development planning at the local and national levels.

Box 6.1. Pilot Program for Climate Resilience

The Pilot Program for Climate Resilience (PPCR) under the Climate Investment Funds is a two-phase program to address Zambia's climate vulnerability in such areas as agriculture, energy, food security, forestry, health, water, and wildlife. It was designed jointly with the government, the Bank, International Finance Corporation, African Development Bank and other contributors. The first phase of the PPCR, which was completed in FY14, aimed to assist Zambia in the formulation of the Programmatic Framework for Climate Resilience to be financed under the Sixth National Development Plan. The self-evaluation by the Climate Investment Fund in October 2013 suggests that there was progress in the mainstreaming of climate risks and opportunities with a number of sectoral strategies. An important institutional set-up that came out of this activity is the Secretariat for Climate Change, which was established under the Ministry of Finance. It includes representatives from the Zambian government, nongovernmental organizations, and the private sector. Phase II of the PPCR, which was approved in FY13, focuses on the institutional framework for climate resilience, and improving the adaptive capacity of vulnerable communities in the Barotse sub-basin.

Overall, the Bank Group assistance to the strengthening of environmental management generated some positive outcomes, but their sustainability is doubtful. The most important achievement was the rehabilitation of Kafue National Park, including the stabilization of its wildlife population. The Copperbelt Environment Project successfully mitigated historic environmental liabilities, but the strengthening of environmental enforcement capacity remains a work in progress. On the other hand, building resilience to climate change variability, which had been effectively promoted under the Emergency Recovery Project, was subject to a lengthy eight-year gap when no progress was made. In addition, forest degradation and deforestation was not addressed, and has continued unabated. The long-term sustainability of the Bank's contributions remains doubtful in face of a general lack of government support for necessary policy, legal and institutional reforms.

Gender

Successive country strategies during the evaluation period have recognized the magnitude of gender inequalities in the country. The FY04-FY07 CAS points out the barriers that gender disparities pose to Zambia's low economic growth. It attributes poverty reduction to closing gender gaps in education, health, decision making, and access to and control over productive resources. The FY08-FY11 CAS notes that the human immunodeficiency virus (HIV) and acquired immune deficiency syndrome (AIDS) epidemics had reached a mature stage and suggests that the "feminization of the AIDS epidemic" is evident in Zambia. More women than men have become infected by HIV/AIDS, caused to a large degree by gender discrimination, social restrictions, gender-based violence, as well as by women's lack of access to education, employment and decision-making power. The FY13–16 CPS continues to emphasize the specific challenges faced by women in health, education, labor force participation, agriculture, and access to land.

Although these strategies emphasize the need to recognize and act on gender-related issues in sectoral interventions, it is not clear how this recognition was translated into operations. The FY04–07 CAS mentions that women dominate the agricultural sector and do most of the farm work, but they do not have control over or access to resources. It indicates that sector policies and programs need to explicitly recognize and act on gender-differentiated structural roles in agriculture. However, the emphasis on gender disparities has yet to be translated into an increased focus on women in agriculture.

The Bank also committed to addressing gender issues in its analytic and advisory activities (AAA) and to mainstreaming gender in Bank operations as part of its development priorities. Following this commitment, a major piece of AAA, the Zambia Strategic Country Gender Assessment, was completed in 2005. It focused on several important aspects of gender such as women's economic roles in the household and in the market, discrimination against women in the dual legal frameworks of customary and constitutional laws, gender dimensions of poverty, and gender disparities in human development indicators (Milimo and others 2004).

However, its recommendations were very broad and hard to implement. These included engendering key instruments for development; aligning national laws to gender-based protections; and providing equality in access to and control over increased production. The FY08-12 CAS points out that it was not clear how this report was utilized in operations, even though some of the Bank-supported operations in the human development sectors exhibited gender-sensitive elements in their activities. Another gender review conducted in 2012 primarily covered eight projects financed by the International Development Association (World Bank 2012a). The review recommended that portfolio activities make better use of analytical work in the design of projects to incorporate country and sector level gender issues. It emphasized that at the project-level, greater gender emphasis needed to be incorporated in the infrastructure, and the water sector. Finally, it pointed to education and gender-based violence as two areas where gender relevant work was not covered in the portfolio activities.

To make progress in gender related issues in Zambia, working on the linkages between gender and agriculture is key. Limited women's access to agricultural inputs and the customary law, which determines land allocation and inheritance, remain major challenges for women in the agriculture sector and rural areas in general. In the year 2000, only 10 percent of female-headed households in rural areas had titles to land (AFDB 2006). Women's lack of land ownership has a negative effect on their access to credit, since financial institutions often require land or other similar assets as collateral from loan applicants (World Bank 2012a).

The Irrigation Development and Support Project (IDSP) (FY10) and Livestock Development and Animal Health Project (FY12) plan to emphasize gender-relevant dimensions of agriculture. More specifically, they include such activities as tracking data disaggregated by gender, taking into account female participation in beneficiary focus groups and establishing a special window to support investments and business skills training by women and vulnerable groups. The IDSP draws on three analytical studies on gender in agriculture in Zambia.[3] The project adopts a participatory approach to land use planning, and plans to give women preferential access to group and individual training events. However, in the recent ISR (January 2014), the only indicator tracked so far is the number of female beneficiaries. It was 5 percent of the total (321 beneficiaries), with a target of 30 percent female beneficiaries that was to be achieved by 2013. Since the project is still active, the outcomes remain to be seen.[4]

In the health sector, both the Zambia National Response to HIV/AIDS Project and the malaria project incorporated gender aspects relevant to the respective interventions. In particular, the malaria project included a significant maternal health focus and tracked several gender-based indicators.[5] However, a broader set of gender-related challenges in health remain in Zambia. The Bank has yet to address these challenges given the selective approach it took during the period covered by this evaluation. These challenges include the lack of progress in maternal mortality, and regional as well as urban-rural disparities in the quality of healthcare for women.

In summary, the Bank recognized gender disparities in health, education, and labor force participation in the CASs, and conducted analytical work on gender. However, there was little emphasis on integrating or addressing gender issues beyond individual project interventions. In the health sector, the Bank focused its attention on gender issues related to the HIV/AIDS and malaria projects, but it did not directly address other gender-related issues in the health sector in general, such as high fertility rates and high maternal mortality. The issues related to job creation or entrepreneurship in the formal and informal sectors for women were left largely unaddressed. Overall, there has been progress in integrating gender aspects in recent sectoral interventions, but the lack of a gender-targeted approach has made it challenging to address and track gender based outcomes.

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[1] These points were identified as part of the analysis undertaken for the Copperbelt Environment Project.

[2] Spillage of suspended solids and sulphate are reported in several occasions. For example: http://www.lusakatimes.com/2013/11/24/kafue-river-greater-risk-pollution-kcm/, http://www.lusakatimes.com/2011/01/15/ecz-investigating-kcm-pollution-kafue-river/#comments

[3] The three gender analytical studies are: (i) Agriculture Public Expenditure Review (Ag PER)—Gender in Agricultural Research and Extension (World Bank 2010); (ii) a ESSD Trust Fund Gender Support Project; and (iii) a Gender Action Plan-funded study on the Role of Gender in Irrigation Development.

[4] A recent case study on the project focuses on women's access to land ownership and the lack of national legislation to address rural women's land and water rights. The study also emphasizes that gender mainstreaming related to women's quotas in community meetings or in the Water Users Association membership may not be enough for strengthening

women's voice, participation and control over agricultural resources. Additional measures need to be taken to integrate women as producers, food processors, or small entrepreneurs as a means to empower women and sensitize men to change gender relations (Poutiainen and Mills 2014).

[5] These indicators include the percentage of mothers who took two plus doses of Intermittent Preventive Treatment for malaria, an increase in the percentage of women delivering with skilled birth attendants in districts covered by the RBF, direct project beneficiaries that are female, pregnant women receiving antenatal care during a visit to a health provider (no data tracked yet), and women using contraceptives in RBF-eligible districts.

7. Conclusions and Recommendations

From 2004 to 2012, Zambia experienced a combination of good economic policies and high rates of growth not seen since the early years after independence. The macroeconomic situation was brought under control with government deficits being reduced to 3 percent of gross domestic product (GDP). Fiduciary controls, particularly the external audit and public procurement offices, were strengthened. The Highly Indebted Poor Country (HIPC) Initiative agreement and the Multilateral Debt Relief Initiative (MDRI) almost eliminated public debt and provided the fiscal space for selective, high-priority investments.

The privatization of the copper mines brought new investment in rehabilitation and the expansion of production. Together with buoyant copper prices, this drove new construction, a rapid expansion of the consumer sector in Lusaka, and the growth of the agri-business sector serving both domestic demand and exports. With conservative management of the financial sector, Zambia was able to ride out the global recession in comfort, rapidly resuming growth. The period also saw a substantial expansion of primary education and progress in dealing with the most pervasive public health problems—the spread of the human immunodeficiency virus, acquired immune deficiency syndrome, and malaria. Regarding analytic and advisory activities, the Bank produced quality economic work and technical assistance, some of which has had a positive impact, for example, with regard to agriculture subsidies, and the implementation of Extractive Industries Transparency Initiative.

These positive developments set the stage for tackling many of the more difficult underlying problems still facing the Zambian economy, including:

- Pervasive poverty, particularly in rural Zambia;
- The under-investment in rehabilitation and expansion of infrastructure;
- The continuing ineffectiveness of public sector management with the failure to implement modern financial management systems and to put in place arrangements for screening and implementing public investment programs;
- Significant agricultural policy distortions;
- The poor quality of education and health services;
- The continuing over-centralization of the administrative system, with little or no decentralization of authority to local governments.

The Bank and the International Monetary Fund (IMF) provided critical support when Zambia's debt level became unsustainable. Zambia's critical debt situation in the late 1990s and early 2000s led to a genuine policy dialogue and helped the government take much needed, but politically difficult, policy actions. The incentives for improved performance for the achievement of HIPC and MDRI completion were present, and there was significant progress on the macroeconomic and privatization fronts. Arguably, these are the signal achievements that set the stage for Zambia's ability to take advantage of the reversal of copper prices and the larger revenues from mining.

The Bank was able to promote robust macro-policies together with the IMF and support from the multi-donor budget support program. However, the Bank's role waned afterward as the increase in international copper prices led to rapid economic growth in Zambia. In the meantime, some of the longer-term weaknesses—the failure to get sufficient traction by the government on implementing the Integrated Financial Management Information System (IFMIS) and on decentralization—became apparent. In addition, confusion emerged with the Poverty Reduction Support Credits (PRSCs), where the Bank was out of alignment with the rest of the donor community. A disconnect also emerged between the triggers agreed between the Bank for the PRSCs and the list included in the donor-supported Performance Assessment Framework.

During the evaluation period, the Bank was effective in supporting institutional strengthening in areas where its focus was clearly defined. More specifically, the Bank provided useful support in the health, roads, and power sectors, as well as for improving audit and procurement frameworks. The support in the health sector focused only on the human immunodeficiency virus (HIV), acquired immune deficiency syndrome (AIDS), and malaria. Through health sector interventions and the Zambia Social Investment Fund (ZAMSIF) Project, the Bank helped to strengthen the local institutional capacity to continue implementing activities even after the Bank credit was closed. The Bank was also sensitive to local community needs and applied flexibility to reallocate project resources.

The Bank was successful in supporting institutional and policy reforms in the road and power sectors. The Bank played a lead role in helping to establish a framework for road financing and prioritization. In the power sector, the Bank was successful in promoting the commercialization of the Zambia Electric Supply Corporation as the appropriate strategy, but only after it changed its previous insistence on unbundling that was not considered appropriate given the state of the sector. Success in local community support through the ZAMSIF and health sector projects, and appropriate calibration of the country-specific context in the power sector, together demonstrate the value that locally specific knowledge, particularly on the political economy associated with reforms, can bring.

Throughout the evaluation period, the Bank was unable to make much impact on the public investment management system. Bank Group contributions to nonmining private sector investment growth to reduce reliance on copper have been limited. Bank efforts in agriculture have not been based on a well-articulated sector strategy underpinned by extensive analytical work, and have high risk with regard to institutional sustainability. The country program outcome targets on skill development were only modestly achieved. The International Finance Corporation (IFC) made some potentially consequential investments to advance diversification of the economy, but its overall program and contributions in Zambia remained small. IFC was one of the many funding sources available in the market, and its value proposition has yet to be articulated clearly to the private companies in Zambia.

Taking into consideration the assessment of Bank Group relevance and effectiveness in the four pillars, this evaluation rates the overall outcome as moderately unsatisfactory. The Independent Evaluation Group (IEG) rates the macroeconomic and fiscal stabilities as well as the human capital development pillars as moderately satisfactory. The remaining two pillars—governance and economic diversification—are rated moderately unsatisfactory. The overall rating took into account the relative importance of each pillar in the Zambia country program during the evaluation period. The human capital development pillar was a relatively small component of the Bank Group operations, whereas governance and economic diversification were a major focus of Bank support throughout the period (see appendix F for the summary assessment by pillar).

Recommendations

The evaluation of Bank Group activities in Zambia during the period from 2004 to 2013 points to several areas to be strengthened further in its future Zambia country program. In looking ahead, a key element that defines the environment for Zambia's poverty reduction effort is that the medium term outlook for Zambia's fiscal revenues is positive. Resources from the copper boom, which until recently had largely accrued to the private sector, began to show in the government budget. It also became evident that Zambia would be able to access funds on the international capital markets on relatively favorable terms, especially given its low debt levels and the expectation of a continuation of high copper prices with substantially higher government revenues.

However, Zambia faces growing risks to macroeconomic stability as its deficit has risen to 6.6 percent of GDP. With growing debt levels as well, the country is very vulnerable to a downturn in copper prices. While there has been some success in diversification through increased commercial agricultural production and exports, as well as increased tourism, growth remains dependent on the demand for services and construction resulting from investment in the copper mining sector. There has been little progress on poverty reduction, and the human development indicators are among the lowest relative to per capita income of any country in the world. Progress on public financial management continues at a slow pace as there are further delays in making the IFMIS operational and a virtual absence of any movement toward decentralization.

It will not be an easy task to achieve a substantial improvement in outcomes of Bank support in the future. There is the legacy of a difficult past relationship and a residual lack of trust to overcome. It will take efforts on both sides to achieve a better working relationship. On the Bank side, there needs to be recognition that the Bank's value proposition in Zambia is no longer the money it puts on the table, but the knowledge and experience it can share with the Zambian authorities, whether provided through lending operations or analytic and advisory work. Equally, on the Zambian side, there needs to be recognition that the access the Bank provides to global knowledge networks and the experience it brings to the table are resources that can be tapped for more effective and efficient growth and poverty reduction.

The current Bank strategy appears to be moving in the right direction in setting a stage for undertaking a meaningful dialogue. There is a serious effort to build trust with the government. The Bank Country Director is now based in Lusaka, which demonstrates the Bank's commitment to build a robust relationship. The Bank is trying to work in areas where the Zambian government has shown openness to engage, such as agriculture and infrastructure. There is a stepping back from some of the more confrontational areas of the program, such as macroeconomic policies and governance, although the Bank continues to carry out important analytic work in these areas.

The most recent country program strategy calls for selectivity in Bank Group interventions; it should make serious efforts to implement this principle into reality. At both the Bank and the IFC, there have been many attempts to find entries for possible future support through trust funds, nonlending services, and other tools. Irrespective of the merits of the individual proposals, excessive explorations can divert scarce Bank Group and government capacity into too many areas. Selectivity that allows for sustained Bank Group support and engagement will be important for building trust and demonstrating visible results. The small size of the economy and correspondingly small allocation from the International Development Association, plus the presence of other significant donors, should allow Bank to be selective in its interventions. For the Bank Group to provide effective support under these circumstances, IEG makes the following recommendations.

Recommendation 1: Help the authorities prepare for potential copper price volatility by jointly exploring alternative scenarios and appropriate arrangements for sound fiscal management and monitoring over the medium-term as well as for developing contingency plans.

With its dependence on copper, Zambia will continue to be vulnerable to periodic price shocks. The most appropriate strategy for Zambia would be to maintain a sound fiscal framework, as well as a sustainable fiscal deficit and debt profile. One approach to consider would be for the government to set credible ceilings on recurrent expenditures with additional revenues going for investment. It would be important for the Bank to explore and take advantage of any opportunities for initiating a dialogue with the government on this subject.

While the details of such an arrangement should be defined through close dialogue with the government, a possible mechanism could be to channel all mineral revenues above a certain percentage of GDP (for example, 2 percent—the level that prevailed from 2005–2010), and all market borrowing into investment under a framework designed to mitigate the effects of short-term booms and busts in copper pricing. A fiscal rule on the level of salaries as a share of the budget or GDP would also be appropriate. Given the levels of borrowing, it would also be necessary to set a fiscal rule on the appropriate level of external debt to GDP. In the absence of such rules, the Bank could systematically monitor and analyze the performance against these yardsticks, and provide the Zambian government and public with this information, as well as information on the performance of key comparator countries.

The Bank, jointly with IMF, should also maintain a dialogue on macroeconomic and fiscal policies. They should be prepared to step in with exceptional budget support in case of an abrupt downturn in prices. The Bank should also support Zambia's efforts in maintaining access to international financial markets that could be tapped if the need arises. Further, it would be important to undertake necessary analysis to develop realistic contingency plans for dealing with price downturns. The Bank should proceed together with the government and the IMF to explore the implications of alternative scenarios triggered by declines in copper prices and government revenues.

Recommendation 2: Focus governance and institutional strengthening support on building government capacity for the efficient use of fiscal resources including IFMIS implementation, and decentralization. Leverage Bank interventions at the

project level (for example, through requiring IFMIS and decentralized decision making for Bank-supported projects).

With the strong medium-term outlook for fiscal revenues, it is increasingly urgent for the government to build its capacity to use these resources efficiently and effectively. IFMIS implementation needs to reach a satisfactory completion point to enhance accountability and transparency of fiscal resource management. The Bank could play a useful role in these areas through support in such aspects as training, project evaluation, preparation, monitoring and implementation.

To make progress in these areas that cut across sectors, there may be room for the Bank to leverage its current engagements with the government. More specifically, as suggested in chapter 4, the Bank needs to build on the start it has made with through leveraging its three agriculture projects to support the full implementation of the IFMIS in the Ministry of Agriculture. Leveraging these inter-linkages could also be useful for other policy agenda items, such as decentralization. As the agriculture project sites are often located in rural areas, some of these projects could be used to support the decentralization process through management at the local level.

Recommendation 3: Work with the transport, power, and health ministries to develop a portfolio of priority projects for implementation, and strengthen their capacity to more effectively manage implementation. Bring IFC and MIGA into the sector dialogue and explore potential collaboration.

In the past, the Bank's posture in Zambia tended to focus on not doing the wrong things, of avoiding waste and inefficiency and reducing costly and regressive subsidies. It has had problems in positioning itself in support of growth and poverty reduction. Even when Bank reports include these topics in their titles, they tend to focus their recommendations on greater efficiency. The Bank needs to recognize the political pressures that the government faces to increase investment in human and especially physical capital. It should work with the government to suggest where such investments can have the highest pay-off, and identify activities that can be carried out relatively quickly and provide returns within the political cycle.

This will require analytic work at the sector level to develop strategic approaches and identify investment opportunities. In spite of a substantial program of analytic work in Zambia, the work at the sector level has been thin and, as indicated, has often focused on policy issues rather than investment opportunities.

The Bank has built up good relationships with selected sector ministries and the evaluation recommends that it continue to focus on these areas and not allow itself to be drawn too widely into other areas (for example, education, water and communications). The Bank can also continue to play a role in mobilizing additional donor and/or private funding for its projects. With its experiences in PPP advisory work in other countries and its diverse menu of infrastructure financing including guarantees, loans, and equity investments, IFC can also make considerable contributions. The opportunities for collaboration with IFC in leveraging private sector financing should be pursued whenever possible.

Recommendation 4: Conduct a sector analysis and put in place a strategy for Bank support for agriculture, using potential synergies from the Bank, IFC, and MIGA with the latter two institutions in particular playing a larger role. Ongoing projects should be recast and integrated into the strategy.

Agriculture is a key sector in the government's efforts to achieve economic diversification and the Bank should remain an active player. The effective linking of smallholders into agricultural value chains could also contribute to reducing poverty in rural Zambia. However, the multiple Bank project interventions in this area have yet to demonstrate their benefits clearly and lack synergies between each other. A strategic view of relevant interventions by various players would be useful to increase effectiveness of support in this sector. The findings of this evaluation also point to the need to take stock of the existing interventions, and redesign or restructure some of those plagued by design complexity. Efforts should also be made to ensure institutional sustainability for activities in the sector beyond specific projects. Focused sector work should be undertaken collaboratively with the government to identify the sector priorities and sequencing of support. Most importantly, the Bank needs to place its support within a well-articulated sector strategy, something that has been missing so far.

Leveraging the knowledge and capacity across the Bank Group in agriculture is also important. Agribusiness value chains should offer substantial investment opportunities for IFC and potential synergies with the World Bank, which could finance the links between smallholder operations and larger private agribusiness partners supported by IFC. MIGA has established notable exposure in this sector in Zambia. The Bank Group needs to be more pro-active in leveraging these inter-linkages between institutions.

Recommendation 5: Make addressing rural poverty a more central part not just of Bank strategy documents, but of the Bank's operational program. While there are poverty-related interventions in agriculture and health, the Bank needs to develop a strategic approach, looking at various options for having an impact on rural poverty in the medium term.

Zambia is becoming two different countries—one is a narrow strip down the central corridor of the country, where more than half of the population lives and where growth and development are concentrated; and the other is the two large wings where the other half of the population is thinly spread and where poverty, disease and illiteracy remain endemic. Even with current rates of migration, there will continue to be a large minority of very poor people in the 'wings' in the foreseeable future.

The Zambian authorities and the Bank need to work together to develop an approach to promoting rural development and poverty reduction that is affordable and effective. The Bank needs to carry out analytic work to understand this spatial dimension of Zambian development and to develop programs to pilot various models. It needs to explore options such as conditional cash transfers and to consider whether it should resume support for a CDD program in Zambia. In addition, it could look at the possibility of supporting the development of market towns that can serve as growth poles for rural areas. An increased emphasis on inclusive growth and poverty reduction should be a major part of the repositioning of the Bank in Zambia.

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Appendix A. Zambia: Summary of World Bank Group Program Outcome Ratings

This summary table is derived from the assessments presented in chapters 3–6 and the achievements against the objectives indicated in the country strategies.

Table A.1. CAS/CPS Outcomes and Results

World Bank Group Strategic Goals[1]	Achievement of Associated CAS/CPS Outcomes Or Results	World Bank Group Program Outcome Ratings[2]
First Pillar: Maintaining Macroeconomic and Fiscal Stabilities	The Bank and the IMF successfully exploited the leverage provided by the HIPC initiative and the MDRI to achieve progress on privatization and some follow through on fiscal management. The reductions in debt servicing created substantial fiscal space and the successful mining privatization combined with surging copper prices set the stage for new investment and growth. Given the vested interests involved and the political risks, it would have been very difficult for the government to achieve this without the involvement of the Bank and the IMF, and probably also without the impetus provided by the HIPC initiative. Subsequent to debt relief, the Bank shifted its focus to the diversification and human capital development agenda. It seemed that the key structural problems had been dealt with and the ongoing responsibility for fiscal stability and sustainability rested mainly with the IMF dialogue. Despite the positive start to the period under review, the specific outcomes supported by the first two CASs were only partially achieved. The government moved very slowly in dealing with the problems of arrears that were the primary focus of Bank support. The misalignment towards the end of the series of budget support operations between the Bank and other donors also raises questions about the adequacy of the Bank's contribution.	**Moderately satisfactory**
Second Pillar: Improving Governance and Institutions for Effective Use of Resources	There have been a number of solid achievements and success stories in the public financial management area, yet they do not constitute an effective overall program. The government moved selectively on those areas. Work on the IFMIS, started before HIPC completion in 2005, remains a work in progress. The recent focus on the demand side of better public sector management and governance seems well judged and the Bank's Zambia program is one of the most wide-ranging in this regard. It includes a number of programs in areas such as media training, investigative reporting, and NGOs. Zambia became a candidate country for the EITI in 2009 and was compliant before the end of the CPS period. While there is little doubt that there have been significant advances in some of the fiduciary areas such as external audit, the deliberations of the public accounts committee and a well-functioning public procurement office, the overall impact of these changes is not readily apparent. There is little evidence that it has contributed to more efficient government in Zambia.	**Moderately unsatisfactory**
Third Pillar: Enhancing Economic Diversification and Nonresource Sector Growth	This pillar contains three major components: infrastructure, private sector development; and agriculture.	**Moderately unsatisfactory**

Infrastructure	Regarding infrastructure, the Bank's contributions have been generally satisfactory, albeit with some weaknesses. The Bank played an important role in the development of the road sector. The Bank was instrumental in putting in place a well-conceived institutional framework designed to ensure adoption of appropriate standards and effective prioritization of expenditures between maintenance and construction. However, the institutional framework did not function as planned in large part because of political considerations that have led RDA to emphasize new construction and unsustainable standards. This potentially jeopardizes the gains from the institutional reforms. In the power sector, Bank's focus on unbundling and privatization before the sector had achieved a critical mass was seen by many in Zambia as inappropriate. It was also a stumbling block to an effective sector dialogue and to the Bank's ability to provide much needed support. The Bank was successful in reestablishing a good dialogue in the last 4-5 years, in part by changing its rigid stance on unbundling and by bringing in stronger sector staff.	
Private sector development	Bank Group work in support of private sector development was diffuse and unfocused. The Bank was active in a number of areas, but it lacked clear and measurable objectives. Both Bank and IFC efforts to promote SMEs were largely unsuccessful in reaching to scale, as they continued to promote lines of credit that were not much in demand. The Bank Group's work on helping improve the business environment was useful and helped Zambia to improve its regulatory environment, but its impact has been limited. Entrepreneurs see the investment climate as an area of lesser importance than other factors such as infrastructure, access to finance, and the high cost of inputs. The work on subsector development in essence was an attempt to help the government plan and implement an industrial strategy, a task that has had little success in most countries, in particular those with low institutional capacity. There appears to have been little payoff of the extensive support in this area during the review period. Neither of the Bank Group institutions has been successful in developing instruments that could help channel ample liquidity in the financial sector to SMEs.	
Agriculture	In the initial period, the sector did not receive the necessary priority, despite its importance to diversification. Although the Bank was much more active in the second half of the review period, the projects supported have not been based on a well-articulated sector strategy. They have been overly complex, are scattered among un-linked interventions, and generally have the risk in institutional sustainability.	
Fourth Pillar: Promoting Human Capital Development The major components of this pillar are activities mapped to three sectors: health, education, and social protection.		**Moderately Satisfactory**
Health	The Bank contributed positively to the government effort to control HIV, AIDS, and malaria. Bank support had a lasting impact through the strengthening of the local institutional capacity to implement activities to control HIV/AIDS even after the Bank credit was closed.	
Education	The Bank-supported project contributed to rehabilitation and construction of school infrastructure to accommodate expansion in student enrollment, but the effect on learning outcomes has been marginal. The objective of creating a system capable of improving worker skills for the formal and informal sectors was only modestly	

	achieved. The Bank produced a series of analyses on education expenditures, which were well received by the government and the donor community, but their impact on the policy debate is unclear.
Social protection	The ZAMSIF project provided useful support for building quality rural infrastructure through community-based initiatives. It helped build a valuable local institutional capacity for implementing HIV/AIDS and malaria programs, as well as the ongoing pilot program for climate resilience. A recent Bank report on social safety nets in Zambia has raised awareness about the weaknesses of the existing transfer and subsidy programs.

Note: CAS = Country Assistance Strategy; EITI = Extractive Industries Transparency Initiative; HIPC = Highly-Indebted Poor Country; IFMIS = Integrated Financial Management Information Systems; IMF = International Monetary Fund; MDRI = Multilateral Debt Relief Initiative; NGO = nongovernmental organization; RDA =Road Development Agency; SME = small and medium enterprise; ZAMSIF = Social Investment Fund for Zambia.

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[1] The goals of Bank Group assistance may be distinct from those of the client country's own development objectives, although the two are usually consistent.

[2] The Bank Group program outcome sub-ratings and overall rating assess the extent to which the Bank program achieved the results targeted in the relevant strategy document(s) and/or the documents for individual operations. They do not attempt to assess the extent to which the client country was satisfied with the Bank's program, nor do they try to measure the extent (in an absolute sense) to which the program contributed to the country's development. Equally, they are not synonymous with Bank performance.

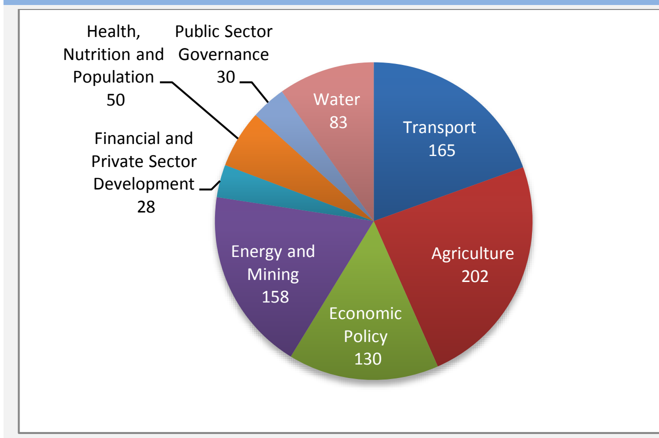
Appendix B. World Bank Group Instruments and Performance Ratings

The Bank Group used a variety of instruments to provide financial and knowledge support to Zambia. This section reviews the scope and portfolio ratings of Bank Group operations during the period covered by this evaluation.

International Development Association

The composition of the lending instruments of the International Development Association (IDA) shifted away from a high reliance on budget support in the 1990s to an increased emphasis on investment lending. Between FY04 and FY13, the World Bank approved 22 IDA operations in Zambia with an aggregated commitment amount of $846 million. Development policy operations accounted for 15 percent ($130 million) of the aggregated commitment. Between FY04 and FY13, about two-thirds of the total approved commitments were for operations in sectors including Agriculture and Rural Development, Energy and Mining, and Transport (figure A.1). However, the support with the most significant impact on Zambia's public finance was likely debt relief amounting to $2.7 billion.

Figure A.1. Sector Allocations of World Bank Commitments to Zambia (US$ millions)



Source: World Bank data.

Zambia is also a party to several regional projects financed by IDA and the Global Environment Facility (table A.1). These include the Southern Africa Power Market project, which is the oldest and largest regional project in terms of commitment size. Originally approved in FY04, the total commitment amount is $383 million. Recent projects include the Agricultural Productivity Program for Southern Africa, which aims to increase the availability of improved agricultural technologies in participating countries. The Bank has also been a part of regional partnership programs. The Sub-Saharan Africa Transport Policy Program—an international partnership of 38 countries and the regional economic communities of Sub-Saharan

Africa—has led work on a policy performance review, governance, road safety, and transport data management in Zambia.

Table A.1. Regional Projects and Programs: Zambia

Regional Project Names	Fiscal Year	Relevant Countries
Southern Africa Power Market APL 1	2004	Congo, Dem. Rep., Zambia
Nyika Transfrontier Conservation Area Project	2011	Malawi, Zambia
Victoria Falls Regional Transmission Line Reinforcement Project	2012	Southern African Power Pool countries
Agricultural Productivity Program for Southern Africa	2013	Botswana, Malawi, Mozambique, Zambia

Source: World Bank data.
Note: APL = adaptable program loan.

The riskiness of the Bank's portfolio has shown significant variation between 2004 and 2013. In FY04, 4 percent of commitments in Zambia were at risk, as compared with 19 percent for the Africa Region as a whole. This figure showed drastic fluctuations in recent years. In FY12, no projects were deemed at risk, whereas in FY13, 28.7 percent of commitments and 25 percent of all projects under implementation were at risk. Some projects moved back and forth between at risk and not at risk status over the course of project implementation. For example, the Road Rehabilitation Maintenance Project was flagged at risk in 2005, 2010, 2011, and 2013; the Support for Economic Expansion and Diversification (SEED) project was flagged at risk in 2005–2007, 2009, and 2011.

The evaluations by the Independent Evaluation Group of completed Bank Group operations in Zambia are generally unfavorable. Seventeen Bank projects were reviewed between FY04 and FY13, of which eight (44 percent) were rated moderately satisfactory and above. These included projects in the transport, health, and economic policy portfolio. The only rated agriculture project—the Emergency Drought Recovery loan—was rated as moderately satisfactory. Projects in the education, and financial and private sector development portfolio were rated moderately unsatisfactory and below. See appendix D for individual project ratings.

As for nonlending operations, the Bank delivered 77 analytic and advisory activities (AAA) in Zambia between FY04 and FY13. These included 38 economic and sector work projects and 39 technical assistance activities. A bulk of AAA focused on the Financial and Private Sector Development, Economic Policy, and Health, Nutrition and Population sectors, accounting for 55 percent of all AAA in the review period.

International Finance Corporation

The International Finance Corporation (IFC) strived to build a robust investment portfolio in Zambia, but demand remained limited. During the FY04–07 CAS period, IFC was cautious and sought to expand its investment activities only after significant progress on the overall business environment. A much more positive outlook for IFC investments was projected in the FY08–11 CAS. A number of opportunities from agribusiness to commercial real estate were listed as prospective investments. This optimism has continued in the latest FY13-16 CAS.

However, the demand for IFC investments was considerably less than envisaged. In FY04-13, IFC had an average annual net commitment in Zambia of less than $10 million. This is due partly to the presence of such alternative funding sources as local and international banks, private equity funds, and bilateral and multilateral donor agencies.[1] IFC's internal approval procedures may also have contributed to a low investment volume. Some of the IFC clients in Zambia indicated that IFC's approval procedures and due diligence requirements were lengthy and cumbersome compared to other financiers.

IFC's total net investment commitment in the country during this period amounted to $92.9 million across 11 investments. Most investments were in finance and insurance, followed by food and beverage. A majority of IFC's transactions in Zambia were long-term loans, which accounted for 86 percent of the investment program. Equity investments accounted for 10 percent ($8.9 million). IFC's Global Trade Finance Program strategy aimed to increase its volume in IDA countries such as Zambia. However, IFC provided a very small trade finance guarantee during the evaluation period: $ 4.2 million to the African Banking Corporation Zambia. IFC had one investment in the mining sector ($6 million) in FY09 to a junior mining company. Two large loan transactions accounted for 59 percent of IFC's total net commitment—a $25 million loan to the Zambia National Commercial Bank in FY10, and another $30 million loan in FY12.

IFC undertook 15 Advisory Services operations during FY04-13. Out of $14.7 million committed to these operations, the Investment Climate business line had the largest total commitment of $5.8 million. This was followed by the public-private partnerships (PPP) business line ($4.9 million), with the single PPP advisory project to support the Zambia Kafue Gorge Lower Hydroelectric Power Plant. The investment climate business line had seven projects, followed by Sustainable Business Advisory activities with five.

IEG validated two investment operations during FY04 and 13, both rated mostly unsatisfactory or worse. These investments were approved before 2001. IEG also validated three advisory services projects with Mostly Unsuccessful ratings for two projects and one Sustainable Business Advisory project as “cannot verify” for overall development effectiveness.

Multilateral Investment Guarantee Agency

The Multilateral Investment Guarantee Agency (MIGA) did not underwrite any guarantee contracts during the FY04–07 CAS period but succeeded in engaging the agribusiness sector from FY11. After a CAS period without any new guarantee issuance, MIGA focused on increasing operations in the infrastructure and agriculture sectors during the FY08–11 CAS period. The effort led to the issuance of a $5.2 million guarantee in FY11 to Chayton Atlas Investments, an investment firm specializing in agriculture, agribusiness, and related infrastructure. This guarantee became an entry point for MIGA in the agribusiness sector.

During the three-year period from FY11 to FY13, MIGA underwrote six guarantee contracts with a gross exposure of $85.8 million. Except for one manufacturing contract with Hitachi Construction Machinery ($13.5 million), the guarantees were for investments in agribusiness, with a total gross exposure of $72.3 million. MIGA’s support for the Hitachi Construction Machinery project was for the construction and operation of a remanufacturing plant for reconditioning used parts and components from heavy-duty earth-moving machinery, primarily in the mining sector, to provide a more cost-effective maintenance solution to serve clients within Zambia as well as in adjacent countries.

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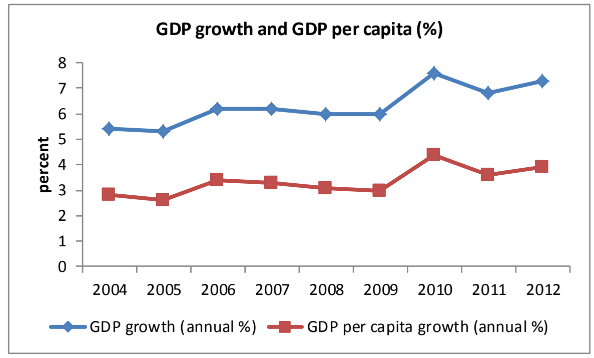
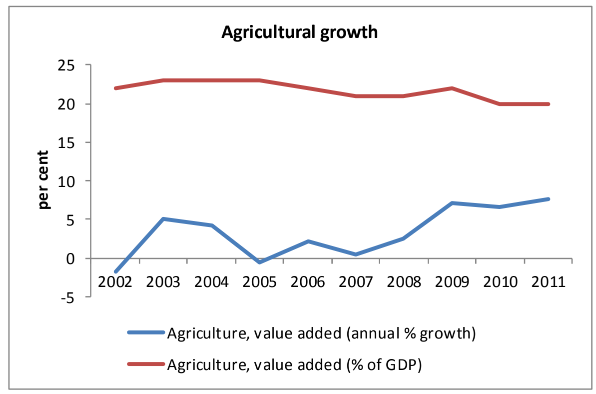
[1] One of the client companies of the International Finance Corporation has access to an international capital market by listing its stock.

Appendix C. Reference Tables

Table C.1. Zambia at a Glance

Key Development Indicators	2012
Population	14,075,099
Surface area (sq. km)	752,610
Population growth (annual %)	3.2
Urban population (% of total)	40
GNI (current US$)	19,476,029,868
GNI per capita (current US$)	1350
GNI per capita, PPP (current international $)	1590
GDP growth (annual %)	7.2
GDP per capita growth (annual %)	3.9
Poverty headcount ratio at $1.25 a day PPP (% of population)	74.5
Poverty headcount ratio at $2.00 a day PPP (% of population)	86.6
	2012
Gross primary enrollment male (%)	114
Gross primary enrollment, female (%)	113
Ratio of female to male primary enrollment (%)	99
Access to an improved water source (% of population)	63
Acess to improved sanitation facilities (%)	43
Life expectancy at birth (years)	57
Infant mortality rate (per 1000 live births)	56

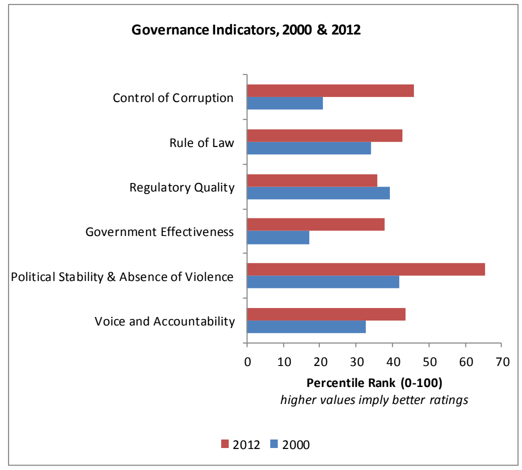




Net Aid Flows	2000	2012
Net ODA and official aid (constant 2011 US$)	1,285,410,000	970,620,000
Net ODA received (% of GNI)	25.7	4.9
Net ODA received per capita (current US$)	79	68
Economic Trends		
Consumer prices inflation (annual %)	26	6.6
GDP deflator inflation (annual %)	30.8	5.9
Official exchange rate (LCU per US$, period average)	3.11	5.15
Terms of trade index (2000=100)	100	183.6
GDP (constant 2005 US$)	5,674,661,754	11,226,679,490
Agriculture, value added (% of GDP)		20
Industry, value added (% of GDP)		38
Manufacturing, value added (% of GDP)		9
Services, etc., value added (% of GDP)		42
Household final consumption expenditure (constant 2005 US$)	4,305,354,939	9,208,332,487
General gov't financial consumption expenditure (constant 2005 US$)	540,978,828	2,016,678,263
Gross capital formation	873,831,466	3,844,378,153
Exports of goods and services (constant 2005 US$)	880,619,315	3,600,536,932
Imports of goods and services (constant 2005 US$)	1,484,179,682	5,530,270,193
Gross savings (% of GDP)	-1	25

APPENDIX C
REFERENCE TABLES

Balance of Payments and Trade		
Total merchandise exports (current US$)	892,362,000	8,550,000,000
Total merchandise imports (current US$)	887,957,000	8,000,000,000
Net trade in goods and services (BoP, current US$)	..	670,578,341
Current account balance (BoP, current US$)		-1,002,548
Reserves, including gold (includes gold, current US$)	244,824,169	3,042,223,893
	2000	**2011**
Metals & ores (% merchandise exports)	74	80.7
Agriculture raw materials (% merchandise exports)	..	1.88
Food (% merchandise exports)	9	6.89
Manufactures (% merchandise exports)	11	10.01
Central Government Finances	**1999**	**2011**
Tax revenue (% of GDP)	18.4	19.7
External Debt and Resource Flows	**2000**	**2012**
Total debt service (% of exports of goods, services and primary income)	21.2	2.2
Present value of external debt (% of GNI)	..	17.8
Present value of external debt (% of exports of goods, services and primary income)	..	35.1
	..	
Foreign direct investment, net inflows (% of GDP)	..	5.2
Portfolio equity, net inflows (BoP, current US$)	..	26,076,000
Private Sector Development	**2000**	**2013**
Time required to start a business (days)	..	6.5
Time required to register property (days)	..	45
Time required to enforce a contract (days)	..	611
Profit tax (%)	..	1.2
Time to exports (days)	..	44
Time to import (days)	..	49



Technology & Infrastructure	**2000**	**2012**
Mobile cellular subscriptions	98,853	10,524,676
Environment	**2000**	**2011**
Agricultural land (% of land area)	30.3	31.5
Forest area (% of land area)	68.8	66.3
Renewable internal freshwater resources per capita (cubic meters)	..	5,882
Annual freshwater withdrawals, total (% of internal resources)	..	2
GDP per unit of energy use (constant 2005 PPP $ per kg of oil equivalent)	1.7	2.3
	2000	**2012**
Terrestrial protected areas (% of total land area)	36	37.8

Source: World Development Indicators, Worldwide Governance Indicators.
Note: BoP = balance of payments; GDP = gross national product; GNI = gross national income; LCU = local currency units; ODA = official development assistance; PPP = purchasing power parity.

Millennium Development Goals

With selected targets to achieve between 1990 and 2015

Goal 1: Eradicate extreme poverty and hunger	**1990**	**1995**	**2000**	**2005**	**2012**
Poverty headcount ratio at $1.25 a day (PPP) (% of population)	*61.1*	*62.1*	*55.7*	..	*68.5*
Poverty headcount ratio at national poverty line (% of population)	*69.7*	*68.1*	*66.8*	..	*59.3*
Malnutrition prevalence, height for age (% of children under 5)	*21.2*	*19.6*	*19.6*	..	*14.9*
Goal 2: Achieve universal primary education					
School enrollment, secondary (% gross)	21.0	..	..	..	100.8
School enrollment, primary (% gross)	96.0	89.6	84.3	117.3	113.6

Primary completion rate, total (% of relevant age group)	..	..	63.4	87.0	91.3
Goal 3: Promote gender equality and empower women					
Ratio of girls to boys in primary and secondary education (%)	*87.0*	..	*91.0*	..	95.2
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	16.6	..	22.0	..	..
Proportion of seats held by women in national parliaments (%)	6.6	..	10.1	12.7	11.5
Goal 4: Reduce child mortality					
Mortality rate, infant (per 1,000 live births)	114.2	110.8	99.4	76.5	56.4
Mortality rate, under-5 (per 1,000 live births)	191.9	187.8	168.7	127.0	88.5
Immunization, measles (% of children ages 12–23 months)	90.0	86.0	85.0	85.0	83.0
Goal 5: Improve maternal health					
Maternal mortality ratio (modeled estimate, per 100,000 live births)	580.0	630.0	610.0	430.0	*280*
Births attended by skilled health staff (% of total)	*51.0*	*47.0*	*47.0*		*47*
Goal 6: Combat HIV, AIDS, malaria, and other diseases					
Prevalence of HIV, total (% of population ages 15-49)	10.4	15.1	15.3	13.8	12.7
Tuberculosis case detection rate (%, all forms)	30.0	52.0	69.0	76.0	68.0
Incidence of tuberculosis (per 100,000 people)	710.0	788.0	713.0	566.0	427.0
Goal 7: Ensure environmental sustainability					
Improved water source (% of population with access)	49.1	50.9	53.1	57.5	63.3
Improved sanitation facilities (% of population with access)	41.3	40.9	40.7	41.6	42.8
Forest area (% of land area)	71.0	69.9	68.8	67.7	..
Terrestrial protected areas (% of total land area)	36.0	36.0	36.0	36.0	37.8
CO2 emissions (metric tons per capita)	0.3	0.2	0.2	0.2	..
GDP per unit of energy use (PPP $ per kg of oil equivalent)	2.4	2.3	2.7	3.3	..
Goal 8: Develop a global partnership for development					
Telephone lines (per 100 people)	0.8	0.9	0.8	0.8	0.6
Mobile cellular subscriptions (per 100 people)	0.0	0.0	1.0	8.3	74.8
Internet users (per 100 people)	0.0	0.0	0.2	2.9	13.5

Source: World Development Indicators; Zambia Country Partnership Strategy 2013–15.
Note: Figures in italics are for years other than those specified. (..) Indicates data not available. C02 = carbon dioxide; GDP = gross domestic product; PPP = purchasing power parity.

Table C.2. Zambia Economic and Social Indicators

Series Name	2004	2005	2006	2007	2008	2009	2010	2011	2012
Growth and Inflation									
GDP growth (annual %)	5.4	5.3	6.2	6.2	6.0	6.0	7.6	6.8	7.2
GDP per capita growth (annual %)	2.8	2.6	3.4	3.3	3.1	3.0	4.4	3.6	3.9
GNI per capita, Atlas method (current US$)	410.0	490.0	620.0	750.0	970.0	1,060.0	1,080.0	1,180.0	1,350.0
GNI per capita, PPP (constant 2011 international $)	2,188.1	2,166.3	2,126.0	1,921.6	2,249.8	2,756.1	2,464.8	2,705.5	2,823.1
Inflation, consumer prices (annual %)	18.0	18.3	9.0	10.7	12.4	13.4	8.5	6.4	6.6
Composition of GDP									
Agriculture, value added (% of GDP)	23.4	22.8	21.6	20.8	21.0	21.6	20.4	19.5	19.6
Industry, value added (% of GDP)	28.0	29.2	31.9	33.1	33.8	34.2	36.0	37.4	38.1
Services, etc., value added (% of GDP)	48.6	48.0	46.5	46.1	45.2	44.2	43.6	43.1	42.3
External Accounts									
Exports of goods and services (% of GDP)	37.8	34.6	38.5	40.9	35.4	35.0	46.8	46.0	46.4
Imports of goods and services (% of GDP)	40.0	36.7	30.1	39.2	37.3	32.2	34.9	37.0	43.2
Current account balance (% of GDP)	..	(8.4)	1.3	(6.0)	(7.1)	4.5	7.4	3.6	(0.0)
Present value of external debt (% of GNI)	..	..	..	..	..	..	..	..	17.8
Total debt service (% of GNI)	9.3	4.3	1.5	1.2	1.3	1.4	1.0	1.1	1.1
Other Macroeconomic Indicators									
Gross fixed capital formation (% of GDP)	23.6	22.4	20.8	20.6	19.5	19.6	21.1	23.4	23.4
Gross fixed capital formation, private sector (% of GDP)	14.9	15.3	16.6	16.6	16.1	16.1	17.8	18.0	16.1
Gross domestic savings (% of GDP)	22.7	21.6	30.5	23.7	19.0	23.9	34.4	34.0	27.9
Gross savings (% of GDP)	15.9	14.3	22.9	14.9	13.3	24.6	28.7	29.9	24.7
Fiscal Accounts									
Revenue, excluding grants (% of GDP)	18.0	17.6	17.0	17.4	18.4	15.6	17.4	21.4	
General government final consumption expenditure (% of GDP)	17.2	18.5	18.6	17.9	17.4	18.0	16.2	17.0	16.3
Gross national expenditure (% of GDP)	102.2	102.1	91.6	98.3	101.9	97.2	88.1	91.0	96.8
Cash surplus/deficit (% of GDP)	2.0	(4.7)	2.2	(0.8)	(1.4)	0.2	(1.5)	5.0	
Social Indicators									
Life expectancy at birth, total (years)	45.8	47.1	48.6	50.1	51.6	53.1	54.5	55.8	57.0
Immunization, DPT (% of children ages 12–23 months)	83.0	82.0	81.0	80.0	87.0	94.0	83.0	81.0	78.0
Mortality rate, infant (per 1,000 live births)	80.9	76.5	73.0	69.8	67.1	64.4	62.9	58.7	56.4
Out-of-pocket health expenditure (% of private expenditure)	71.4	60.7	67.2	68.0	68.5	68.0	66.9	66.4	66.7
Health expenditure, public (% of GDP)	3.9	3.9	3.9	3.1	3.6	3.6	3.7	3.9	4.2
School enrollment, primary (% gross)	106.3	117.3	118.0	118.6	119.3	112.6	111.4	113.0	113.6
School enrollment, secondary (% gross)									100.8
School enrollment, tertiary (% gross)									
Telephone lines (per 100 people)	0.8	0.8	0.8	0.8	0.7	0.7	0.9	0.6	0.6
Unemployment, total (% of total labor force)	15.5	15.9	15.7	15.7	15.7	15.6	13.2	13.2	13.1
Poverty headcount ratio at national poverty line (% of population)									
Improved water source (% of population with access)		57.5					61.7		63.3
Improved sanitation facilities (% of population with access)		41.6					42.5		42.8
School enrollment, preprimary (% gross)									
Population growth (annual %)	2.5	2.6	2.7	2.7	2.8	2.9	3.0	3.1	3.2
Population, female (% of total)	50.2	50.1	50.1	50.1	50.1	50.1	50.1	50.1	50.1
Population (Total) (million)	11.2	11.5	11.8	12.1	12.5	12.8	13.2	13.6	14.1

Source: World Development Indicators.
Note: (..) Indicates data not available. DPT = Diphtheria, pertussis and tetanus; GDP =gross domestic product; GNI =gross national income; PPP =purchasing power parity.

Table C.3. Zambia and Comparators: Economic and Social Indicators

Series Name	Zambia	Sub-Saharan Africa	Kenya	Uganda	Ethiopia
Growth and Inflation					
GDP growth (annual %)	6.3	5.5	4.8	1007.6	11.1
GDP per capita growth (annual %)	3.3	2.7	2.0	5.4	8.1
GNI per capita, Atlas method (current US$)	878.9	1070.7	686.7	198.5	261.1
GNI per capita, PPP (current international $)	2377.9	2212.5	1967.3	780.3	923.6
Inflation, consumer prices (annual %)	11.5	6.6	12.1	588.5	18.1
Composition of GDP					
Agriculture, value added (% of GDP)	21.2	16.3	27.1	17.2	46.8
Industry, value added (% of GDP)	33.5	31.1	18.5	25.5	11.8
Services, etc., value added (% of GDP)	45.3	52.6	54.5	37.6	41.5
External Accounts					
Exports of goods and services (% of GDP)	40.1	32.6	27.2	34.1	13.8
Imports of goods and services (% of GDP)	36.7	34.0	39.4	25.4	32.9
Current account balance (% of GDP)	-0.6	..	-6.1	13.0	-6.9
Present value of external debt (% of GNI)	17.8	..	21.0	-6.0	6.1
Total debt service (% of GNI)	2.5	2.1	1.7	1.6	0.8
Other Macroeconomic Indicators					
Gross fixed capital formation (% of GDP)	21.6	18.9	19.3	11.6	27.5
Gross fixed capital formation, private sector (% of GDP)	16.4	13.5	14.8	19.8	12.6
Gross domestic savings (% of GDP)	26.4	18.2	7.0	13.7	8.4
Gross savings (% of GDP)	21.0	17.5	14.0	13.8	22.6
Fiscal Accounts					
Revenue, excluding grants (% of GDP)	17.8	23.5	19.9	15.1	10.3
General government final consumption exp. (% of GDP)	17.5	16.0	17.4	12.2	10.7
Gross national expenditure (% of GDP)	96.6	..	112.1	62.0	119.0
Cash surplus/deficit (% of GDP)	0.1	-1.4	-3.3	55.2	-2.9
Social Indicators					
Life expectancy at birth, total (years)	51.5	54.1	57.6	26.7	59.5
Immunization, DPT (% of children ages 12–23 months)	83.2	68.1	81.4	64.0	53.6
Mortality rate, infant (per 1,000 live births)	67.7	73.3	55.5	65.3	58.7
Out-of-pocket health exp.(% of private exp. on health)	67.1	65.0	76.6	61.3	80.3
Health expenditure, public (% of GDP)	3.8	2.7	1.8	33.3	2.3
School enrollment, primary (% gross)	114.5	97.3	108.8	56.9	73.6
School enrollment, secondary (% gross)	100.8	35.9	52.8	77.5	23.5
School enrollment, tertiary (% gross)		6.4	3.3	14.6	2.7
Telephone lines (per 100 people)	0.7	1.4	1.0	2.1	0.9
Unemployment, total (% of total labor force)	14.8	7.6	9.4	1.9	5.5
Poverty headcount ratio at national poverty line (% of pop)	60.5	..	45.9	7.6	34.3
Improved water source (% of population with access)	60.8	62.0	59.3	53.2	45.9
Improved sanitation facilities (% of pop with access)	42.3	28.7	28.9	51.5	19.8
Population growth (annual %)	2.8	2.7	2.7	5.5	2.7
Population, female (% of total)	50.1	50.1	50.1	26.6	50.0
Population, total (million)	12.5	822.0	38.9	15.9	82.7

Source: World Development Indicators.
Note: (..) Indicates data not available. Average computed using only data for available years. DPT = diphtheria, pertussis, and tetanus; GDP = gross domestic product; GNI = gross national income; PPP = purchasing power parity.

Table C.4. Zambia IDA and GEF Lending Operations, FY04–13

FY	Project ID	Project Name	Product Line	Project Status	Lending Instrument	Sector Board	IDA CMT Amt.	Grant amt	IDA + grant amt
2004	P071985	ZM-Road Rehabilitation Maintenance Project	IBRD/IDA	Active	I	Transport	50	-	50
2005	P040631	ZM-Economic Management and Growth Credit	IBRD/IDA	Closed	DPL	Economic Policy	40	-	40
2005	P071407	ZM-SEED	IBRD/IDA	Closed	I	Financial and Private Sector Development (I)	28.15	-	28.15
2005	P074258	ZM-GEF SEED Biodiversity SIL	GEF	Closed	I	Environment	-	4	4
2006	P070063	ZM-Agric. Dev. Support Program	IBRD/IDA	Closed	I	ARD Development	37.20	-	37.2
2006	P082452	ZM-Public Service Management Program—Support Project	IBRD/IDA	Closed	I	Public Sector Governance	30	-	30
2006	P096131	ZM-Malaria Health Booster SIL	IBRD/IDA	Closed	I	Health, Nutrition and Population	20	-	20
2006	P097149	ZM-IDF Health Public Expenditure Tracking (FY05)	IDF	Closed	UNK	Health, Nutrition and Population	-	0.21	0.21
2007	P071259	ZM-Water Sector Performance Improvement	IBRD/IDA	Closed	I	Water	23	-	23
2007	P093611	ZM-RRMP Additional Financing	IBRD/IDA	Active	I	Transport	25	-	25
2008	P074445	ZM-Econ Management and Growth Credit 2	IBRD/IDA	Closed	DPL	Economic Policy	10	-	10
2008	P076320	ZM-GEF Increased Access to Electricity (FY08)	GEF	Active	I	Energy and Mining	0	4.50	4.50
2008	P077452	ZM-Increased .Efficiency and Access to Electricity SIL	IBRD/IDA	Active	I	Energy and Mining	33	-	33
2009	P110458	ZM-SPIP—Additional Financing	IBRD/IDA	Closed	I	Water	10	-	-
2010	P106596	ZM-RRMP PHASE II APL	IBRD/IDA	Active	I	Transport	75	-	75
2010	P107218	ZM-First Poverty Reduction Support Credit	IBRD/IDA	Closed	DPL	Economic Policy	20	-	20
2010	P145764	Zambia-Health RBF Project	Recipient Executed A	Active	I	Health, Nutrition and Population	-	16.76	16.76
2011	P102459	ZM- Irrigation Development Project (FY10)	IBRD/IDA	Active	I	Agriculture and Rural Development	115	-	115
2011	P108882	ZM-Kasanka and Lavushi Parks GEF	GEF Medium Size	Active	I	Environment	-	0.84	0.84
2011	P120723	ZM:Road Rehabilitation Maintenance Additional Financing	IBRD/IDA	Active	I	Transport	15	0	15

2011	P120872	ZM-Malaria Booster—Additional Financing (FY11)	IBRD/IDA	Closed	I	Health, Nutrition and Population	30	-	30
2011	P121325	ZM:Additional Financing for Zambia IAES	IBRD/IDA	Active	I	Energy and Mining	20	-	20
2012	P122123	ZM:Livestock Development and Animal Health Project	IBRD/IDA	Active	I	Agriculture and Rural Development	50	-	50
2012	P126349	Zambia PRSC-3	IBRD/IDA	Closed	DPL	Economic Policy	30	-	30
2013	P114949	ZM-Water Resources Development	IBRD/IDA	Active	I	Water	50	-	50

Source: World Bank database as of June 20, 2014.
Note: APL= Adaptable Program Loan; DPL = Development Policy Loan; FY = fiscal year; GEF = Global Environment Facility; IAES = Increased Access to Electricity Services; IBRD = International Bank for Reconstruction and Development; IDA = International Development Association; IDF = Institutional Development Fund; PRSC = Poverty Reduction Support Credit; RBF = Results-Based Financing; RRMP = Road Rehabilitation and Maintenance Project; SEED = Support for Economic Expansion and Diversification; SIL = Specific Investment Loan; SPIP = Water Sector Performance Improvement Project; UNK = unknown; ZM = Zambia.

Table C.5. IDA Analytic and Advisory Work, FY04–13

Fiscal Year	Project ID (AAA)	Project Name	Sector Board
Economic and Sector Work			
FY04	P077545	Zambia-Country Gender Assessment	Gender and Development
FY04	P077915	ZM-CEM (FY04)	Economic Policy
FY04	P081545	RPED: Zambia Investment Climate Assessment	Financial and Private Sector Development (I)
FY04	P083072	ZM- Education CSR (FY04)	Education
FY04	P083121	Trade Policy Review	Economic Policy
FY04	P083359	Health Sector Financial and Human Resources	Health, Nutrition and Population
FY05	P083284	ZM-Poverty and Vulnerability Assessment (FY05)	Poverty Reduction
FY05	P085977	ZM-DTIS Study (FY05)	Economic Policy
FY06	P091406	ZM-Education Sector PER	Education
FY06	P091803	ZM-Smallholder Agricultural Study (FY06)	Agriculture and Rural Development
FY07	P096668	ZM- Health Sector (FY07)	Health, Nutrition and Population
FY07	P102044	Zambia ROSC Assessment	Financial and Private Sector Development (I)
FY07	P103634	ZM-Maize Market Policy Experiment (FY07)	Agriculture and Rural Development
FY07	P103656	Zambia SOE Assessment	Financial and Private Sector Development (I)
FY07	P103825	ZM- Accounting and Auditing ROSC (FY07)	Financial Management
FY08	P094966	ZM-Elements of Effective Regulations (FY07)	Economic Policy
FY08	P096705	ZM- Nature Tourism Study (FY06)	Environment
FY08	P104506	ZM- Education Public Expenditure Tracking (FY08)	Education
FY08	P110793	Zambia SOE Ownership Strategy	Financial and Private Sector Development (I)
FY09	P102460	ZM-Agriculture Value-Chain Analysis (FY09)	Agriculture and Rural Development

Fiscal Year	Project ID (AAA)	Project Name	Sector Board
Economic and Sector Work			
FY09	P106429	ZM-Investment Climate Assessment (FY09)	Investment Climate Practice
FY09	P109096	Zambia—ICR ROSC	Financial and Private Sector Development (I)
FY09	P111405	Epidemiological Synthesis in Zambia	Health, Nutrition and Population
FY09	P112134	FSAP Update Zambia	Financial and Private Sector Development (I)
FY09	P113236	Zambia: Constraints to Inclusive Growth	Poverty Reduction
FY09	P115752	Inclusive Growth Analytics Framework	Economic Policy
FY10	P107331	ZM-Water Resources Assistance (FY10)	Water
FY10	P107751	Jobs and Prosperity: Building Zambia's Competitiveness	Competitive Industries Practice
FY10	P107987	ZM-CSR on Health (FY10)	Health, Nutrition and Population
FY10	P109869	ZM-Impact Assessment of Fertilizer Program.(FY10)	Agriculture and Rural Development
FY10	P112950	ZM-Public Expenditure Review (PER) FY10	Economic Policy
FY10	P117967	MTDS—Zambia	Economic Policy
FY11	P113476	ZM-Improving Access to ACTs (FY10)	Health, Nutrition and Population
FY12	P123059	ZM: Micro-Macro Mining Sector Benefits	Energy and Mining
FY12	P123548	Zambia Poverty Assessment	Poverty Reduction
FY12	P125174	DeMPA Assessment-ZAMBIA	Economic Policy
FY13	P126936	Zambia Social Safety Net Review	Social Protection
FY13	P132380	Zambia Economic Notes (ZEN)	Economic Policy
Nonlending Technical Assistance			
FY04	P082006	(LKD) PPIAF: Zambia WSS Consensus Building	Financial and Private Sector Development (I)
FY04	P089065	Social Safety Nets	Social Protection
FY05	P088637	Private Sector Development Dialogue	Financial and Private Sector Development (I)
FY05	P092069	ZM-Health Dialogue (FY05)	Health, Nutrition and Population
FY05	P096259	ZM-Integration of Gender into HIV andAIDS (FY05)	Gender and Development
FY06	P090245	ZM-Private Sector Development Dialogue (FY06)	Financial and Private Sector Development (I)
FY06	P096126	ZM-Land Management Policy Note (FY06)	Agriculture and Rural Development
FY06	P097469	ZM-Health Dialogue (FY06)	Health, Nutrition and Population
FY06	P101307	ZM-Knowledge and Learning Initiative (FY06)	Financial and Private Sector Development (I)
FY07	P103310	ZM-Health Dialogue (FY07)	Health, Nutrition and Population
FY07	P103663	ZM-IF Follow Up (FY07)	Economic Policy
FY07	P105470	FIRST #358: Institute of Bankers	Financial and Private Sector Development (I)
FY08	P090978	ZM-Health Dialogue (FY08)	Health, Nutrition and Population
FY08	P093947	ZM-GVEP Energy Poverty Action Plan (FY07)	Energy and Mining

Fiscal Year	Project ID (AAA)	Project Name	Sector Board
Economic and Sector Work			
FY08	P104302	ZM-Rationalizing Safety Nets (FY08)	Social Protection
FY08	P105468	FIRST #345: Regulatory Implications of a CRA	Financial and Private Sector Development (I)
FY08	P105474	FIRST #378: Development of SEC	Financial and Private Sector Development (I)
FY08	P105592	ZM-RTS PRTSR (FY08)	Transport
FY08	P107436	ZM-Health PER II/MBB (FY08)	Health, Nutrition and Population
FY08	P107980	ZM-IF Follow Up (FY08)	Economic Policy
FY08	P108093	ZM-EITI++ Initiative (FY08)	Energy and Mining
FY08	P109591	Zambia—ICT Policy Dialogue	Global Information/Communications Technology
FY08	P110788	ZM- International Health Partnership	Health, Nutrition and Population
FY09	P102171	ZM-Education Sector Dialogue (FY09)	Education
FY09	P112547	Zambia—Telecommunications NLTA	Global Information/Communications Technology
FY10	P111958	ZM: FSAP Coordination	Financial and Private Sector Development (I)
FY10	P112680	Zambia EITI++ Scoping Study	Energy and Mining
FY10	P116857	ZM: Early Childhood Development Initiative	Education
FY10	P117932	Zambia—Telecommunications NLTA	Global Information/Communications Technology
FY11	P116411	ZM: Energy Sector Dialogue	Energy and Mining
FY11	P118409	Zambia Tourism NLTA	Environment
FY11	P118710	ZA: Competitiveness Guidance TA	Financial and Private Sector Development (I)
FY11	P119300	Zambia: #9004 Development and Strength Contingency	Financial and Private Sector Development (I)
FY11	P125242	3A-Supply Chain Innovation	Health, Nutrition and Population
FY12	P128735	Zambia Agriculture Policy Note	Agriculture and Rural Development
FY13	P120853	ZM:TA-Support for Public Efficiency in Zambia	Public Sector Governance
FY13	P123300	ZM-Financial Sector DP Phase 2 Support	Financial Inclusion Practice

Source: World Bank database as of June 20, 2014.
Note: AAA = advisory and analytic activities; ACT = artemisinin-based combination therapies (anti-malarial drugs); CEM = Country Economic Memorandum; CRA = Credit Rating Agency; CSR = Corporate Social Responsibility; DeMPA = Debt Management Performance Assessment; DTIS = Diagnostics Trade Integration Studies; EITI = Extractive Industries Transparency Initiative; FSAP = Financial Sector Assessment Program; FY = fiscal year; GVEP = Global Village Energy Partnership; ICR = Implementation Completion and Results Report; ICT = Information and Communications Technology; IDA = International Development Association; MBB = Marginal Budgeting for Bottlenecks; MTDS = Medium-Term Debt Management Strategy; NLTA = Nonlending Technical Assistance; PER = Public Expenditure Review; PPIAF = Public-Private Infrastructure Advisory Fund; PRTSR = Poverty Reduction Transport Strategy Review Process; ROSC = Report on the Observance of Standards and Codes; RPED = Regional Program on Enterprise Development; RTS = Rural Transport Services; SEC = Securities and Exchange Commission; SOE = state-owned enterprise; TA = technical assistance; WSS = Water Supply and Sanitation; ZM = Zambia.

Table C.6. Zambia and Comparators, IDA-IBRD Portfolio Status Indicators, FY04–13 (US$ millions)

		Fiscal Year									
Country		**04**	**05**	**06**	**07**	**08**	**09**	**10**	**11**	**12**	**13**
Zambia	**Project Number**	**14**	**12**	**9**	**9**	**11**	**8**	**10**	**9**	**8**	**8**
	Net Comm Amt	604.9	498.1	287.4	320.4	363.4	296.4	391.4	511.4	503.2	575.2
	# Prob Proj	1	4	1	2	0	1	0	1	0	0
	# Pot Proj	0	2	0	0	0	1	2	1	0	2
	# Proj At Risk	1	6	1	2	0	2	2	2	0	2
	Comm At Risk	25.0	255.9	28.2	51.2	0.0	58.2	115.0	118.2	0.0	165.0
	% Commit at Risk	4.1	51.4	9.8	16.0	0.0	19.6	29.4	23.1	0.0	28.7
Ethiopia	# Proj	20	22	22	21	28	29	24	24	23	20
	Net Comm Amt	1,941.4	1,614.2	2,010.6	1,990.3	2,701.1	3,455.1	3,685.4	4,065.4	4,571.2	4,092.0
	# Prob Proj	3	1	1	1	3	3	2	2	2	6
	# Pot Proj	0	2	2	1	5	2	4	3	1	0
	# Proj At Risk	3	3	3	2	8	5	6	5	3	6
	Comm At Risk	33.0	217.7	69.0	115.0	815.2	261.0	762.2	300.5	97.0	830.0
	% Commit at Risk	1.7	13.5	3.4	5.8	30.2	7.6	20.7	7.4	2.1	20.3
Kenya	# Proj	11	12	12	15	14	15	19	20	18	19
	Net Comm Amt	629.7	619.7	594.7	901.8	999.7	1,424.7	2,014.7	2,304.7	2,911.8	3,377.3
	# Prob Proj	3	1	4	2	2	1	2	1	2	4
	# Pot Proj	2	1	0	0	0	3	1	1	1	1
	# Proj At Risk	5	2	4	2	2	4	3	2	3	5
	Comm At Risk	290.0	90.0	92.7	55.1	90.5	145.0	234.5	154.5	166.5	763.0
	% Commit at Risk	46.1	14.5	15.6	6.1	9.1	10.2	11.6	6.7	5.7	22.6
South Africa	# Proj	2	1	1	1	1	1	1	1	2	1
	Net Comm Amt	39.5	15.0	15.0	15.0	3,750.0	3,750.0	3,750.0	3,750.0	39.5	15.0
	# Prob Proj	0	0	0	0	0	0	0	1	0	0
	# Pot Proj	0	0	0	0	0	0	0	0	0	0
	# Proj At Risk	0	0	0	0	0	0	0	1	0	0
	Comm At Risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3,750.0	0.0	0.0
	% Commit at Risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0
Uganda	# Proj	19	20	21	18	17	16	18	19	17	14
	Net Comm Amt	886.9	1,030.5	1,113.9	1,292.8	1,224.2	1,398.4	1,520.4	1,738.4	1,462.4	1,455.8
	# Prob Proj	4	5	1	0	5	2	3	3	1	1
	# Pot Proj	2	2	0	2	1	0	0	1	2	5
	# Proj At Risk	6	7	1	2	6	2	3	4	3	6
	Comm At Risk	260.6	336.1	91.0	161.0	326.2	210.0	380.0	417.0	147.0	653.6
	% Commit at Risk	29.4	32.6	8.2	12.5	26.6	15.0	25.0	24.0	10.1	44.9
Africa	# Proj	6	9	15	19	23	25	31	39	43	44
	Net Comm Amt	370.9	465.4	983.0	1,690.2	2,193.1	2,580.3	3,405.2	4,166.0	4,830.4	6,080.5
	# Prob Proj	0	2	1	4	6	8	9	7	5	8

# Pot Proj	0	0	0	1	1	2	3	4	3	1
# Proj At Risk	0	2	1	5	7	10	12	11	8	9
Comm At Risk	0.0	69.8	10.0	365.0	621.5	1,216.5	1,480.7	1,221.1	537.9	1,650.3
% Commit at Risk	0.0	15.0	1.0	21.6	28.3	47.1	43.5	29.3	11.1	27.1

Source: World Bank database as of June 20, 2014.
Note: Amt = amount; Comm = commitment; Commit = commitment; IBRD = International Bank for Reconstruction and Development; IDA = International Development Association; Pot = potential; Prob = problem; Proj = project.

Table C.7. IDA Project Ratings for Zambia and Comparators, FY04–13

Country	Total Evaluated		Outcome % Moderately Satisfactory or Better		RDO % Moderate or Lower		Institutional Development Impact % Substantial		Sustainability % Likely	
	($ millions)	(No.)	($)	(No.)	($)	(No.)	($)	(No.)	($)	(No.)
Zambia	746.3	20	52.9	55.0	21.1	18.2	25	22.2	74.0	71.4
Ethiopia	3,646.3	32	55.3	62.5	52.7	39.3	48	33.3	0.0	0.0
Kenya	833.1	21	39.3	42.9	57.8	35.7	48	42.9	96.6	83.3
South Africa	2,204.6	26	66.2	65.4	42.1	42.9	81	60.0	29.3	60.0
Uganda	35.5	6	100.0	100.0	100.0	100.0	-	-	-	-
Africa	322.7	18	90.4	70.6	49.0	50.0	-	50.0		50.0
Overall result	7,788.5	123	67.4	66.1	53.8	47.7	40	34.7	50.0	53.0

Source: World Bank database as of June 20, 2014.
Note: IDA = International Development Association.

Table C.8. IDA Net Disbursement and Net Transfer for Zambia, FY04–13 (US$ thousands)

Period	Disbursement Amount	Repayment Amount	Net Amount	Charges	Fees	Net Transfer
July 2003—June 2004	112,906,435	20,791,145	92,115,290	17,624,097	573,111	73,918,081
July 2004—June 2005	141,251,806	26,944,243	114,307,563	18,836,565	833,241	94,637,757
July 2005—June 2006	84,139,448	33,559,143	50,580,305	18,565,968	521,569	31,492,769
July 2006—June 2007	57,123,119	9,977	57,113,142	1,889,423	376,622	54,847,097
July 2007—June 2008	68,947,572	536,469	68,411,104	1,040,610	1,484,964	65,885,530
July 2008—June 2009	54,738,811	768,788	53,970,023	0	2,671,387	51,298,636
July 2009—June 2010	27,199,868	1,241,384	25,958,484	0	2,975,530	22,982,954
July 2010—June 2011	89,985,603	2,749,544	87,236,059	0	3,138,251	84,097,808

Period	Disbursement Amount	Repayment Amount	Net Amount	Charges	Fees	Net Transfer
July 2011—June 2012	68,863,073	3,576,741	65,286,332	0	3,698,268	61,588,064
July 2012—June 2013	54,467,046	3,817,754	50,649,292	0	4,052,295	46,596,997
Total	759,622,781	93,995,187	665,627,594	57,956,664	20,325,237	587,345,693

Source: World Bank database as of June 20, 2014.
Note: IDA = International Development Association.

Table C.9. IEG Rated Operations in Zambia, Exit FY04–13

Exit FY	Project ID	Project Name	IEG Outcome Rating	IEG Risk to DO Rating	IEG Sustainability	IEG ID Impact	Net commit ($ millions)
2004	P003253	Environmental Support Program	Unsatisfactory	#	Unlikely	Modest	5.6
2005	P003227	ZM-Railways Restructuring SIL (FY01)	Satisfactory	#	Nonevaluable	Substantial	26.4
2005	P003236	Road Sector Investment Program Support Project	Satisfactory	#	Likely	Substantial	69.2
2005	P050400	ZM-PSCAP (FY00)	Moderately satisfactory	#	Likely	Modest	28.2
2005	P080612	ZM-Emergency Drought Recovery ERL (FY03)	Satisfactory	#	Likely	Modest	54.8
2006	P003249	ZM-Basic Education APL (FY99)	Moderately unsatisfactory	Significant	#	#	39.3
2006	P035076	ZM-Power Rehab SIL (FY98)	Unsatisfactory	#	Unlikely	Negligible	75.3
2006	P040631	ZM-Econ Management and Growth Credit (FY05)	Unsatisfactory	#	Likely	Modest	40.8
2006	P040642	ZM-ERIPTA (FY96)	Moderately unsatisfactory	#	Likely	Modest	37.5
2006	P063584	ZM-ZAMSIF (FY00)	Moderately unsatisfactory	High	#	#	68.7
2006	P064064	ZM-Mine Township Services SIL (FY00)	Satisfactory	#	Nonevaluable	Modest	39.6
2009	P003248	ZM-Zanara HIV/AIDS APL (FY03)	Moderately satisfactory	Moderate	#	#	50.5
2009	P057167	ZM-TEVET SIM (FY01)	Moderately unsatisfactory	Significant	#	#	27.8
2009	P074445	ZM-Economic Management and Growth Credit 2	Moderately satisfactory	Significant	#	#	9.6

2011	P070962	ZM-Copperbelt Environment (FY03)	Moderately satisfactory	Significant	#	#	37.3
2011	P107218	ZM-First Poverty Reduction Support Credit	Moderately satisfactory	Significant	#	#	19.5
2011	P117370	ZM-PRSC 2	Moderately satisfactory	Significant	#	#	30.7
2012	P071407	ZM-SEED (FY05)	Moderately unsatisfactory	Significant	#	#	28.9
2012	P082452	ZM-Pub Service Management Program—Support Project	Moderately unsatisfactory	Moderate	#	#	27.3
2012	P126349	Zambia PRSC-3	Moderately satisfactory	Significant	#	#	29.4

Source: World Bank Database as of June 20, 2014.
Note: APL = Adaptable Program Loan; DO = Development Objective; ERIPTA = Economic Recovery and Investment Project Technical Assistance; ERL = Emergency Recovery Loan; FY = fiscal year; IEG = Independent Evaluation Group; PSCAP = Public Service Capacity Building Project; SEED = Support for Economic Expansion and Diversification; SIL =Specific Investment Loan; SIM = Sector Investment and Maintenance Loan;TVET = Technical and Vocational Education and Training; ZAMSIF = Zambia Social Investment Fund; ZM = Zambia.

Table C.10. IFC Investments, FY04–13

Project ID	Project Short Name	Institution Legal Name	Fiscal Year Cmt Date	Project Status Name	Project Size	Primary Sector Name	Industry Group Sector Level 1	Original Loan	Original Equity	Total Net Commit-ment
22960	Zain Zambia	Celtel Zambia Limited	2004	Closed	250,001	Information	Telecom and Information Technology	0	250	250
25184	Stanbic Zambia	Stanbic Bank Zambia Limited	2007	Closed	0	Finance and Insurance	Financial Markets	0	0	0
25537	Madison	Madison Financial Services Company Limited	2008	Active	7,000,000	Finance and Insurance	Financial Markets	5,000	2,000	7,000
25605	AEF Protea Hotel	Protea Hotel Arcades Limited.	2007	Active	5,783,017	Accommoda tion and Tourism Services	Consumer and Social Services	1,800	0	1,800
26461	GTFP ABC ZAMBIA	African Banking Corporation Zambia	2010	Active	1,000,000	Finance and Insurance	Trade Finance (TF)	4,229	0	4,229

28130	Kiwara Plc	Kiwara plc	2009	Closed	20,000,000	Oil, Gas and Mining	Oil, Gas and Mining	0	15,000	15,000
28186	AB Zambia	Access Bank Zambia	2011	Active	958,084	Finance and Insurance	Financial Markets	0	734	734
28361	ZANACO	Zambia National Commercial Bank Plc	2010	Active	25,000,000	Finance and Insurance	Financial Markets	25,000	0	25,000
29013	Zambeef Prod PLC	Zambeef Products PLC	2010	Active	7,000,000	Agriculture and Forestry	Agribusiness and Forestry	7,000	0	7,000
29265	Kiwara Warrants	Kiwara plc	2010	Closed	0	Oil, Gas and Mining	Oil, Gas and Mining	0	0	-9,000
31091	Zambeef Expn	Zambeef Products PLC	2012	Active	70,200,000	Food and Beverages	Agribusiness and Forestry	30,000	0	30,000

Source: IFC.
Note: GFTP = Global Trade Finance Program; IFC = International Finance Corporation; ZANACO = Zambia National Commercial Bank.

Table C.11. IFC Advisory Services, FY05–13

Project ID	PDS Approved Fiscal Year	Project Stage	Project Name	Primary Business Line Name	Project Status	Project Start Date	Project End Date	IFC Funding	Pro-rated Total Funds Managed by IFC	Total Funding Amount
537766	2006	COMPLETED	Sectoral Study of the Effective Tax Burden	Investment Climate	CLOSED	6/20/2005		0	0	0
537787	2006	UNKNOWN	Review of the Legal Framework	Investment Climate	CLOSED	6/21/2005		0	0	0
538363	2006	COMPLETED	CSSDP—Copperbelt SME Supplier Development Programme Zambia	Sustainable Business Advisory	CLOSED	7/1/2007	6/30/2010	0	1,500,000	1,500,000
538760	2006	UNKNOWN	Administrative Barriers Study to Update the Investor Roadmap	Investment Climate	CLOSED	7/29/2005		0	0	0
538822	2006	UNKNOWN	Review of Proposed Amendments to Investment Act	Investment Climate	CLOSED	7/29/2005		0	0	0
25314	2007	COMPLETED	Zambia Kafue Gorge Lower Hydroelectric Power Plant	Public-Private Partnerships Transaction Advisory	CLOSED	7/5/2006	12/31/2010	1,479,000	4,894,000	4,894,000

548765	2007	COMPLETED	ZAMBIA CG FORUM	Sustainable Business Advisory	CLOSED	3/1/2007	6/1/2010	0	125,000	125,000
561396	2008	COMPLETED	Chiansi	Sustainable Business Advisory	CLOSED	10/16/2007	7/1/2008	0	0	0
561597	2008	COMPLETED	IF-Linkages Zambia Emerging Farmers Project(Zambia)	Sustainable Business Advisory	CLOSED	11/14/2007	6/30/2009	233,500	233,500	233,500
564308	2009	COMPLETED	Zambia Investment Climate Program	Investment Climate	CLOSED	2/16/2009	12/31/2010	520,000	643,681	643,681
564748	2010	PORTFOLIO	AMSMETA ABCH ZB.	Access To Finance	ACTIVE	8/1/2011	4/30/2014	780,000	780,000	780,000
571730	2010	COMPLETED	Zambia Emergent Farmers Finance and Support Program	Sustainable Business Advisory	CLOSED	2/28/2010	8/31/2012	33,337	593,629	593,629
576627	2011	PORTFOLIO	Investment Climate Rapid Response	Investment Climate	ACTIVE	3/1/2011	12/31/2013	1,100,000	2,150,000	2,150,000
569910	2012	PORTFOLIO	AB Bank Zambia Limited TA	Access To Finance	ACTIVE	5/31/2012	12/31/2015	777,000	777,000	777,000
584967	2013	PORTFOLIO	Zambia Investment Climate Program II	Investment Climate	ACTIVE	1/1/2013	6/30/2015	180,000	3,040,000	3,040,000

Source: IFC.
Note: CG = Corporate Governance; CSSDP = Copperbelt SME Suppliers Development Program; IFC = International Finance Corporation; PDS = Project Data Sheet; SME = small and medium enterprise; TA = technical assistance.

Table C.12. MIGA Projects, FY04–13

Fiscal Year	Project Name	Sector	Gross Exposure (US$ millions)	Environmental Category
2011	Hitachi Construction Machinery Zambia Co. Ltd	Manufacturing	13.5	B
2011	Chobe Agrivision Company Limited.	Agribusiness	5.2	B
2012	Chobe Agrivision Company Ltd.	Agribusiness	9.5	B
2012	Chobe Agrivision Company Ltd.	Agribusiness	9.5	B
2013	Yalelo Limited	Agribusiness	2.9	B
2013	Silverlands Ranching Limited	Agribusiness	8.8	B
2013	Chobe Agrivision Company Ltd.	Agribusiness	45.9	B
2013	Chobe Agrivision Company Ltd.	Agribusiness	45.9	B

Source: MIGA.
Note: MIGA = Multilateral Investment Guarantee Agency.

Appendix D. Copper Privatization and Its Impact on Mineral Resource Revenues

In the decades of the 1980s and 1990s, falling copper prices and underinvestment led to a steady decline in copper production in Zambia. Coupled with the responsibility for social expenditures for mine works, the State Enterprise that was running the copper mining sector was depleting its resources during much of the 1990s. The World Bank and the International Monetary Fund (IMF) saw privatization as a necessary condition for any improvement in the situation of the mines and the fiscal situation as a whole. Privatization negotiations were carried out between 1997 and 2000 but after privatization, Anglo-American pulled out of the sector on the grounds that the investment costs, after years of mismanagement, were too high relative to the expected earnings at the then projected levels of copper prices. Subsequently in 2003, the government began negotiations with an Indian company, Vedanta, which agreed to take over the largest copper mine.

With the bleak outlook for copper prices, the government had to agree to a generous package of incentives in order to reach a deal. The agreement provided that the company could release excess employees and that the government would meet the social expenditures in the future. In addition, new investment could be fully depreciated in the year it was made, losses could be carried over, and power would be supplied at very favorable rates to the mines. The government also agreed not to make changes to the agreements for a period of 15 years. The International Finance Corporation (IFC) provided a financial adviser to assist the government in the negotiations, but unfortunately, there was no fiscal advice provided. The mines were subject to the regular Zambian profit tax, but there was no variable tax based on the size of earnings, nor a windfall profits tax as is common with mining contracts.

Against expectations, there has been a steady rise in copper prices since 2004, reflecting growing demand from China in particular. The company started investing and soon started to increase output and earn profits. But the fiscal arrangements meant that there was little direct benefit to the Zambian Treasury. With increasing public resentment of the lack of any direct benefit to revenues, the government passed legislation in 2008 to abrogate the agreements and introduce a windfall profit tax. However, the government withdrew the application of the tax to existing mines after the resistance it received from the mining companies.

There has been much speculation on what caused the government to back down. The interactions between the mining companies and the government have been opaque starting from the original negotiations with Vedanta to the present. The Zambian government does not even know how much copper the mines are producing. It was eventually decided that the government would wait until the limitations on the agreements ran out. Tax revenues have begun a gradual increase as the companies have run out of accumulated losses to offset profits. With rising copper prices, new mines are coming on-stream, and they are subject to the higher tax rates. The IMF, Norwegian government, Organisation for Economic Co-operation and Development, and the World Bank are all providing technical assistance to support better tax administration, in particular strengthening of the National Revenue Authority's capacity to carry out performance audits of the accounts of the mines and to detect transfer pricing.

Appendix E. Guide to IEG's Country Program Evaluation Methodology

This methodological note describes the key elements of the country program evaluation (CPE) methodology of the Independent Evaluation Group (IEG).[1]

A World Bank Group assistance program needs to be assessed on how well it met its particular objectives, which are typically a subset of the country's development objectives. If a Bank Group assistance program is large in relation to the country's total development effort, the program outcome should be similar to the country's overall development progress. However, most Bank Group assistance programs provide only a fraction of the total resources devoted to a country's development by development partners, stakeholders, and the government itself. In CPEs, IEG rates only the outcome of the Bank Group's program, not the country's overall development outcome, although the latter is clearly relevant for judging the program's outcome.

The experience gained in CPEs confirms that Bank Group program outcomes sometimes diverge significantly from the country's overall development progress. CPEs have identified Bank Group assistance programs that had:

- Satisfactory outcomes matched by good country development;
- Unsatisfactory outcomes in countries which achieved good overall development results, notwithstanding the weak Bank Group program; and,
- Satisfactory outcomes in countries that did not achieve satisfactory overall results during the period of program implementation.

By the same token, an unsatisfactory Bank Group assistance program outcome does not always mean that Bank Group performance was also unsatisfactory, and vice versa. This becomes clearer in considering that the Bank Group's contribution to the outcome of its assistance program is only part of the story. The assistance program's outcome is determined by the *joint* impact of four agents: (i) the country; (ii) the Bank Group; (iii) partners and other stakeholders; and (iv) exogenous forces (for example, events of nature, international economic shocks, and so forth). Under the right circumstances, a negative contribution from any one agent might overwhelm the positive contributions from the other three and lead to an unsatisfactory outcome.

IEG measures Bank Group performance primarily on the basis of contributory actions the Bank Group directly controlled. Judgments regarding Bank Group performance typically consider the relevance and implementation of the strategy, the design and supervision of the Bank Group's lending and financial support interventions, the scope, quality and follow-up of diagnostic work and other analytic and advisory activities, the consistency of the Bank Group's lending and financial support with its nonlending work and with its safeguard policies, and the Bank Group's partnership activities.

Rating Assistance Program Outcome

In rating the outcome (expected development impact) of an assistance program, IEG gauges the extent to which major strategic objectives were relevant and achieved, without any shortcomings. In other words, did the Bank Group do the right thing, and did it do it right. Programs typically express their goals in terms of higher-order objectives, such as poverty reduction. The Country Assistance Strategy (CAS) may also establish intermediate goals, such as improved targeting of social services or promotion of integrated rural development, and specify how they are expected to contribute toward achieving the higher-order objective. IEG's task is then to validate whether the intermediate objectives were the right ones and whether they produced satisfactory net benefits, as well as whether the results chain specified in the CAS was valid. Where causal linkages were not fully specified in the CAS, it is the evaluator's task to reconstruct this causal chain from the available evidence and assess relevance, efficacy, and outcome with reference to the intermediate and higher-order objectives.

For each of the main objectives, the CPE evaluates the relevance of the objective; the relevance of the Bank Group's strategy toward meeting the objective, including the balance between lending and nonlending instruments; the efficacy with which the strategy was implemented; and the results achieved. This is done in two steps. The first is a top-down review of whether the Bank Group's program achieved a particular Bank Group objective or planned outcome and had a substantive impact on the country's development. The second step is a bottom-up review of the Bank Group's products and services (lending, analytical and advisory services, and aid coordination) used to achieve the objective. Together these two steps test the consistency of findings from the products and services and the development impact dimensions. Subsequently, an assessment is made of the relative contribution to the results achieved by the Bank Group, other development partners, the government and exogenous factors.

Evaluators also assess the degree of country ownership of international development priorities, such as the Millennium Development Goals, and Bank Group corporate advocacy priorities, such as safeguards. Ideally, any differences on dealing with these issues would be identified and resolved by the CAS, enabling the evaluator to focus on whether the trade-offs adopted were appropriate. However, in other instances, the strategy may be found to have glossed over certain conflicts, or avoided addressing key country development constraints. In either case, the consequences could include a diminution of program relevance, a loss of country ownership, and/or unwelcome side effects, such as safeguard violations, all of which must be taken into account in judging program outcome.

Ratings Scale

IEG utilizes six rating categories for outcome, ranging from highly satisfactory to highly unsatisfactory:

Highly satisfactory:	The assistance program achieved at least acceptable progress toward all major relevant objectives, and had best practice development impact on one or more of them. No major shortcomings were identified.
Satisfactory:	The assistance program achieved acceptable progress toward all major relevant objectives. No best practice achievements or major shortcomings were identified.
Moderately satisfactory:	The assistance program achieved acceptable progress toward most of its major relevant objectives. No major shortcomings were identified.
Moderately unsatisfactory:	The assistance program did not make acceptable progress toward most of its major relevant objectives, or made acceptable progress on all of them, but either (a) did not take into adequate account a key development constraint or (b) produced a major shortcoming, such as a safeguard violation.
Unsatisfactory:	The assistance program did not make acceptable progress toward most of its major relevant

	objectives, and either (a) did not take into adequate account a key development constraint or (b) produced a major shortcoming, such as a safeguard violation.
Highly unsatisfactory:	The assistance program did not make acceptable progress toward any of its major relevant objectives and did not take into adequate account a key development constraint, while also producing at least one major shortcoming, such as a safeguard violation.

The institutional development impact can be rated at the project level as high, substantial, modest, or negligible. This measures the extent to which the program bolstered the country's ability to make more efficient, equitable and sustainable use of its human, financial, and natural resources. Examples of areas included in judging the institutional development impact of the program are:

- The soundness of economic management
- The structure of the public sector, and, in particular, the civil service
- The institutional soundness of the financial sector
- The soundness of legal, regulatory, and judicial systems
- The extent of monitoring and evaluation systems
- The effectiveness of aid coordination
- The degree of financial accountability;
- The extent of building capacity in nongovernmental organizations
- The level of social and environmental capital.

IEG is, however, increasingly factoring institutional development impact ratings into program outcome ratings, rather than rating them separately.

Sustainability can be rated at the project level as highly likely, likely, unlikely, highly unlikely, or, if available information is insufficient, nonevaluable. Sustainability measures the resilience to risk of the development benefits of the country program over time, taking into account eight factors:

- Technical resilience
- Financial resilience (including policies on cost recovery)
- Economic resilience
- Social support (including conditions subject to safeguard policies)
- Environmental resilience
- Ownership by governments and other key stakeholders

- Institutional support (including a supportive legal or regulatory framework, and organizational and management effectiveness)
- Resilience to exogenous effects, such as international economic shocks or changes in the political and security environments.

At the program level, IEG is increasingly factoring sustainability into program outcome ratings, rather than rating them separately.

Risk to development outcome. According to the 2006 harmonized guidelines, sustainability has been replaced with a "risk to development outcome," defined as the risk, at the time of evaluation, that development outcomes (or expected outcomes) of a project or program will not be maintained (or realized). The risk to development outcome can be rated at the project level as high, significant, moderate, negligible to low, and nonevaluable.

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[1] In this note, assistance program refers to products and services generated in support of the economic development of a country over a specified period.

Appendix F. Country Assistance and Partnership Strategy Outcomes and Indicators by Pillars

Table E.1. Bank Strategy for Macroeconomic and Fiscal Sustainability

CAS FY04-FY07	CAS FY08-12	CPS FY13– 16
Strategic Priority One: Sustained economic growth anchored in a diversified and export oriented economy, 1. Improved management of public resources as measured by: Reduced domestic borrowing requirements from an estimated 3 percent of GDP in 2003 to less than 1 percent of GDP annually. Reduced government arrears (including parastatals) from an estimated 2 percent of GDP in 2003 to zero. Credible and predictable budget preparation and execution. Resolution of state-owned financial institutions.	Theme 1. Sustaining fiscal and financial stability and deepening structural reforms. 1.1: Macroeconomic framework and expenditure management maintain stability and support the growth and diversification of the economy. The composition of public expenditure prioritizes and shows real increase in allocation to pro-poor sectors (for example, in agriculture, tourism, and rural infrastructure) from 2007 levels. The government has put in place clear guidelines for the allocation of additional resource flows from mining. Budget presentation includes reporting on donor funding and revenues and expenditures of quasi-fiscal institutions (Bank of Zambia, the Public Service Pension Fund, and state-owned enterprises, especially ZESCO).	No specific macro-economic or fiscal objectives. Pillar 1 relates to poverty reduction.

Sources: World Bank (2004, 2008, 2013).
Note: CAS = Country Assistance Strategy; CPS = Country Partnership Strategy; GDP = gross domestic product; ZESCO = Zambia Electric Supply Corporation.

Table E.2. Bank Strategy for Improving Governance and Institutions

CAS FY04-FY07	CAS FY08—12	CPS FY13—16
Strategic Priority Three: Efficiently and effectively managed public sector Government executes an open/transparent, timely and realistic budgeting process with lower levels of financial waste. Variation between planned and actual expenditures at sector level no greater than 10 percent. Budget presentation reflects summary of proposed budget alongside actual expenditures in previous years. Expenditures stay within the appropriations that are validated through tracked/audited report. Supplemental appropriations approved by parliament ex-ante. Greater share of budget resources allocated to service delivery functions as measured by total social expenditure, currently at 38 percent of the total. A more transparent and effective public procurement system. The environment in place for improved performance by the civil service is strengthened. Allowances are consolidated into base salary. Increasing percentage of management staff are eligible for performance pay. Composition of staffing shifts towards support of service delivery functions.	Theme 2. Supporting governance, institutional capacity, the business environment and agricultural development. 2.1: Strengthened Public Financial Management, procurement and oversight capacity. *Public financial management capacity:* Financial statements of institutions where IFMIS is operational are produced within six months of the financial year-end by 2010 (from 9 months in 2007). *Procurement capacity*: Procurement processing time for national competitive bidding is maintained at 8 weeks and for international competitive bidding at 12 weeks (2007 levels) in 90 percent of PSUs. *Oversight capacity and audits*: Percentage of entities covered by annual audit increases from 50 percent in 2006 to 60 percent by 2010. 2.2: Improved public management and transparency of the mining sector and improved management of the natural resource sector. Mining: EITI report published (making all financial flows of mining operations to the government transparent and available to the public).	Strategic Objective 3: Improving Governance and Strengthening Economic Management. Outcome 3.1. Strengthened systems and processes for public sector performance. Improved coverage of integrated financial management system (IFMIS) Baseline (2012): 28 sites; Target 48 sites (2015). Improved M&E Baseline (2012): M&E systems are weak and uncoordinated, Target (2016): 5 select ministries/ departments have begun using an integrated M&E system. Procurement reform: Target (2014): (i) procurement audits carried out for at least 33 percent of MPSAs; and (ii) MPSAs implementing Procurement Risk Mitigation Action Plans. Outcome 3.2. Citizen's access to information increased. Strengthened capacity of journalists. Target (2016): Increase in levels of investigative journalism in Zambian media. Transparency. Baseline (2012): Maintain EITI-compliant status, including regular publication of mining revenues. Freedom of Information. Baseline (2012): Zambia has no Freedom of information Bill, Target (2016): Bill is passed and legislation is being implemented.

Sources: World Bank (2004, 2008, 2013).
Note: CAS = Country Assistance Strategy; CPS = Country Partnership Strategy; EITI = Extractive Industries Transparency Initiative; IFMIS = Integrated Financial Management Information System; M&E = monitoring and evaluation; MPSA = Ministries, Provinces and Spending Agencies; PSU = Purchasing and Supplies Unit.

Table E.3. Bank Strategy and Outcomes for Diversification and Economic Growth

CAS FY04–FY07	CAS FY08–12	CPS FY13–16
Infrastructure		
Strategic Priority One: Sustained economic growth anchored in a diversified and export-oriented economy. 2. Bank support focuses on putting in place the enabling environment for private sector-led growth. b) Financial management and sustainability of infrastructure services is improved with an increase in private investment for service provision. Transportation: (i) access to road network improved by upgrading the conditions of the core road network: for paved and unpaved roads in good condition from 58 percent and 7percent in 2004 to 65percent and 32percent in 2006 respectively; (ii) effectiveness of road maintenance program improved through involvement of local communities with regard to the identification of which roads to maintain; this is to contribute to increasing coverage of the core road network under routine maintenance from 19.5 percent in 2004 to 40 percent in 2006. Power: All three stages of the commercialization roadmap of ZESCO are completed, meeting all of the agreed milestones.	Theme 3. Enhancing public infrastructure. 3.1: Improved transport infrastructure. Percentage of rural population with access to an (re-instated) all weather river crossing in target provinces (Luapula, Northern, Copperbelt provinces) from 40 percent in 2007 to 80 percent in 2010. Indicator from ADSP on improved links between producers and agricultural markets in targeted project areas to be added after assessment in August 2008. 3.2: Improved access to water, energy services and irrigation systems. Water storage and regulation established in 20 target rural communities by 2011. 25,000 additional people have access to safe water in Lusaka peri-urban area (ca. 250/newly installed water kiosk) by 2011. Access to electricity services increased from 20 percent of households in 2006 to 23 percent in 2009. Conservation, tourism as economic catalysts: World Bank /World Wildlife Fund management of effectiveness score for 3 National Parks (NPs) increases from 2007 by end of 2011 for: Kafue NP from 41 to 64; Kasanka NP from 61 to 76; and Lavushi Manda NP from 9 to 55.	Strategic Objective 1: Reducing poverty and the vulnerability of the poor. Outcome 1.2. Improved access to resources for strengthening household resilience and health in targeted areas. 1.2.2: Direct Project Beneficiaries from small water resources infrastructure developments. Baseline (2013): 0. Target (2016): 80,000 beneficiaries. Strategic Objective 2: Improving competitiveness and infrastructure for growth and employment Outcome 2.2. Selected infrastructure built and rehabilitated. 2.2.1: Metered electricity customers in the project target areas (number). Baseline (2012): 400,000. Target (2016): 480,000. 2.2.2: Households with access to an all season roads as percentage of total population in targeted 5 districts. Baseline (2010): >5 percent. Target (2014): >60 percent. 2.2.3: Water storage and regulation established in at least 20 target rural communities. Baseline (2013): 0. Target (2016): 20 new/30 rehabilitated
Private Sector Development		
Strategic Priority One: Sustained economic growth anchored in a diversified and export-oriented economy.	Theme 2. Supporting governance, institutional capacity, the business environment and agricultural development.	Strategic Objective 2: Improving competitiveness and infrastructure for growth and employment.

2. Bank support focuses on putting in place the enabling environment for private sector-led growth. a) Administrative barriers to exports, investment and production are reduced. Exports: (i) Pay refunds for duty drawback are of an acceptable speed for the private sector; (ii) exporters are informed of the opportunities available under AGOA and EBA so that they can take advantage of these opportunities. Investment (domestic and foreign): Improved perception of foreign and domestic investors of the investment climate in Zambia, especially in mining. Compliance of mining sector to environmental regulation. Pollution flows from the rehabilitated project sites into Kafue river watershed reduced by about 70 percent from current levels by 2007. Reduction in the number mining companies that are identified in noncompliance with environmental regulations.	2.2: Improved public management and transparency of the mining sector and improved management of the natural resource sector. Conservation, tourism as economic catalysts: World Bank/World Wildlife Fund management of effectiveness score for 3 National Parks increases from 2007 by end of 2011 for: Kafue NP from 41 to 64; Kasanka NP from 61 to 76; Lavushi Manda NP from 9 to 55. 2.3: Improved business environment, especially for micro-, small- and medium-size enterprises (MSMEs). Cost of doing business: Average number of total days to process MTENR tourism licenses issued at Livingstone's new "one stop shop" decreases from 90 days in 2004 to 60 days in 2010. Access to Finance: Proportion of adult population with access to affordable financial services (according to FinScope definition) increases from 37.7 percent in 2007 to 45 percent by 2011.	Outcome 2.1. Improving key aspects of the regulatory environment for business. 2.1.1: Number of achieved reforms per year on ease of Doing Business, for example, priorities include trading across borders and construction permit. Baseline (2011): 3. Target (2016): 4+. 2.1.2: Number of days to provide business registration. Baseline (2012): 3 days. Target (2014): 1 day Outcome 2.3: Improved access to finance for small enterprises. 2.3.1: Increase in the percentage of SMEs that have access to formal financial institutions. Baseline (2010): <10 percent. Target (2016): 25 percent.
Agriculture		
No specific targeted outcomes.	Theme 2. Supporting governance, institutional capacity, the business environment and agricultural development. 2.4: Improved agricultural productivity and marketing schemes. Value of agricultural exports for target value chains (cotton lint) from $43.4 million in 2006 to $65 million by 2011. 3.2: Improved access to water, energy services and irrigation systems. 6200 hectares (ha) of newly irrigated land under PPP management.	Strategic Objective 1: Reducing poverty and the vulnerability of the poor. Outcome 1.1. Improved crop and animal productivity in selected areas. 1.1.1: Yields increase (tons/ha) for major irrigated crops in target sites. Baseline (2010): Tomatoes-10; Onions-12; Wheat-n.a.; Bananas-n.a.. Target (2016): Tomatoes-31; Onions-32; Wheat-29; Banana-31. 1.1.2. Increase in livestock productivity in project areas. Baseline (2012): hen mortality-40 percent; kid (young goat) mortality-33 percent; weaned

		piglets per sow per year-12 percent; milk per cow per day-6 liters. Target (2015): Reduced hen mortality-33 percent; reduced kid (young goat) mortality-30 percent; increased weaned piglets per sow per year-14 percent; increase mild per cow per day-7 liters. Outcome 1.2. Improved access to resources for strengthening household resilience and health in targeted areas. 1.2.1: Area provided with new irrigation and drainage facilities (ha). Baseline (2012): 0. Target (2016): 10,000. 1.2.2: Direct Project Beneficiaries from small water resources infrastructure developments. Baseline (2013): 0. Target (2016): 80,000 beneficiaries.

Sources: World Bank (2004, 2008, 2013).
Note: ADSP = Agricultural Development Support Project; AGOA = African Growth and Opportunity Act; CAS = Country Assistance Strategy; CPS = Country Partnership Strategy; EBA = Everything But Arms; MTENR = Ministry of Tourism, Environment and Natural Resources; n.a. = Not Applicable; NP = National Park; PPP = public-private partnership; SME = small and medium enterprise; ZESCO = Zambia Electricity Supply Company.

Table E.4. Promoting Human Capital Development

CAS FY04–FY07	CAS FY08–12	CPS FY13–16
Strategic Priority One: Sustained economic growth anchored in a diversified and export-oriented economy. The needs of the formal and informal sectors of the economy are met with the graduates of the TEVET system. Industrial surveys indicate satisfaction with TEVET graduates. Increase in graduates from TEVET from poor and socially disadvantaged groups, with increase of at least 25 percent of the graduates are female.	Theme 4: Improving health performance, education and skills training. 4.1 Improved health programming: Percentage of institutional deliveries from 43 percent in 2006 to 50 percent in 2011. Percentage of children under 5 years of age who sleep under a treated bed net increases from 30 percent in 2006 to 60 percent by 2011. Percentage of people in indoor residual spraying eligible districts areas who sleep in appropriately sprayed structures from 40 percent in 2006 to 80 percent by 2011.	Strategic Objective 1: Reducing poverty and the vulnerability of the poor. Outcome 1.2. Improved access to resources for strengthening household resilience and health in targeted areas: 1.2.3: Increase the percentage of children under five years of age who slept under an insecticide treated net last night (Reduced incidence of morbidity and mortality due to malaria in children under-5). Baseline (2010): 50 percent; Target (2013): 55 percent. 1.2.4. To increase the percentage of women delivering in facilities by a skilled birth attendant in Results-

CAS FY04–FY07	CAS FY08–12	CPS FY13–16
Strategic Priority Two: Improved lives and protection of the vulnerable. Key constraints of improving health outcomes are reduced as measured by: a) Efficient use of financial and human resources in the health sectors as measured by: Reduced urban/rural differences in remuneration of health workers. Improved allocation of financial resources. b) Reliable and sustainable provision of water in areas of Bank support as measured by: Water availability on average 20 hours/day. Increased volume of safe water. Enhance sustainability; cost recovery of service suppliers to increase from 60 percent to 80 percent of opening costs by 2007. Vulnerable groups in communities targeted by Bank support change risky behavior as measured by: Percent of 15-49 year olds requesting HIV tests, percent receiving the test and percent accepting the results (in communities target by Bank support). Reported condom use at last sex with nonregular partner increased from 30 percent to 45 percent for males, and from 17 percent to 30 percent for females by 2008 Vulnerable populations impacted by HIV and AIDS use prevention, care measured by (in communities targeted by Bank support): Percent of pregnant HIV+ women, receiving a complete course of ARV.	4.2. Strengthened skills and education for the formal and informal sectors: > 90 percent of the 2004 and 2005 TEVET graduates find employment within 12 months and > 70 percent within 6 months of graduation (intermediary result in 2005: 89 percent within 12 months and 72 percent within 6 months). Increased primary completion rate towards reaching MDG. Baseline and target assessed at FTI effectiveness date.	Based Financing eligible districts (Improved maternal and child health outcomes in Results-based financing intervention districts). Baseline (2010): 31; Target (2013): 36.

CAS FY04–FY07	CAS FY08–12	CPS FY13–16
Ratio of orphaned to nonorphaned children 10–14 years who are currently attending school.		
The quality of the primary education systems is improved: Reach a Grade 7 completion rate of 80 percent by 2006 (2001 baseline: 64 percent). Raised learning achievements overall, also in underserved regions and poor children (measured by periodic Grade 5 National Assessment). Increased grade 1 admission rate from 94 percent to 100 percent by 2007.		
Poor households and communities in areas vulnerable to frequent droughts benefit from risk management mechanisms (which are available on a sustainable manner) as measured by: Food production restored to 2000 levels in drought prone areas. Children in feeding programs receive the benefits. Number of households supported with food relief rations. Number of small-scale farmers using input packs for sustainable farming practices.		

Sources: World Bank (2004, 2008, 2013).
Note: ARV = antiretroviral (drug); CAS = Country Assistance Strategy; CPS = Country Partnership Strategy; FTI = Fast-Track Initiative; MDG = Millennium Development Goal; TEVET = Technical Education Vocational and Entrepreneurship Training.

Appendix G. People Met

Government of Zambia/Public Sector	
Agriculture and Livestock	
Chamba, Daniel	Project Engineer, IDSP
Milambo, Laston	Principal Agriculture Research Officer
Mulenga, Barnabas	National Project Coordinator, the Irrigation Development and Support Project
Munthali, Gift	Project Coordinator, the Livestock Development and Animal Health Project
Mwanza, Sylvestor	Project Coordinator, the Agriculture Development Support Project
Shaila, Tabitha	Agriculture Research Officer
Shamulenge, David	Permanent Secretary (Livestock), Ministry of Agriculture and Livestock
Shawa, Julius	Permanent Secretary, Ministry of Agriculture and Livestock
Simoongwe, Vincent	Principal Livestock Production Officer, Ministry of Agriculture and Livestock
Muliokela, Stephen	Director, Golden Valley Agricultural Research Trust
Anti-Corruption Commission	
Wandi, Rosewin M.	Director—General, Anti-Corruption Commission
Ng 'andu, Kayobo	Director Corruption Prevention, Anti-Corruption Commission
Office of Auditor General	
Chilala Phiri, Phales	Public Debt and Investments, Office of the Auditor General
Mwambwa, Ronnie	Deputy Auditor General, Ministry of Education, Training and Early Education
Phiri, Phales	Auditor General's Office
Cabinet office	
Simumbwe, Ranford	Public Service Management Division, Cabinet Office

Community Development, Mother and Child Health	
Tambatamba, B.	Deputy Director, Epidemiology and Disease Control, Ministry of Community Development, Mother and Child Health
Development Bank of Zambia	
Lushinga, Jacob	Managing Director, Development Bank of Zambia
Education, Training and Early Education	
Ndakala, Charles	Systems Development Manager, Planning and Information Directorate, Ministry of Education, Training and Early Education
Nkanza, Patrick	Permanent Secretary (Vocational Training), Ministry of Education, Training and Early Education
Energy / Power	
Banda Chandipo, Annie	Renewable Energy, ZESCO
Chanda, Linus	Director, Generation, ZESCO
Chita, Norris	Deputy Manager, Livingston Power Plant
Muteto, Kenneth	Director, Distribution and Customer Service, Zambia Electric Supply Company (ZESCO)
Phiri, Bestty	Director, Corporate Affairs, ZESCO
Simwaba, Arnold	Acting Director, Ministry of Energy and Water Development
Finance and National Planning	
Akapelwa, Wamupu S.	M and E Specialist, Ministry of Finance and National Planning
Akapelwa	Macro Team, Ministry of Finance and National Planning
Lupunga, Paul	Chief Economist, Economic Management Department, Ministry of Finance and National Planning
Health	
Chizema, Elizabeth	Director, Disease Surveillance, Control and Research

Phiri, Dean	Program Management Unit, Ministry of Health
Simwanza, Alex	(former NAC Director), Chilenje Clinic
Chizema Kawesha, Elizabeth	Director, Disease Surveillance, Control and Research
Kamuliwo, Mulakwa	National Malaria Control Center, Chainama
Justice	
Jere, Patricia	Permanent Secretary, Ministry of Justice
Local Government and Housing	
Sakwiya, Alfred S.	Director, Decentralisation Secretariat, Ministry of Local Government and Housing
Sikwela, Howard	Permanent Secretary, Ministry of Local Government and Housing
Local Governments (site visits)	
Luanga, Bornwell	Town Clerk, KCC Offices, Kitwe City Council
Sampa, Chiyenge	Mazabuka Municipal Council
Public Procurement Authority	
Ngoma, Gloria	Zambia Public Procurement Authority
Parliamentarian Heads and Members of Estimates Committee and Economic Affairs, Energy and Labor Committee	
Roads	
Lamaswala Sakala, Muyunda	Accountant, National Road Fund Agency
Musonda, Chisau	Engineer Planning, Road Development Agency
Mwanaumo, Anthony	Director and CEO, National Road Fund Agency
Zambia Development Agency	
Chirwa, Ernest	Corporate Planning Specialist, Zambia Development Agency
Collins Sifafula, Mutukwa	Manager—Monitoring and Evaluation, Zambia Development Agency
Zambia Wildlife Authority	
Milanzi, James	Acting Director Conservation and Management, Directorate of

	Conservation and Management, Zambia Wildlife Authority

Private Sector

Boqwana, Bulelwa	Head, Country Risk, Corporate and Investment Banking, Africa, Standard Bank
Chryssostomides, Rachel	Financial Manager, Protea Hotels Zambia
Franklin, Richard	General Manager—Zamleather
Karamchand, Raj	Chamber of Commerce, Kitwe
Koya, Yusuf	Executive Director—Zambeef
Krishna, Suraj	Country Risk Manager, Corporate and Investment Banking,, Africa, Standard Bank
Lubamba, Helen	Deputy Head—Corporate and Investment Banking, Stanbic Bank
Milambo, Laston	GART/Chaloshi Farms, Chisamba
Minta, Sam	Chief Financial Officer, Stanbic Bank
Mubanga, Augustine	President, Suppliers Association, Kitwe and President Tahila Engineering
Mudiwa, Charles M.	Chief Executive, Stanbic Bank
Mutale, Edward	Director Finance, Zambia National Commercial Bank Plc
Mwanza, Israel	Head Budgets and Controls, ZANACO
Nyirenda, Allan	General Manager, Kanyanga Mining and Construction
O'Donnell, Christopher	CEO, Protea Hotels Zambia
Pascal Mwenya, Mwila	Manager—Investment Banking Corporate and Investment Banking, Stanbic Bank
Richards, Paul C.	Head—Corporate and Investment Banking, Stanbic Bank (A member of Standard Bank Group)
Simatyaba, Clergy	Managing Director, ABC Bank Zambia

Civil Society/Think tanks/Academics

Chisupa, Ngosa	University of Lusaka
Conrad, Robert	Associate Professor of Public Policy and Economics, Duke University

Jonsson, Dick	School of Humanities and Social Sciences, Department of Economics, the University of Zambia
Kanyama, Chibamba	Zambia National Broadcasting Corporation
Leonard, Fr.	Jesuits Centre for Theological Reflection
Masiye, Felix	Head of Department, Department of Economics, the University of Zambia
Mofya, Roda	Indaba Agriculture Policy research Institute
Muliokela, Stephen	Director, Golden Valley Agricultural Research Trust
Mwale, Engwase	Executive Director, the Non-Governmental Organizations Coordinating Council (NGOCC) Zambia
Nalishebo, Shebo	Acting Research Fellow—Public Finance, Zambia Institute for Policy Analysis and Research (ZIPAR)
Ngoma, Isaac	Econ. Association of Zambia
Palale, Patricia	Deputy Head, Millennium Challenge Account
Saasa, Oliver	Premier Consult
Simutanyi, Neo	Centre for Policy Dialogue
EITI	
Banda, Siforiano	EITI
Kay Mazaba, Kaonga	Project Administrative Officer, ZEITI Secretariat (Geological Survey Department)
Mwiinga, Ian	Project Communications Officer, ZEITI Secretariat (Geological Survey Department)
Donors	
Boahen, Philip	Principal Country Program Officer (Zambia Country Office) African Development Bank
Brennan, Elizabeth	PEPFAR Deputy Head of Program, WB Offices PEPFAR Zambia Deputy

	Country Coordinator, Embassy of the United States of America
Chinyama Kalyandu, Gilbert	Financial Quality Controller, Royal Norwegian Embassy
Chibbamulilo, Patrick	Senior Programme Officer / Senior Training Co-ordinator, Japan International Cooperation Agency (JICA)
Engbo Rasmussen, Peter	Principal Country Economist, Zambia Country Office, Principal Country Economist, African Development Bank
Kawase, Junichi	Project Formulation Advisor (Infrastructure), Japan International Cooperation Agency (JICA)
Kwesiga, Freddie	Resident Representative—African Development Bank
Lloyd Davis, David	U.K. Department for International Development (DFID)
Marum, Lawrence	Director CDC—Zambia, C/o American Embassy—Lusaka, Zambia
Matila, Mothobi P.S.	Principal Macroeconomist (Economic and Financial Governance), Zambia Country Office, African Development Bank
O'Brien, Finbar	Ambassador, Embassy of Ireland, Lusaka
Ojanen, Marja	Counselor, Embassy of Finland, Lusaka
Rasmussen, Tobias	Resident Representative. International Monetary Fund
Rislaa Arntsen, Torfinn	Minister Counsellor, Development Aid Cooperation Officer, Royal Norwegian Embassy, Lusaka
Sakala, Mdaniso	Senior Private Sector Investment Officer, African Development Bank Offices, African Development Bank
Starckman, Mauri	Counsellor (Economic and Development Policy, Agriculture), Head of Cooperation, Embassy of Finland, Lusaka

Suzuki, Yosei	Assistant Resident Representative, Japan International Cooperation Agency (JICA)
Wakeman-Linn, John	Mission Chief, International Monetary Fund
Zebroff, Tanya	Education Adviser, Department for International Development, Development, DFID Zambia British High Commission
Zoll, Christian	Germany Embassy

World Bank Group (current and former)	
Baxter, Michael	Former Country Director, Zambia
Buehren, Niklas	Economist, Poverty Global Practice
Betterncourt, Sofia U.	Lead Operations Officer, WBG Climate Change VP
Butler, Tom	Manager, IFC
Calvo, Francisco J.	Principal Investment Officer, IFC
Crush, David	Manager, Access to Finance, IFC
Danisa Tapela, Godfrey	Senior Investment Officer, IFC
Devarajan, Shantayanan	Chief Economist, Middle East and North Africa
Ekanayke, Indira	Senior Agriculture Economist, Agriculture Global Practice
Enelamah, Eze	Investment Officer, FM, IFC
Fawaz, Nabil	Global Head, Agribusiness, Manufacturing and Services, Multilateral Investment Guarantee Agency (MIGA), World Bank Group
Gardner, Emily	Education Specialist, Education Global Practice
Gericke, Ben	Lead Transport Specialist, Transport and ICT Global Practice
Jacobus Vermaak, Stephanus	Principal Investment Officer (Infra—Mining), IFC
Kadiresan, Kundhavi	Country Director
Kakou, Sylvain	Senior Investment Officer, IFC, IFC Office
Kapoor, Kapil	Former Country Manager, Zambia

Kumar, Nalini	Senior Operations Officer, Zambia Country Team
Kumar, Praveen	Lead Economist (Zambia)
Mearns, Robin	Program Leadear, Africa (AFR)
Milambo, Chola	Advisor to the Executive Director, Africa Group I, World Bank Group
Mtonya, Brian	Senior Private Sector Development Specialist, the World Bank
Mwangi Warugongo, Richard	Senior Investment Officer (Infra—Power), IFC
Nowakowska-Miller, Gosia	Operations Officer, IFC
Nuamah, Peter	Operations Officer, IFC Investment climate, IFC Office
Obese-Jecty, Eric	Results Measurement Specialist, IFC
Ombura, Judith A.	Manager, MAS, IFC
Onwuamaegbu, Nkem	Senior Underwriter, Multilateral Investment Guarantee Agency
Onwuamaegbu, Nkem	Senior Underwriter, MIGA
Prevost, Yves	Environmental Advisor, Environment and Natural Resources Global Practice
Qamruddin, Jumana	Senior Health Specialist, Health, Nutrition and Population Global Practice
Raballand, Gael	Senior Public Sector Specialist, Governance Global Practice
Rezaian, Bobak	Senior Energy Specialist, Africa Region
Runji, Justin	Senior Transport Specialist, Transport and ICT Global Practice
Saeki, Hiroshi	Economist, Education Global Practice
Samuel, Cherian	Lead Evaluation Officer, MIGA
Schafer, Hart	Country Director, Egypt, Djibouti, Yemen (former Country Director for Zambia)
Sediq Momodu, Abubakar	Investment Officer (FM),IFC
Sheppard, Marie	Practice Manager, Leadership, Learning and Innovation
Sunkutu, Rosemary	Health Specialist, WB Country Office
Verbeek, Jos	Lead Economist, Development Prospects Group, DEC
Wambui Wairimu Chege	Operation Officer, SBA, IFC

Wishart, Marcus	Senior Water Resources Specialist, Water Global Practice
Workie, Netsanet Walelign	Senior Economist (Health), Health, Nutrition and Population Global Practice