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**INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL FINANCE CORPORATION
AND
MULTILATERAL INVESTMENT GUARANTEE AGENCY
COUNTRY PARTNERSHIP FRAMEWORK
FOR
ZAMBIA
FOR THE PERIOD FY19–FY23
September 20, 2018**

**Zambia Country Management Unit
Africa Region**

**The International Finance Corporation
Africa Region**

The Multilateral Investment Guarantee Agency

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The date of the last Country Partnership Strategy was February 15, 2013

CURRENCY EQUIVALENTS

(Exchange Rate Effective as of August 31, 2018)

Currency Unit = Zambian Kwacha (K)
US\$1 = K 10.33

FISCAL YEAR
January 1 – December 31

Abbreviations and Acronyms

7NDP	Seventh National Development Plan
APPSA	Agricultural Productivity Program for Southern Africa
ASA	Advisory Services and Analytics
CLR	Completion and Learning Review
CMU	Country Management Unit
COMACO	Community Markets for Conservation
COMESA	Common Market for Eastern and Southern Africa
CPF	Country Partnership Framework
CPS	Country Partnership Strategy
CSA	Climate Smart Agriculture
CSOs	Civil Society Organizations
DFID	Department for International Development
DLI	Disbursement-Linked Indicator
EITI	Extractive Industries Transparency Initiative
FY	Fiscal Year
GBV	Gender-Based Violence
GDP	Gross Domestic Product
GEF	Global Environment Facility
GEWEL	Girls Education and Women Empowerment and Livelihood
GRZ	Government of the Republic of Zambia
ICT	Information and Communication Technology
IDA	International Development Association
IDSP	Irrigation Development and Support Project
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IFMIS	Integrated Financial Management Information systems
IMF	International Monetary Fund
LCMS	Living Conditions Monitoring Survey
MFD	Maximizing Finance for Development
MIGA	Multilateral Investment Guarantee Agency
MNCH	Maternal, Newborn, and Child Health

MNDP	Ministry of National Development Planning
MW	Megawatts
NFIS	National Financial Inclusion Strategy
NGOs	Non-Governmental Organizations
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PforR	Program-for-Results
PLR	Performance and Learning Review
PPCR	Pilot Program for Climate Resilience
PPP	Public-Private Partnership
PV	Photovoltaic
R&D	Research and Development
RBF	Results-Based Financing
SADC	Southern African Development Community
SCD	Systematic Country Diagnostic
SCTS	Social Cash Transfer Scheme
SDGs	Sustainable Development Goals
SMEs	Small and Medium Enterprises
TB	Tuberculosis
TFs	Trust Funds
TRALARD	Transforming Landscapes for Resilience and Development
UN	United Nations
WBG	World Bank Group

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**FY19–FY23 COUNTRY PARTNERSHIP FRAMEWORK FOR THE
REPUBLIC OF ZAMBIA**

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FY19–FY23 COUNTRY PARTNERSHIP FRAMEWORK FOR ZAMBIA

I. EXECUTIVE SUMMARY

1. **Zambia returned to middle-income status (2011) after a decade (2004–2014) of impressive economic growth, averaging 7.4 percent yearly.** Improvements to economic management in the 1990s, a rebound in copper production and prices, and strong expansion in construction and services industries drove the rapid growth after 25 years of decline. A sharp drop in copper prices in 2015 and El-Niño-related rains affecting agriculture slowed economic growth, and macroeconomic indicators went off balance. In addition, public debt grew and budget arrears appeared. Although economic growth returned in 2016 and 2017, a sustained recovery is not firmly underway.

2. **The World Bank Group’s twin goals - of ending extreme poverty and sharing prosperity - are highly relevant to Zambia.** The decade of rapid economic growth had a limited impact on poverty reduction, with benefits accruing to only a small segment of the urban population. Rural poverty has remained high and stagnant, and poverty rates across regions vary considerably. Measures of nonmonetary dimensions of poverty also remain high, with Zambia showing among the highest levels of stunting globally and sharp inequalities in access to health and education services. The government’s long-term vision (Vision 2030) sets out to achieve a sustainable and inclusive economic growth rate of 7 percent annually. The Systematic Country Diagnostic (SCD) also emphasizes accelerating economic growth along a sustainable and inclusive path. That said, a shift of strategy is required to address concerns about the current growth strategy, mainly its (i) overreliance on the copper mining sector; (ii) uneven territorial development, illustrated by a large rural-urban divide, and very high spatial and sectoral inequalities between Lusaka and the Copperbelt and the rest of the country; and (iii) political stability but weak governance, which results in policies and public resource allocation that often entrenches rather than alleviates poverty and economic diversification.

3. **The Country Partnership Framework (CPF) proposes to assist the Government’s efforts to rekindle economic growth while following a more inclusive and sustainable path.** The ambitious plans of the Government call for changes in how policy is designed and implemented and set a higher standard for the World Bank Group (WBG) and other development partners to be more selective in targeting programs and focus on the delivery of outcomes. Building on the findings of the SCD, which aligns with the Seventh National Development Plan (7NDP), and applying the comparative advantage of the WBG, the CPF structure reflects a sharper focus on key priorities that chart a path toward the twin goals. The CPF prioritizes the reduction of regional disparities by focusing on catalyzing private sector investment, fostering fiscal decentralization, better connecting lagging regions, and increasing the competitiveness of the agricultural sector, which will boost the main livelihood of the poor and serve as an anchor for more diversified economic growth. Similarly, the CPF seeks to expand market opportunities for Zambian firms through increased economic integration with neighboring countries. Also, to reduce the population’s vulnerability and enable the poor to profit from economic opportunities, the CPF supports enhancing financial inclusion, improving the delivery of basic health and education services, and increasing the pro-poor focus of fiscal policy. Specific social protection interventions are meant to further increase disadvantaged girls’ participation in secondary education and poor women’s livelihood opportunities. Additionally, by using the Maximizing Finance for Development (MFD)¹ approach, the CPF seeks to aid the Government in ensuring that the private sector is leveraged in delivering critical national priorities, particularly leveraging available instruments across the International

¹ MFD is the World Bank Group’s approach to systematically leverage all sources of finance, expertise, and solutions to support developing countries’ sustainable growth. Its core principle is to pursue private sector solutions that can help achieve development goals; reserve scarce public finance for where it is most needed; and if needed, utilize public finance to de-risk private sector investment. See explanation in Box 3 and find more information here: <http://www.worldbank.org/en/about/partners/maximizing-finance-for-development#1>.

Development Association (IDA), International Finance Corporation, and Multilateral Investment Guarantee Agency (MIGA). In acknowledgment of the current high risks of macroeconomic disruption, the CPF will also support Government efforts to strengthen Zambia's economic resilience, which is seen as a necessary condition to meet the developmental objectives.

4. **The CPF seeks major improvements in program implementation and the delivery of results.** The number of projects being implemented and the resources available at the start of the CPF are well aligned with the SCD and the CPF objectives. Moreover, the indicative allocation under IDA18 is nearly 70 percent larger than the allocation under IDA17, and Zambia is well positioned to benefit considerably from IDA's Regional Integration Window. To better absorb the larger flow of resources, the government and the WBG have agreed to implement a new set of portfolio rules of engagement that is already showing positive results. Under the leadership of the Ministry of National Development Planning (MNDP), and with the support of the Ministry of Finance, the Government will allocate more capacity and resources to project design and implementation as well as streamline and tighten administrative processes for project selection, design, and implementation. The partners are committed to carefully consolidating the number of projects by concentrating resources on projects best suited to deliver on the CPF objectives. The recent establishment of a Development Cooperation Steering Committee, and chaired by the Secretary to the Treasury, will assure better internal coordination within Government agencies.

II. COUNTRY CONTEXT AND DEVELOPMENT AGENDA

Geographical and Regional Context

5. **Zambia is a large, landlocked, resource-rich country with massive mineral endowments, especially copper; natural resources, especially water and forests; substantial agricultural potential; and sparsely populated land.** The country has a total surface area of 752,618 square kilometers (743,398 square kilometers of land and 9,220 square kilometers of water), shares borders with eight countries² that serve as an expanded market for its goods, and is Africa's second-largest copper producer, behind neighboring Democratic Republic of Congo. The total population of Zambia stands at 16.6 million people, compared to about 3.45 million at independence in 1964. Partly because of high fertility, the population is growing at a rapid 2.8 percent per year, resulting in the population doubling close to every 25 years. Zambia is experiencing a large demographic shift and is one of the world's youngest countries by median age. This trend is expected to continue as the large youth population enters reproductive age, which will put even more pressure on the demand for jobs, health care, and other social services.

6. **Zambia's integration, within the African region and globally, has been slow.** As a landlocked country, Zambia's economic development potential is closely linked to the fate and development of its neighbors and other countries in the region. As its memberships in the Common Market for Eastern and Southern Africa (COMESA) and Southern African Development Community (SADC) indicate, Zambia recognizes how important regional integration is to developing its own economic infrastructure and boosting intraregional trade and global competitiveness. The two institutions, which share the mission of achieving sustainable development through increased cooperation and regional integration, encourage market access for international road freight and harmonization of rules to ensure interoperability in member states (Millennium Challenge Account 2010). Despite being identified by the Government as key to transforming Zambia into a regional trade hub, the country's trade within the two trade blocs, and bilateral trade with Angola and Democratic Republic of Congo, has been limited because trade barriers continue to reduce the competitiveness of Zambian exports in the region, including for small-scale trade.

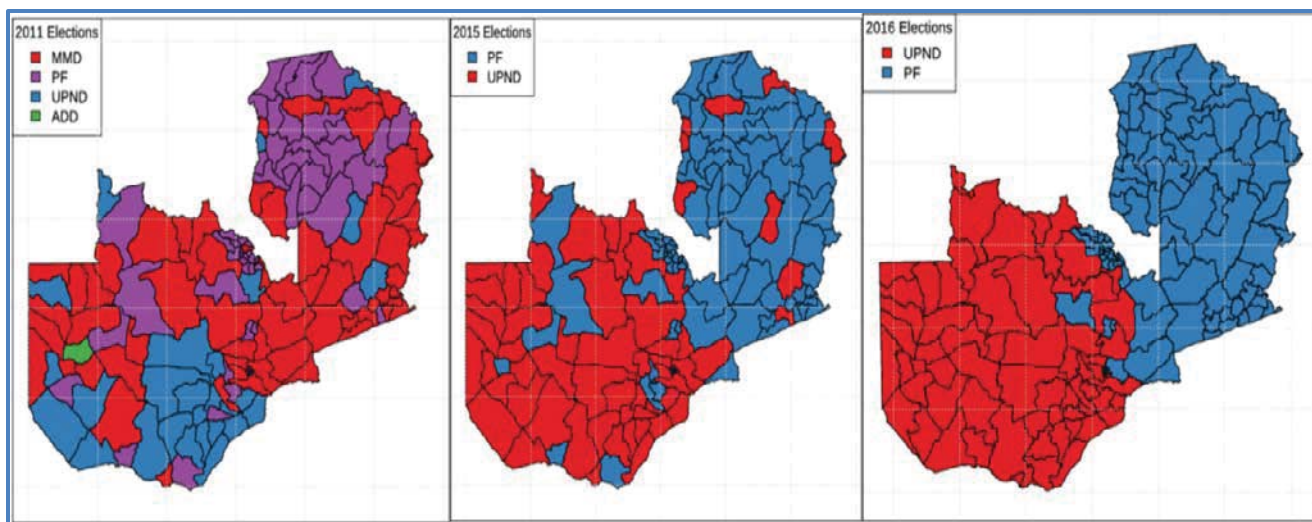
² Zambia is bordered by Malawi in the east, Mozambique in the southeast, Zimbabwe in the south, Botswana and Namibia in the southwest, Angola in the west, Tanzania in the northeast, and Democratic Republic of Congo in the north.

7. **Zambia has a long, positive track record of hosting refugees from countries in the vicinity that have faced civil strife.** Over 300,000 refugees have resided in Zambia since the 1970s, and the country currently hosts over 70,000, some of whom (Angolans) have lived in Zambia since 1986 and some of whom are former Rwandan refugees. The Government has been promoting the integration of refugees into the society by allocating them land and granting them permanent residency status and has assured the international community of Zambia’s open-door policy and commitment to refugees. This commitment is presently being tested by the continuing volatile situation in the Democratic Republic of Congo, as more than 21,000 additional refugees have recently arrived in Zambia. If the situation in the Democratic Republic of Congo does not improve, the number of newly arrived refugees will increase further, straining conditions in some of Zambia’s poorest wards and districts. The additional demand on infrastructure and public services, particularly on health facilities in host communities, puts pressure on fiscal resources.

Social and Political Context

8. **Zambia is a democracy and is one of the most politically stable countries in Africa; however, recent heightened political polarization points to a risk of instability.** After years of one-party state democracy, Zambia in 1991 peacefully transitioned to a multiparty democracy and has remained so since then, effecting power transitions via adequately free and fair elections. The 2016 elections signaled a growing political polarization along regional and ethnic lines. The country has become split into two camps, with the United Party for National Development (UPND) controlling the West and the governing Patriotic Front (PF) dominating the East (see Figure 1). These trends may compromise the political stability of the country or the ability of its political leadership to reach consensus around critical challenges.

Figure 1: Winners of Presidential Elections by Constituency



Source: Phiri 2016.

Recent Economic Developments and Outlook

Economic Context

9. **Since independence, Zambia has experienced economic expansion and contraction cycles.** At independence in 1964, Zambia was a solid middle-income country, with a per capita GDP of US\$1,525. However, driven by internal and external factors starting in the early 1970s, economic growth stagnated, and the country dropped to low-income status. Improvements to economic management in the 1990s, a rebound in copper prices and production, and the strong expansion of construction and services in cities contributed to Zambia recording impressive economic growth between 2004 and 2014 that averaged 7.4 percent annually.

Growth has been slower since 2015 because of declining copper prices, which has exacerbated preexisting fiscal and macroeconomic challenges. In addition, since 2012, successive fiscal expansions have moved the country toward a looming debt crisis. Debt-service costs are crowding out productive and poverty-reducing spending, draining foreign exchange reserves, and constraining faster economic growth.

10. **Although the agriculture sector's contribution to GDP has declined over time, effective structural transformation has not taken place.** The contribution of agriculture to GDP fell from 26 percent in 1996 to 9 percent in 2014. Mining is still the key export sector, and with manufacturing barely maintaining its share in GDP (at less than 10 percent in 2014), the economy became increasingly reliant on the non-tradables sector, including construction, trade, financial services, transport, and communications for growth.

11. **The agricultural sector could be put on a sustainable path.** The emphasis in agricultural policies on supporting maize production has helped ensure national self-sufficiency. However, while yields increased in large commercial farms, smallholders' production increases were largely driven by expanding areas planted. In addition, a set of poorly designed and implemented programs negatively affected productivity growth; and women in agriculture still have lower access to extension services, credit, improved seeds, fertilizer, labor, and land. The disproportionate focus on maize also reduced the diversity of agricultural output and affected households' diets and malnutrition. Moreover, high population growth and extensive cultivation practices induced land degradation, an alarming pace of deforestation (between 250,000 and 300,000 hectares annually) and continued high exposure to weather shocks.

12. **The pace of urbanization has been accelerating.** The deurbanization in the 1990s that followed the deterioration of the economy has been reversed. The percentage of the population classified as urban increased from 35 percent in 2000 to 41 percent in 2015. Jobs have become more urbanized, and cities are assuming greater importance for ensuring their people have access to economic opportunities. The growing urban markets have also shifted consumer demand, opening opportunities for manufacturers and traders in consumer goods, particularly in the food and beverage industry. Given that large urban agglomerations are dynamic and relatively well equipped and small urban centers provide limited access to jobs and services, rural migrants are moving directly to the large urban centers, which is putting pressure on services and infrastructure and increasing congestion.

13. **Financial Inclusion has increased substantially over the past five years, but disparities remain.** Only 38 percent of adults have access to formal financial services, and the use of formal savings and borrowing products is extremely limited: 5 percent of individuals are borrowing from a financial institution. Only 8 percent of small and medium enterprises (SMEs) had a loan in 2013, yet this sector employs 73 percent of the labor force. There are also disparities between urban and rural dwellers, men and women, and enterprises by size. While distance is a key reason for the low level of financial service use as well as the disparities, consumers also lack understanding of and confidence in financial institutions, and financial infrastructure constrains effective access to financial services. The SCD stresses the limited access to finance as a critical constraint to growth and inclusion.

14. **The economic benefits from the mining of copper need to be leveraged better to provide greater and more balanced prosperity.** Copper mining has dominated export receipts and foreign direct investment flows since independence and has indirectly contributed to stimulating demand for non-tradable goods and services, especially from 2004 to 2014. But only since the 2010s has copper significantly contributed to increasing Zambia's fiscal coffers. The country's ability to leverage the mining sector through diversification toward new tradable sectors and fiscal redistribution has been modest, and attention to diversification tends to fade when copper prices are high. Moreover, decades of mining without rehabilitation of mining sites has

created a massive environmental imbalance that falls disproportionately on poor and vulnerable households living in mining towns.

15. **The potential wealth from Zambia’s natural environment is not being maximized.** A thriving tourism industry could create many rural jobs around protected wildlife, birds, and the stunning natural beauty of Zambian lakes, rivers, and spectacular waterfalls.³ Protection management and infrastructure connectivity are critical to developing linkages to private sector investment in this sector.

Recent Economic Developments and Outlook

16. **The end of the super commodity cycle in 2015 revealed Zambia’s macroeconomic vulnerabilities.** As global demand for copper decreased, copper export earnings (in US\$) contracted by 42 percent between 2011 and 2016. The impact of lower commodity prices was aggravated by El Niño–related droughts that decimated rain-fed agriculture and lowered hydroelectricity generation, which affected mining production capacity. The current account balance deteriorated from a surplus of 2.1 percent of GDP in 2014 to a deficit of 4.9 percent of GDP in 2016, putting immense pressure on the kwacha in late 2015 (Table 1). Meanwhile, procyclical fiscal policies pursued during the commodity boom proved to be unsustainable. Electricity, fuel, agricultural subsidies, and growing interest payments could not be met with higher public revenues as economic growth slowed (to a low of 2.9 percent in 2015 and a mere 3.8 percent in 2016), and Zambia’s tax collection performance did not significantly improve, partly because of a low tax base, but also due to low compliance.

17. **Large fiscal imbalances emerged.** Fiscal deficits significantly widened, and the stock of public expenditure arrears mounted, which severely affected private sector development: arrears made firms’ financial situation more perilous, and the necessary tightening of monetary policy crowded out banking credit to the private sector, which has been contracting since 2016. The amplification of economic cycles also entailed large swings in exchange rates and a related perception of higher exchange rate risk for foreign investors. Meanwhile, with energy production being hydro-based, climate shocks in 2015 and 2016 also affected the financial sustainability of key state-owned enterprises, notably the electricity utility (ZESCO Limited), which accumulated arrears and was forced to resort to more expensive energy sources not covered by corresponding tariff increases. Actual and contingent liabilities from state-owned enterprises are also compounding debt sustainability issues. At the origin of these various problems are the notable weaknesses in public investment management (translating expensive borrowing into high-return profitable public investment projects), debt management (diversifying risks related to borrowing terms and maturity, recording and communicating debt properly), and public financial management (PFM) (preventing the accumulation of arrears, improving the value for money of public spending).

18. **Fiscal consolidation and structural reforms were planned for 2017, but fiscal fitness was not achieved as reforms were not fully implemented.** Bold steps were taken to reduce electricity and fuel subsidies and improve the targeting and effectiveness of agricultural subsidies. The authorities also developed legal and regulatory frameworks to improve financial supervision (Bank of Zambia Bill), limit new arrears accumulation through tighter commitment controls (in amending the Public Finance Act and Public Procurement Act), strengthen oversight on debt contracting (Loan and Guarantees Act), and improve public investment management (Planning and Budgeting Bill) to limit borrowing for projects with high economic rates of return, but only the Public Finance Act has been approved by parliament so far. Thus, fiscal deficits remained above their targets in 2016 and 2017, despite spending only 58 percent of the budget allocated to cash transfers in 2017. Despite positive climatic conditions for agricultural production and the easing of monetary conditions, economic growth did not rebound from 2017, particularly because of the high incidence of non-performing loans and increased domestic public borrowing.

³ Besides Victoria Falls, Zambia is blessed with a series of beautiful waterfalls in the north that are little connected with tourism.

Table 1: Selected Economic and Financial Indicators

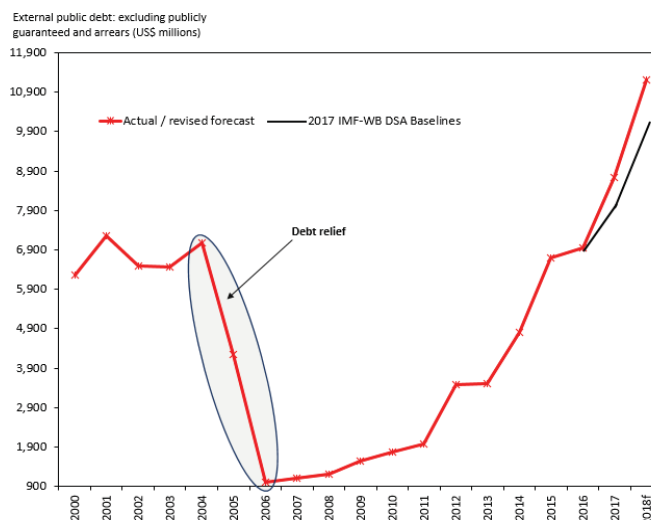
	2014	2015	2016	2017e	2018f	2019f	2020f	2021f
Real Economy								
GDP (Nominal, ZMW millions)	167,053	183,381	217,225	244,704	270,213	297,587	326,560	368,197
GDP (current US\$, millions)	27,151	21,145	21,063	25,650	26,672	26,473	27,718	30,941
Real GDP growth (annual %)	4.7	2.9	3.8	3.4	3.3	3.6	3.8	4.2
Real GDP per capita growth (annual %)	1.5	-0.1	0.8	0.5	0.4	0.7	0.9	1.4
Contribution to GDP								
Private consumption (% of GDP)	53.9	54.8	54.5	51.1	50.2	50.1	49.9	50.0
Gross fixed investment (% of GDP)	31.8	35.9	35.9	34.1	35.2	29.9	29.9	30.0
Government Consumption (% of GDP)	10.9	11.2	11.6	10.7	10.4	9.8	9.4	9.0
Net exports (% of GDP)	3.3	-1.9	-2.0	2.9	3.3	4.2	5.0	5.8
Imports (% of GDP)	37.5	41.8	38.3	36.2	34.0	35.8	37.7	39.6
Exports (% of GDP)	40.8	39.9	36.3	39.1	37.3	40.0	42.7	45.4
GDP Deflator	133.4	146.9	156.4	167.4	180.9	195.4	208.8	221.8
Inflation, consumer prices (% end of year)	7.9	21.1	7.5	6.5	9.3	10.1	10.0	10.2
Fiscal Accounts								
Expenditures	24.4	28.2	23.8	26.8	28.5	25.9	25.6	24.9
Revenues (including grants)	19.0	18.8	18.2	18.9	19.5	19.9	20.1	20.3
Overall fiscal Balance - including Grants (% of GDP)	-5.5	-9.4	-5.7	-7.8	-9.0	-6.0	-5.5	-4.6
Overall fiscal Balance - including Grants and arrears (% of GDP)	-7.9	-12.1	-8.8	-5.0	-9.5	-6.3	-5.4	-4.2
Primary Fiscal Balance (% of GDP)	-3.2	-6.6	-2.3	-3.8	-4.2	-0.7	-0.1	-0.1
Total Public and Publicly Guaranteed Debt (% of GDP): including arrears	35.6	61.4	60.5	61.8	67.4	68.7	69.9	69.4
External Public Debt (% of GDP)	20.1	43.1	36.5	42.5	43.8	43.7	43.9	44.0
Selected Monetary Accounts								
Broad Money (M3, % change)	12.6	35.2	-5.7	9.1	23.1	20.6	16.4	15.6
Credit to non-government (% change)	26.4	29.3	-9.4	-8.6	12.9	14.4	14.7	14.5
Policy rate (%)	11.6	13.0	15.5	12.5	10.3	12.1	12.3	12.0
Average lending rate (%)	18.7	21.1	28.0	27.1	24.5	24.3	25.0	25.0
External sector								
Export Growth (% change, yoy)	-5.4	-11.0	-10.6	15.7	13.9	13.0	13.4	12.5
Import Growth (% change, yoy)	-6.5	-7.0	-10.6	11.4	9.0	9.6	9.9	9.7
Merchandise exports (current US\$ millions)	10,220	7,362	6,514	9,177	9,130	9,661	10,143	11,020
Merchandise imports (current US\$ millions)	8,595	7,436	6,539	8,419	8,267	8,753	9,590	10,705
Current account balance (US\$ millions)	584	-827	-1035	-1006	-1292	-1108	-945	-780
Current account balance (% of GDP)	2.1	-3.9	-4.6	-4.5	-4.8	-4.2	-3.4	-3.3
Reserve (US\$ millions)	3,078	2,977	2,366	2,093	1,850	1,751	1,838	2,052
Reserves (month of imports)	4.2	4.3	2.6	2.5	2.1	2.4	2.3	2.3
Nominal exchange rate (Period average)	6.2	8.7	10.3	9.5	10.1	11.2	11.8	11.9
Real exchange rate Index (pd avg) (2005=100)	88.4	72.2	66.0	71.3	76.0	82.6	85.6	89.6
World copper price (annual average, US\$/ton)	6,863	5,510	4,868	5,400	6,292	6,235	6,181	6,136
Poverty								
Poverty rate \$1.9/day PPP terms)	.	57.5	57.1	56.8	56.2	55.8	55.1	53.3
Poverty rate \$3.1/day PPP terms)	.	74.3	74.0	73.9	73.6	73.1	72.4	69.4
Per capita GDP (in US\$ Atlas method)	1,770	1,560	1,360	1300

Source: World Bank (2018), Ministry of Finance (2018), and Central Statistics Office (2018).

19. **Public debt has returned to spotlight just a decade after the 2005–2006 debt relief.** Following the decline of copper prices in the 1970s, Zambia borrowed heavily to sustain its huge subsidies to nationalized industries. This borrowing, followed by slow growth, left Zambia with a large external debt burden in the late 1990s and early 2000s. Debt relief of US\$6.6 billion under the Heavily Indebted Poor Countries (HIPC) Initiative reduced the public debt to 25 percent of GDP in 2006, from 104 percent in 2005 (Figure 2). From 2007 to 2010, small fiscal deficits averaging 1.6 percent of GDP per year and rapid GDP growth (8.9 percent) drove the debt-to-GDP ratio down further, to 18.9 percent in 2010.

20. **Since 2012, public debt has accumulated rapidly, and the debt portfolio has become riskier than during the pre-debt relief period.** External public debt has more than quadrupled since 2001, jumping from US\$1.98 billion in 2011 to US\$8.74 billion in 2017, and unlike the pre-debt relief period, most of this debt is non-concessional (Figure 2). Non-concessional borrowing includes three Eurobond issues (in 2012, 2014, and 2015) totaling US\$3 billion and syndicated loans (in 2013, 2016, and 2017) totaling US\$834 million.⁴ Official data suggests that loans from Chinese institutions totaled US\$ 4.1 billion since 2013, of which US\$ 2.4 billion had been disbursed by end-March 2018. Publicly guaranteed state-owned enterprise debt reached US\$1.2 billion in March 2018, from US\$131 million in 2012. In October 2017, a joint IMF–World Bank debt sustainability analysis (DSA) elevated the risk of debt distress to high from medium, a result that the Government’s own DSA has since confirmed. The rapid accumulation of external public and publicly guaranteed debt (PPG) has continued. PPG slightly breached 40 percent of GDP in June 2018, well above baseline projections made in the IMF’s DSA in 2017. In addition, the correspondingly large debt service costs are crowding out productive spending lines and had drained foreign currency reserves to just 2.1 months of import cover as of June 2018. And as perceptions of debt unsustainability worsened, spreads on Zambia’s sovereign debt increased sharply from January 2018 (in contrast with the decline observed in most frontier markets), further limiting market-based debt restructuring options needed to reduce rollover risk ahead of the important bullet repayments that will begin in 2022 (Figure 3).

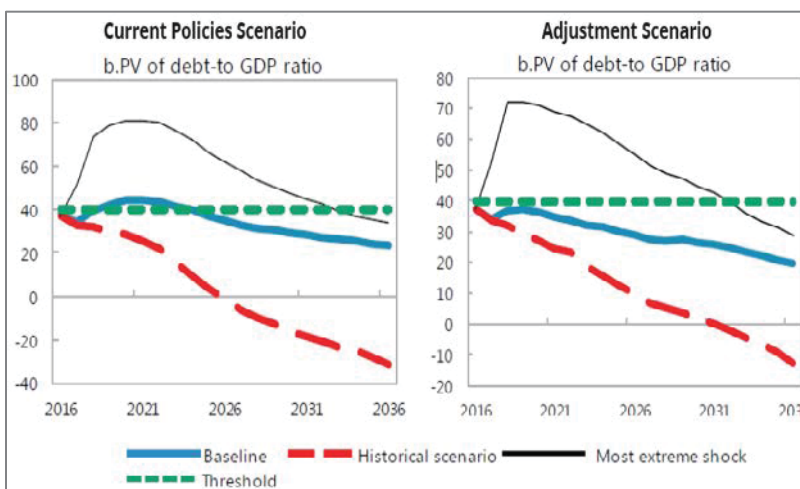
Figure 2: Public Sector Debt



Source: World Development Indicators (2018), and International Monetary Fund (2017), and Ministry of Finance (2018).

21. **Current macroeconomic vulnerabilities pose strong risks to the achievement of Zambia’s development objectives, including those retained in the CPF, and call for an ordered fiscal adjustment.** While spiraling debt costs and associated macroeconomic vulnerabilities will reduce fiscal space for public-funded development programs, they will also continue to impede the maximization of finance for development from greater private sector participation, notably in energy and agriculture. Thus, the efforts underway since 2017 to reduce the primary deficit should be accelerated, while the pace of new debt accumulation should be significantly slowed. The approval and effective implementation of the new PFM legal frameworks mentioned above and continued efforts to improve revenue mobilization will be crucial to supporting this endeavor. These reforms would facilitate faster disbursement of cheaper concessional

Figure 3: External Debt Sustainability Analysis



Source: World Bank and International Monetary Fund, *Debt Sustainability Analysis*, October 2017.

⁴ World Bank. 2017. *How Can Zambia Borrow without Sorrow*. Economic Brief 11. Washington, DC: World Bank.

funds, higher economic returns on newly borrowed funds, and reduced exposure to various risks for the debt repayment profile. Besides, complementary reforms are needed with respect to access to land, contract enforcement, business and property registration, taxes, licensing and permitting, as well as trade regimes. Improvements in the overall coherence and predictability of the investment climate would further encourage private investment and contribute to mitigating macroeconomic risks.

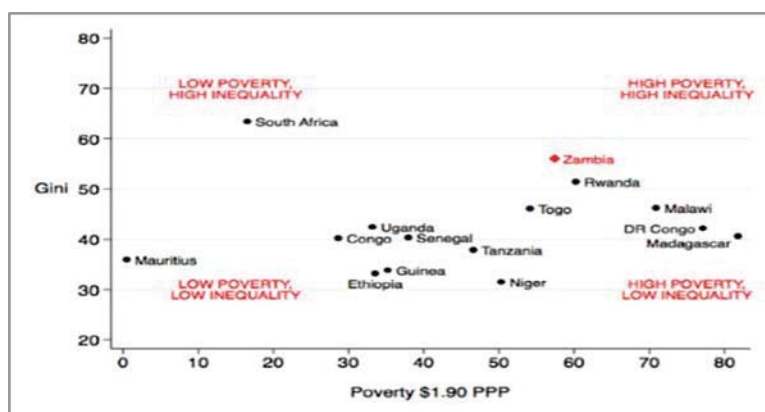
22. **The adoption of a financial program supported by the IMF would provide the adequate framework to implement such reforms.** Such a program would contribute to replenishing foreign reserves, strengthening the adjustment plan’s credibility for investors, and easing donors’ support of the budget through results-based or development policy operations. The framework would specifically call for limiting public borrowing plans so the risk of debt distress would reach moderate levels within a three-year period. Absent such a framework, however, efforts to restore macroeconomic stability will be made much more difficult, and the risks of a disordered adjustment that is dictated by markets will continue to grow, likely with strongly negative impacts on development outcomes, possibly through higher inflation, disruption in service delivery, and financial sector difficulties.

Poverty and Shared Prosperity.

23. **Poverty in Zambia is severe compared to its peers, reflecting high inequality levels.** The proportion of the population living below the national poverty line⁵ (roughly US\$1 per day per person) was estimated at 54 percent (2015), and 58 percent using the \$1.90 a day poverty line at purchasing power parity (WBG methodology). This compares with 41 percent for Sub-Saharan Africa in 2013⁶. As discussed below, poverty has remained stubbornly high in recent decades despite rapid economic growth. One important reason for this trend is the very high and growing level of inequality in Zambia, with its Gini coefficient at 0.56 in 2015, up from 0.52 in 2010 (see Figure 4).

24. **Poverty remains a primarily rural phenomenon.** In 2015, using the national poverty line⁷, 77 percent of the rural population was poor compared to 23 percent of the urban population. With 58 percent of the population living in rural areas, 82 percent of the country’s poor (6.9 of 8.4 million) and 87 percent of extreme poor are rural dwellers. Differences in poverty incidence between regions is also pronounced: Northern, Western, and Luapula provinces were the poorest in 2015. By contrast, the Copperbelt, Southern, and Lusaka provinces, where Zambia’s main cities (Lusaka, Ndola, Kitwe, Chingola, Mufulira, and Livingstone) are located, exhibited much lower rates of poverty.

Figure 4: Both Poverty and Inequality Are High



Source: Living Conditions Monitoring Survey 2015 and PovCalnet.

25. **Growth since 2010 has not been inclusive.** Although household consumption grew on average between 2010 and 2015, the rate was positive and stronger for households with higher levels of consumption and negative for those with the lowest consumption rates—except in Lusaka. Between 2010 and 2015, shared

⁵ Applying the national poverty line of ZMW 214 per adult equivalent per month.
⁶ Few countries have estimates for 2015 and therefore data between 2013 and 2015 is applied.
⁷ ZMW 214 per adult equivalent per month

prosperity, defined as the consumption growth of the bottom 40 percent of the population, occurred in urban areas but not in rural areas. The fact that growth benefits were not shared equally across the various groups reflects (i) an insufficiently progressive fiscal system and (ii) higher growth in urban economic activities (construction, informal trade, transport) than rural economic activities (smallholders' weak yields improvement, ample variations in agricultural outputs), with overall lagging connectivity in energy, roads, and telecommunications (for example, Zambia lags the rest of Africa on the penetration rate of mobile services). As highlighted in the SCD, a combination of poorly targeted subsidies and low social protection coverage explains the weak impact of government expenditure on poverty reduction. However, in 2016, the government took a positive step by reducing the poorly targeted fuel and electricity subsidies and this improved equity.

26. **Variable access to and availability of high-quality services further compounds inequality.** The regressive nature of the fiscal system is attenuated when accounting for the provision of (free) public services. But this conceals significant differences in the quality of services received by different people. Primary education coverage is almost universal, but the odds of receiving a good education are particularly low for rural poor families. Learning outcomes have not improved since 1999, when learning assessments were introduced, and learning outcomes for primary and secondary students in rural Zambia are the lowest in Southern and Eastern Africa. National enrollment in secondary school (grades 8 to 12) has worsened in net and gross rates, except for the richest 10 percent of the population. There are also gender gaps in access to education even though Zambia has achieved gender parity in primary school enrollment. At the secondary level, the gender parity ratio is 85 percent, with 36 percent of girls aged 14–18 estimated to be out of school compared to only 19 percent of boys. Girls' attendance in school is impeded by early childbearing and marriage as well as household financial constraints. There is evidence suggesting that poor families prioritize investment of their limited resources toward boys' education because of social norms and/or a higher perceived return on boys' education, which is not supported by the evidence. Likewise, progress in health recorded in the last decade (for example, infant, under-5, and maternal mortality) did not benefit the poor, who still face greater difficulties in accessing basic health care.

27. **Despite having achieved food self-sufficiency at the national level, food insecurity and malnutrition remain major challenges for many people.** In 2015, 46 percent of rural households reported insufficient food consumption in at least one month of the year. The malnutrition incidence is amongst the highest in the world: 40 percent of children under the age of five have stunted growth, 5 percent are wasted, 15 percent are underweight, and 9 percent are overweight. Relatedly, access to sanitation improved in cities, for the non-poor in particular, but deteriorated in the countryside. Multiple underlying determinants explain these patterns, such as poor nutrition practices, including low and maize-centric agriculture productivity, and poor access to water, sanitation, and basic health services, among others.

28. **Zambia's high population growth rate will continue to exert great pressure on public services and labor markets.** The fertility rate has declined over the past three decades but remains high, at 5.3 children per woman, and the decrease has not significantly reduced the annual population growth rate (2.8 percent) because mortality is also declining. Fertility has dropped almost exclusively among the wealthiest women: 32 percent between 1996 and 2014, while for the poorest women, the drop was 4 percent. Between 2015 and 2050, the working-age population will more than double, and Zambia will need to create over 10 million new jobs by 2050 to keep employment rates unchanged. And the challenge is not only about creating jobs—but also improving their quality, given the low productivity of most jobs and the high prevalence of underemployment.

29. **Zambia's increasing population combined with its agriculture and natural resource exploitation practices are accelerating land and natural resource degradation.** Many people depend on agriculture and

natural resources such as forests, fisheries, and wildlife for their livelihoods, but the value of natural capital is declining rapidly (by 17 percent between 1990 and 2010). Forests cover 60 percent of Zambia’s territory, but the deforestation rate is alarming—estimated to be between 250,000 and 300,000 hectares per year. Maintaining forest cover and wildlife biodiversity (Zambia has world-renowned game parks) is not only relevant for environmental and hydrological services, including carbon capture, but is central to achieving the twin goals and Zambia’s economic diversification objective. Identification of opportunities to create economic gain from protection and sustainable use of natural resources will thus be emphasized further in this CPF.

30. **Zambia’s ability to create a sufficient number of jobs is fundamentally linked to its capacity to encourage a balanced and effective structural transformation.** During the mining boom, good formal jobs were created in modern urban services (finance, telecommunications, government) but did not benefit the poor, who lacked the necessary skills or were too far from the jobs, and poor-quality informal jobs were created. In rural areas—and specifically in the agriculture sector—insufficient productivity growth has prevented smallholders from accumulating the physical and human capital needed to diversify away from subsistence farming. Moreover, international evidence strongly suggests that, given Zambia’s per capita income levels, the likelihood of igniting effective structural transformation by moving labor to higher productivity sectors (that is, from subsistence to commercial farming, from informal to formal, from rural to urban) is greatly dependent on agricultural productivity growth. The development of a competitive agriculture industry would have a powerful pull effect, not only enhancing demand for raw materials, but also increasing domestic value added. But for such a transformation to take place, public programs would have to be revamped to support smallholders (extension services, skills, risks management) and progressively integrate them into value chains because the agricultural sector will not create sufficient employment on its own.

Development Opportunities and Challenges

31. **The twin goals hold great relevance for Zambia.** Zambia’s development can leverage its mining and natural resources (water and forests), available agricultural land, size of surrounding regional markets, and growing, young population and labor force. Returning to an economic growth path such as the one that unfolded from 2004 to 2014 is neither an option nor desirable. This growth was not inclusive, regional disparities increased, and agricultural productivity stagnated. Furthermore, recent macroeconomic difficulties illustrate the risks of overreliance on copper to generate export revenues and finance the government. The reliance on mineral extraction has left a legacy of environmental damage with severe health consequences as result of weak regulatory enforcement. Rapid deforestation and climate change pose additional risks and further compound the lagging performance of rural areas.

32. **The challenges Zambia is facing to enter a path of high, inclusive, and sustainable growth are embedded in the factors that have conditioned its development until now.** The SCD identifies three key sets of issues that need revision for Zambia to enter a path of high growth that is inclusive and sustainable.

- (a). *Mineral extractive-based growth:* The challenge is to leverage mining opportunities to develop other economic activities through diversification while significantly reducing mining’s negative environmental and macroeconomic footprint. Diversification would call for developing an enabling environment for sustainable agri-food growth (objective #1.1) and raising investments in and around rural towns (objective #1.3). Reducing negative externalities from mining would call for strengthening institutions for environmental governance in mining (objective #1.2) and building capacity for fiscal fitness and resilience (objective #3.1).
- (b). *Uneven territorial development:* The challenge is to redress the pattern of deep regional disparities through balanced provision of quality services (health, education, social protection) in rural areas (objective #2.1); investments in and around rural towns (objective #1.3); greater integration in regional markets (objective #3.2), as Zambia’s remote areas are closer to large urban markets in

neighboring countries than to the Copperbelt; and through the broader rural development agenda, including better natural resource and climate change management (objectives #1.1, #1.2, and #1.3).

- (c). *Stability, but with governance that needs strengthening*: The challenge is to anchor on stability with strong governance, moving away from the present situation in which stability is achieved by tailoring policies to serve the interests of the better-off formal and urban populations. The growing political divide between eastern and western Zambia may also prevent the emergence of strong political accountability frameworks. This possibility calls for rebalancing the social contract through greater emphasis on the balanced provision of quality services (objective #2.1) and strengthening institutions toward fiscal fitness and resilience (objective #3.1) to protect fiscal sustainability, and increase budget transparency, accountability, and progressivity.

33. **Zambia’s development agenda is well aligned with the United Nations (UN) Sustainable Development Goals (SDGs).** Vision 2030 articulates Zambia’s aspiration to become a “prosperous middle-income nation” by 2030, the same time frame as the SDGs. The implementation plan of the 7NDP states that about 86 percent⁸ of the plan is well aligned with the SDGs, which shows the country’s commitment toward mainstreaming SDGs and other global development agendas in national development plans. Zambia has not yet produced the SDGs report that shows progress to date, but work is ongoing.

III. WORLD BANK COUNTRY PARTNERSHIP FRAMEWORK

34. **The CPF proposes to accompany the government in its efforts to rekindle economic growth along a more inclusive and sustainable path.** The aim of the government to chart a high growth path that is more diversified, inclusive, and sustainable calls for drastic changes to policy design and implementation. It also places a higher bar on the WBG and other development partners by sharpening selectivity, focusing on the delivery of outcomes, and relying on a clear identification of critical constraints and alignment with national priorities. The CPF aims to incorporate the lessons of the past engagements as well as relevant lessons from peer countries that rely on the exploitation of natural resources for their development.⁹

35. **The CPF seeks major improvements in implementation, with a strong focus not only on “what to do, but how to do it.”** The resources available, the number of projects, and the resources coming from IDA18 define a larger program than the one run during the prior Country Partnership Strategy (CPS). This change requires improving ownership in the design and implementation of WBG projects. Dialogue with the Government on a comprehensive “change agenda” around the IDA portfolio implementation has already produced rules of engagement that focus on accelerated program implementation, as the dialogue was timed with the launch of the 7NDP in mid-2017 and the broad call led by President Edgar Lungu for improved implementation performance of projects countrywide. The CPF will address the Completion and Learning Review (CLR) finding that project designs are too complex and need better-tailored designs around government ownership and institutional capacity. The WBG will be more demanding in its ownership and carefully assess quality at entry, including the political economy environment. The CPF will also promote increased engagement with the private sector along the MFD framework to foster private investments in the economy.

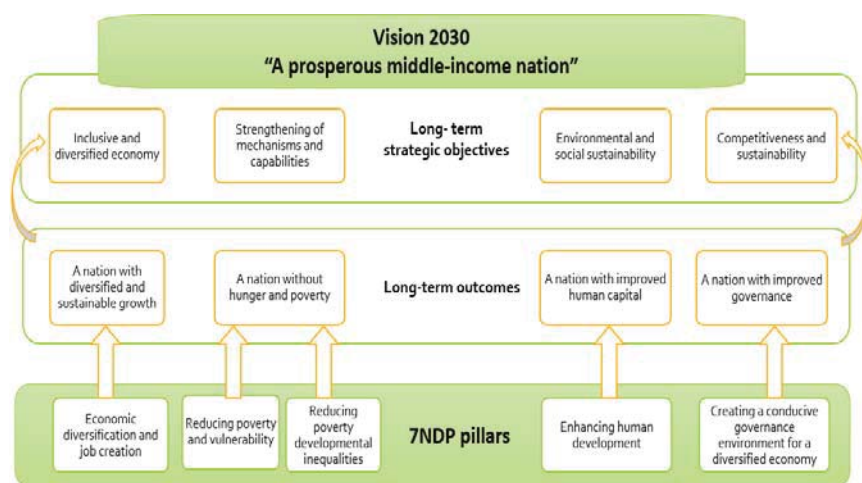
⁸ 7NDP Volume II, Page 6.

⁹ IEG Clustered Country Program Evaluation Synthesis Report 2015, WBG Engagement in Resource-Rich Countries: The Cases of the Plurinational States of Bolivia, Kazakhstan, Mongolia, and Zambia.

A. Government Program and Medium-Term Strategy, and Selectivity Filters

36. **Selectivity Filter #1: Government Program and Medium-Term Strategy:** The Government is pursuing an inclusive path of high growth toward its vision of becoming a prosperous middle-income country by 2030. The strategic objectives for Vision 2030 comprise four categories around an inclusive and diversified economy, environmental and social sustainability, competitiveness and sustainability, and strengthening mechanisms and capacities. Notably, the 7NDP shifted to an integrated multisectoral approach to overcome persistent sectoral silos and identified five strategic areas that are strongly aligned with the SDGs: (a) diversification and

Figure 5: Government Program and Medium-Term Strategy



job creation, (b) poverty and vulnerability reduction, (c) developmental inequalities reduction, (d) human development enhancement, and (e) creation of a conducive governance environment for a diversified economy (see Figure 5). The 7NDP stresses the foundational character of a solid macroeconomic environment, and the Government has issued separate policy directives to address and manage the difficulties that have emerged

over the last couple of years. The detailed implementation plan serves as the Government’s prioritization framework, including a performance measurement framework, and creates strong linkages of the 7NDP with the annual budget (note: an output-based budget is planned as of 2019). Zambia’s commitment to favor a low-carbon climate-resilient economy, as outlined in the Nationally Determined Contribution, is also linked to the SDG agenda.

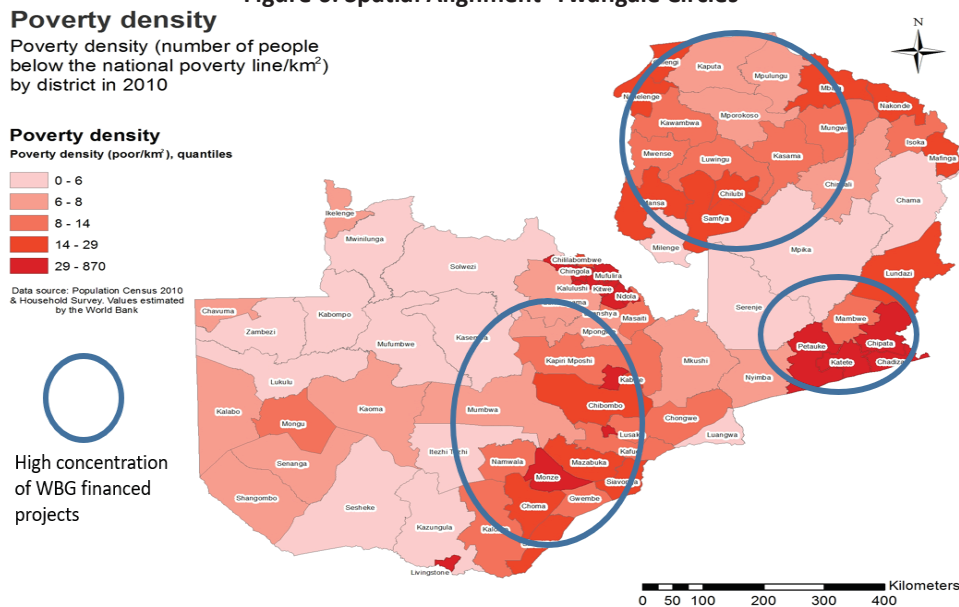
37. **Selectivity Filter #2: SCD Priorities:** The SCD identifies the 10 most critical constraints to achieving the twin goals. The factors were selected by taking account of their impact on growth, inclusion, and sustainability as well as the central features of the current growth model premised on (a) overreliance on mining, (b) unequal development through the national territory, and (c) and stable but weak governance. There is considerable alignment and overlap between the SCD priorities and the Government program, and areas of strong overlap include plans for (a) a diversified and export-oriented agricultural sector; (b) enhanced availability of energy, transport, and ICT; (c) enhanced welfare and livelihood of the poor and vulnerable; (d) reduced inequalities (rural/urban, regional); (e) human development (health, education); and (f) an improved policy environment.

38. **Selectivity Filter #3: WBG Comparative Advantage - Performance and MFD:** The WBG has developed expertise in Zambia in areas relevant to the SCD priorities and the Government program and can access global knowledge and tailor it to Zambia’s needs and characteristics. The selectivity lenses also factor in the lessons from past engagement in the country as well as the experience of similar resource-rich countries (see the Independent Evaluation Group [IEG] Cluster Country Program Evaluation). Energy, agriculture, and water are traditionally the three dominant sectors of the WBG portfolio, with an emphasis on infrastructure investments. Following the Government’s request, this emphasis has more recently been expanded to include (i) social sectors, like social protection, health, and education and (ii) private sector development, like agribusiness and trade. Going forward, performance in delivering development results will vigorously drive selectivity, as the WBG and the Government agreed in the joint Change Agenda (see Section C on program implementation) to prioritize scaling-up well-performing operations over starting new ones. Finally, and

importantly, the opportunity to expand private participation through the MFD framework will be used as an additional selectivity criterion for future support.

39. Selectivity Filter # 4: Tightening selectivity in the use of IDA18 funds – piloting spatial alignment through the ‘Twangale Circles’. Spatial alignment is piloted as a new guiding feature of the country engagement starting with this CPF. When mapping the country program, three spatial circles of emphasis emerged that overlap with the poorest areas of Zambia. The CPF shall explore that future WBG engagement should further prioritize its investments in these three spatial circles—known as the ‘Twangale Circles’ (Figure 6). Specifically, it was agreed that (i) within the three spatial circles, the emphasis shall be on rural areas; (ii) the methodology of project site selection shall follow a set of clear and transparent criteria based on poverty data, sector-specific criteria, and other WBG projects in the area, promoting a more integrated multisectoral approach where WBG projects “better talk to each other”; and (iii) the Ministry of Finance will provide funding for the national program sites outside the three circles to ensure national coverage of poverty reduction programs. Early experience with the application of the ‘Twangale Circles’ under the Rural Connectivity Project (P159330) (FY17) and the Education Enhancement Project (P158570) (FY18) raised concerns about leaving out constituencies outside the three circles, as funding from the national budget may not come through as planned given fiscal pressures. A refined approach is jointly under discussion with the MNDP and the concept shall be reviewed at the time of the Performance and Learning Review.

Figure 6: Spatial Alignment ‘Twangale Circles’



Source: Living Conditions Monitoring Survey 2015 and PovCalnet and jointly agreed circles.

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B. Proposed World Bank Group Partnership Framework

Lessons from the FY13–FY17 CPS Completion and Learning Review

40. The overall performance of the CPS program (FY13–FY17) was Moderately Unsatisfactory. The main conclusions are highlighted in the Completion and Learning Review in Annex 2. A summary of the key lessons that have informed the preparation of this CPF is presented below.

41. Closer collaboration and coordination among stakeholders, including the WBG and the Government, is critical to improving portfolio quality. Given the growing size of the program, implementation capacity should be strengthened to improve the absorption of resources. Toward the end of the CPS FY13-FY17, intensive dialogue between the WBG and the authorities improved performance and made it evident that more comprehensive coordination mechanisms are needed. The WBG should strive to avoid dispersed

efforts and formulation of teams working toward common agendas during implementation. Furthermore, collaboration between the Government, the WBG, and other partners should be underpinned by the 7NDP.

42. **Project design has been a root cause of poor implementation.** The CLR has observed that design of projects has not sufficiently reflected client capacity, so it is important to align design with capacity. Therefore, sharper made-to-fit designs that match existing capacity will be promoted, and capacity assessments undertaken by the WBG and other partners will be used to inform design. In addition, tailored capacity building will be an essential aspect of this CPF, including through advisory services by IFC in priority sectors. Key government ministries and departments, with special attention to the decentralized level, will be better engaged in project preparation to enable the most transformational impact.

43. **WBG projects should be well reflected in and aligned with the Government budget programs.** Projects that are part of the Government's national program will be prioritized to contribute to a broader development impact, instead of stand-alone projects. This practice will also reduce the burden on both the client and the WBG to supervise activities. Strong alignment with Government-priority programs will facilitate the scaling up of initiatives and the creation of platforms to bring in the private sector in line with the MFD initiative.

44. **The WBG can be effective in strengthening institutions at the local level.** In line with the national decentralization policy designed to devolve functions to the local level, the WBG will continue to support the strengthening of governance, accountability, and service delivery at the local level. This practice has already been introduced under the forestry and climate change interventions through local-level project management structures. The WBG and the Government are discussing means to identify further opportunities to strengthen the institutional, fiscal, and financial management capacities of provincial and local governments to enable them to deliver services to citizens in an efficient, transparent, and accountable manner. Strengthening local-level planning through robust citizen engagement and improving transparency and oversight of resource allocation and public spending at the local level will strengthen downward accountability and thereby enhance the social contract between citizens and the state. To achieve these objectives, the WBG needs to invest in filling the knowledge gap that exists around understanding the institutional (fiscal and administrative) underpinnings of the Government's decentralization policy as well as the political economy factors driving the policy and its implementation.

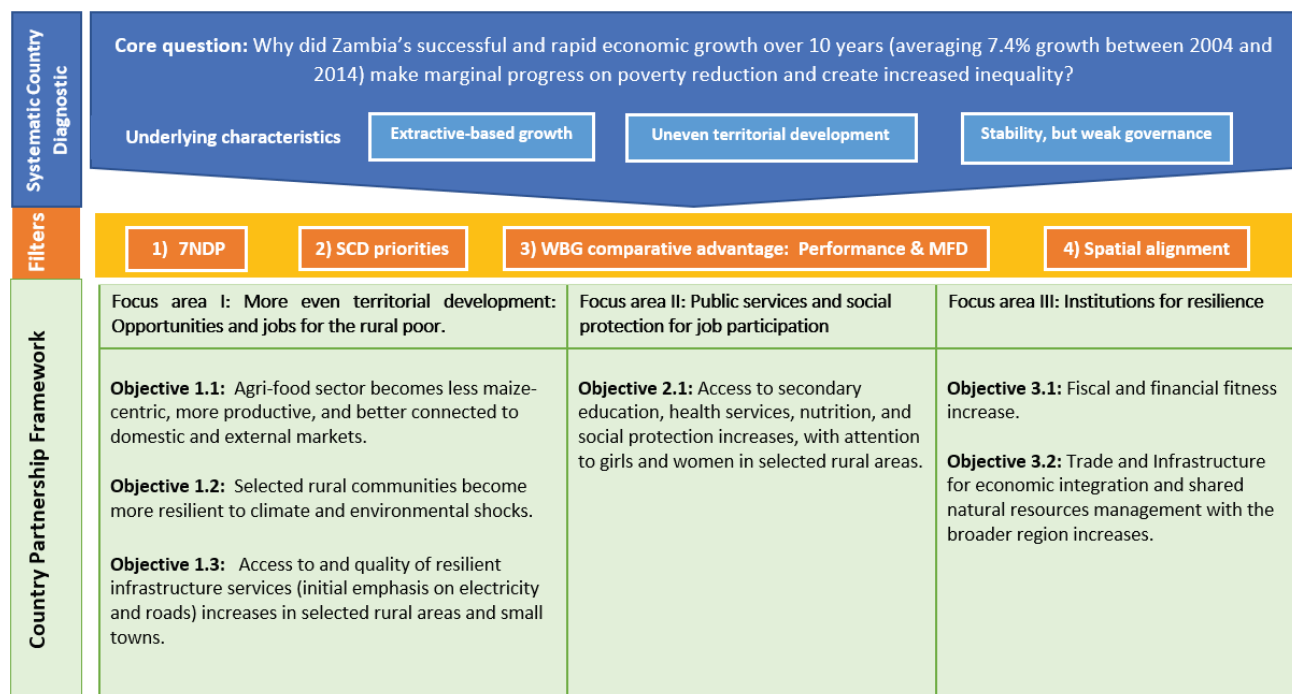
45. **The WBG should continue to emphasize strong analytical work to influence the design and implementation of projects.** This lesson has been applied in this CPF, and the Advisory Services and Analytics (ASA) on poverty monitoring, agriculture, health expenditure review, jobs, and nutrition, and a country private sector diagnostic are expected to make critical contributions to the program.

Overview of the WBG Partnership Strategy

46. **The CPF program is organized around three focus areas, signaling the key overarching themes of the partnership.** The first focus area, "*More even territorial development: opportunities and jobs for the rural poor,*" centers on accelerating inclusive and sustainable rural development, fostering fiscal decentralization, enabling the rural population to increase its resilience to shocks, and connecting the lagging regions of the country to the main internal and external markets through improved connectivity and closing infrastructure gaps. The second focus area, "*Public Services and Social Protection for Job Participation,*" proposes a more inclusive development path with a focus on long-term human capital investments to break intergenerational poverty transmission, particularly in rural and disadvantaged areas. The third focus area, "*Institutions for Resilience,*" seeks to create mechanisms that improve public financial resource allocation, manage shocks to shield the country, and allow asset accumulation at all levels (individuals, households, firms, farms, state) as the foundation for shared prosperity.

47. **Six objectives under the three focus areas provide the foundation of the CPF.** The objectives have been identified by applying the selectivity criteria above to the SCD constraints; however, the alignment varies in degree. The engagement in agriculture, rural development, secondary cities, and decentralized public services is envisaged to be very strong and comprehensive, seeking substantial transformation of targeted regions. To the contrary, the engagement on fiscal institutions will be selective, seeking to build sturdy foundations to expand engagement down the line. The engagement on alleviating the financing constraints of the domestic private sector, particularly for SMEs, will also be selective, while lessons of the past are absorbed, and the macroeconomic space opens up for more resources to flow to the private sector. Similarly, the CPF will seek to leverage MFD approaches across the portfolio to the extent feasible in line with business and investor confidence. (See Figure 7).

Figure 7: SCD, Filters, and CPF Focus Areas and Objectives



48. **The CPF reflects lessons learned, specifically around the five recommendations from the IEG Zambia Country Program Evaluation FY04–FY13,**¹⁰ which include: (i) prepare for potential copper volatility; (ii) focus governance and institutional strengthening on building government capacity; (iii) develop priority project portfolio in transport, power, and health; (iv) develop and implement an agriculture strategy with synergies across the World Bank, IFC, and MIGA; and (v) give rural poverty more priority in the World Bank Group strategy.

Focus Area I: More Even Territorial Development: Opportunities and Jobs for the Rural Poor

49. **Focus Area I centers on rebalancing opportunities across regions** as part of a national effort to increase inclusiveness, expand employment opportunities, and develop alternative sources of growth that contribute to the diversification of the economy.

¹⁰IEG Zambia Country Program Evaluation FY04–FY13, 2015

Objective 1.1: Agri-food sector becomes less maize-centric, more productive, and better connected to domestic and external markets.

50. **The twin challenges facing Zambia are to unlock its full agricultural potential and elevate the incomes of the rural poor.** First, Zambia’s abundant agricultural production has been skewed toward maize, leading to large maize surpluses, unbalanced diets, and widespread stunting. Existing agricultural policies, including export restrictions, a minimum price for maize, purchase guarantees, and input subsidies are distortionary and regressive: such policies need to be simpler, sharper, and better targeted, while promoting diversification. Second, poverty is concentrated in rural areas, with two out of every three Zambians relying on agriculture for their livelihoods. Isolated rural communities are particularly vulnerable. Limited access to markets because of poor connectivity increases costs, harms productivity and competitiveness by reducing incentives to adopt new techniques and align production to market opportunities, and limits the variety of available foodstuffs, exacerbating malnutrition. Third, agriculture production has increased steadily since 2008, especially for food and livestock, but productivity has been stagnating because no progress has been made in terms of machinery, irrigation, or fertilizer use. Compared to other eastern and southern African countries, Zambia’s rural investment climate is lagging. In addition, adverse public policies hinder private sector participation in agriculture. The 7NDP prioritizes diversification anchored on rural development and jobs, emphasizing increased productivity especially of small-scale farmers.

51. **Objective 1.1 will support agriculture as the economic motor of rural growth to increase income and employment opportunities and reduce poverty by better connecting to the market and shifting to more productive technologies.** Such a sector would increase production, generate business opportunities, and increasing employability of young women and men, with agro-industry and producers’ associations playing a prominent role in linking agriculture to markets. Progress under the objective would have important spillover effects on nutrition through more balanced diets and urban development as agro-processing takes hold. Objective 1.1 contributes strongly to the IDA18 emphasis on opportunities and jobs for the poor.

52. **The proposed strategy to achieve Objective 1.1 prioritizes linking the rural economy to markets by streamlining regulations and facilitating networks that broaden opportunities for smallholders in particular.** The objective sharply diverges from previous efforts that emphasized increased supply through the adoption of new technologies. The CPF relies on three drivers to achieve the objective. The first is streamlining policies and regulations that affect incentives and resource allocation and choke rural economic potential. The streamlining is expected to reallocate resources away from maize, and the revised regulatory framework for agriculture would contribute to other improvements in public expenditure. The second driver centers on connecting agriculture and the rural economy to markets either directly or through agro-industry. It would include support for (a) promising value chains (for example, cotton, groundnut, soy bean, cassava, beef, and milk); (b) productive alliances, with specific measures to facilitate the participation of vulnerable and traditionally marginalized groups, especially women; (c) agro-industries, including small, medium, and large firms (d) sanitary, phytosanitary, food safety, and other business standards; and (e) complementary activities such as branding, including for external markets. Agro-industrial development not only enhances demand and increases domestic value added, but it also helps foster SME growth and corresponding employment. The third driver is the availability of technologies for raising productivity, ensuring that domestic and international market standards are met, and enhancing the long-term sustainability of production systems—also in light of climate change.

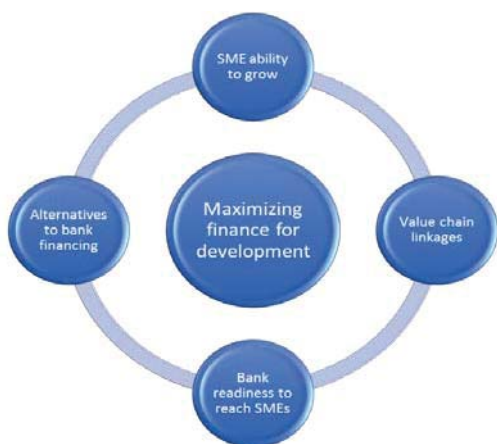
53. **To pursue the transformation of agriculture, efforts should target geographical areas with high potential (clusters) and costly access to finance.** Concentration around strategic clusters may achieve the greatest impact, with efforts in each cluster centering on strengthening public infrastructure, increasing institutional support, and increasing market access and available financing, especially since restricted financial

access particularly affects rural and agri-business growth. For example, to enhance marketing potential, sanitary and phytosanitary systems would be strengthened, food safety regulations would be generated, and vocational training programs would be established to strengthen local capacity in production, processing, and marketing. Preliminary analysis shows potential clusters for cotton, groundnut, soy bean, cassava, beef and milk.

Box 1: Maximizing Financing for Development – Agribusiness

Based on Zambia’s income, urbanization, and population growth trends, food demand could grow more than threefold over the next 15 years to more than US\$25 billion. As an example, estimates show that domestic demand for poultry tripled between 2012 and 2015 from 3 kilograms to 9 kilograms per capita. Given its geographic position, the country could also feed the growing food and beverage demand from neighboring countries, which would fuel agribusiness growth and better balance urban-rural prosperity, but Zambian food and beverage manufacturing companies exhibit high export entry but very low export survival rates.

Figure B1.1: MFD process in agribusiness



The Zambia Agribusiness and Trade Project (P156492), establishes the foundation upon which a range of WBG products can be based. It takes a market-led approach to increasing the competitiveness of emergent farmers and agro-processing SMEs. The project starts with the buyers’ specifications and works backward to provide emergent farmer groups and agro-processing SMEs with tailored technical assistance and finance with the specific purpose of upgrading their productivity to meet buyers’ requirements. While financed by the government, the technical assistance is outsourced to private providers. The matching grant facility also includes a success-sharing royalty in order to instill the financial discipline of paying debts. With this approach, the aim is to increase the competitiveness, cashflow, and asset bases of the participating emergent farmers and SMEs to a stage where they can tap into bank financing.

In parallel, MIGA is insuring larger-scale agribusiness players and IFC Advisory is strengthening Zambia’s credit infrastructure, thus facilitating investment and lending readiness. Additionally, improvements in the business enabling environment are facilitated via disbursement-linked indicators tied to improvements in competition policy, trade processes, business regulatory reviews, and the national quality infrastructure. The idea is to create a feedback loop between the firm-level capability and the business-enabling environment components whereupon the Government can identify where public investment and policy reform would unlock private sector growth.

The Zambia Agribusiness and Trade Project (P156492) was jointly developed across the WBG Global Practices and IFC. As a next stage of MFD approach, IFC sees the agribusiness sector as the most significant potential driver of IFC investments and is currently assessing opportunities to leverage new IFC products, such as SME Ventures, blended finance, and local-currency lending to advance the sector.

54. **The WBG is well positioned to support the agriculture sector’s transformation.** A mix of IDA lending instruments would support the streamlining of regulations and the shifting of incentives. This CPF seeks to link the rural economy and urban markets through initiatives such as productive alliances and agro-processing and aims to integrate agriculture value chains and improve farmers’ capacity to invest. The World Bank will focus on the public goods and support to small farmers and IFC will focus on financing for agribusiness partners; key partners include the African Development Bank, European Union, International Fund for Agricultural Development, and the Food and Agriculture Organization. The proposed new operation, Economic Diversification for Jobs in Agriculture (P167736), aims to squarely tackle the productivity gap and the market connectivity agenda of emerging farmers, with a particular focus on women as key beneficiaries of the agriculture and rural development projects supported by this CPF. Its effectiveness will benefit from expected progress in ongoing agricultural projects. New technologies will be delivered through the following

operations: Irrigation Development and Support Project (IDSP) (P102459), Agricultural Productivity Program for Southern Africa (regional project) (P094183), Community Markets for Conservation Landscape Management (COMACO) (P144254), and Integrated Forest Landscape (P161490).

55. **Complementarily, and in the spirit of the MFD principles, IFC seeks to strengthen and diversify the entire agriculture value chain and promote climate-smart agriculture (CSA) by supporting large-scale agribusiness projects and partnering with financial institutions engaged in the financing of small and medium-sized farmers.** Thanks to its investments in Zambeef and Agrivision, IFC is supporting strategic value chains for Zambia (livestock/animal protein, edible oil, maize, soy, and wheat) with dedicated solutions to improve the performance (including corporate as well as environmental and social) of these large agro-operators. Through strategic partnerships with financial institutions, IFC is scaling up access to finance for farmers, focusing on the Micro, Small, and Medium-sized Enterprises (MSMEs) engaged in the agriculture value chain. Moving forward, IFC intends to deepen this engagement and focus on new value chains such as fruits, vegetables, sugar cane, and forestry. In addition, IFC will seek investments in agro-processing, which is critical to the development of value chains and acts as a pull to primary production. IFC will complement its investments with appropriate advisory services to enhance productivity, quality, and efficiencies. Complementary investments in irrigation, localized storage systems including cold chain storage systems, and power supply should be prioritized to improve productivity. Overall, this broad-based engagement will build on upfront World Bank policy engagement and investment lending.

56. **MIGA has supported investments in the agriculture sector through its reinsurance of the Overseas Private Investment Corporation.** MIGA's reinsurance supported equity investments by SilverStreet Private Equity Strategies Soparfi Sarl into Silverlands Ranching Limited totaling US\$25.2 million¹¹. The project's main development objective is to improve agricultural sustainability and increase livestock productivity through the introduction of more efficient processes and technology. MIGA also has existing exposure to the Yalelo Aquaculture project, which was issued in FY13. This project is helping to address the shortage of fish harvesting and reducing the amount of fish being imported.

Objective 1.2: Selected rural communities become more resilient to climate and environmental shocks.

57. **Zambia is unprepared for climate change, and the inability to enforce environment regulations on copper mining is affecting health and agriculture potential and quality of life in affected areas.** Forests are being lost rapidly as the rural economic frontier continues to expand and farmers lack the techniques to exploit the land while preserving the environment. Limited institutional capacity is delaying the mobilization of domestic and international resources that are necessary to successfully implement Zambia's Intended Nationally Determined Contribution to the 2015 Paris Agreement to combat climate change.

58. **Renewable natural resource-based sectors—such as agriculture, water, forestry, wildlife, fisheries, nature-based tourism, biodiversity, and rural economic activities—face multiple shocks that limit the capacity to produce but also the capacity to adapt, learn, and grow.** The impact of climate change, including more erratic rainfall, droughts, and floods, will exacerbate economic shocks given the high dependence on rain-fed agriculture and the limited local water storage systems (particularly when compared with Zimbabwe). Droughts have knock-on effects on deforestation, simultaneously exacerbating environmental vulnerabilities and carbon emissions. While climate change is a risk, Zambia's good biophysical characteristics and generous renewable natural resource endowment is also an opportunity, and both must be managed in tandem.

¹¹ The Overseas Private Investment Corporation (OPIC) is a U.S. Government agency that helps American businesses invest in emerging markets. OPIC are the primary risk insurance provider for these projects, but share the risk with MIGA by way of contracting reinsurance on part of their exposure from MIGA.

Building on opportunities can add resilience to manage the threats but doing so also requires new technologies and forms of social organizations. Examples include promotion of nature-based tourism (eco-tourism); investments in forest protection, to reduce pressures on land and forests; forest carbon; sustainable charcoal production; and resilient agricultural systems and practices that address climate-related shocks. Communities around mining sites face similar challenges as it is beyond their means to correct for the environmental deterioration that encroaches on them.

Box 2: Carbon Payments Set a New and Sustainable Path for Smallholder Farmers in the Eastern Province

Carbon Payments benefits smallholder farmers in the Eastern Province. Eighteen thousand smallholder farmers received results-based REDD+ (Reducing Emissions from Deforestation and Forest Degradation, and foster conservation, sustainable management of forests, and enhancement of forest carbon stocks) and CSA payments from the World Bank’s BioCarbon Fund for the carbon emission reductions verified by international standards. Together



with sustainably managed forest conservation areas, the project has generated more than US\$800,000 in payments to participating communities and the managing entity of the project, the social enterprise COMACO. This marks the beginning of concerted community engagement efforts to realize benefits from reduced deforestation while increasing food production and household incomes. Farmers are able to produce maize yields above 2 tons per hectare without fertilizer, which in turn reduces associated carbon-costs from increased dependence on fertilizers. Creation of Community Conservation Areas, by

developing land-use plans and sustainably producing non-extractive forest products, such as honey and mushrooms, and using non-expansive agriculture were key in reducing forest loss, protecting and expanding areas of natural forest, and conserving biodiversity. The Integrated Forest Landscape Program, under the BioCarbon Fund Initiative for Sustainable Forest Landscape, is scaling up this approach and expanding the beneficiary group to over 250,000 smallholder households over nine districts in the province, with an expected carbon payment of up to US\$30 million if net results on reducing deforestation and carbon sequestration are achieved.

59. **Institutionalizing scalable, sustainable, decentralized solutions that leverage external climate financing is a priority given that communities most reliant on renewable natural resources are also the poorest and most vulnerable to climate change.** Objective 1.2 seeks to help communities prepare through (i) the introduction of climate-smart techniques in rural areas; (ii) the facilitation of women’s access to organizational, technical, and management skills that will allow them to compete with other producers; (iii) the stalling of deforestation and increasing capacity of these areas to produce sustainable incomes for the population; and (iv) the improved alignment and strengthening of institutions to effectively leverage climate financing and bring in the private sector to better nurture, sustain, and bring successful initiatives to scale. The various WBG ongoing engagements on climate change in the country offer support on all these fronts and offer tentative building blocks for a much-needed harmonized, decentralized, and umbrella structure to rectify the current fragmentation of external climate funds. Among the engagements, the Integrated Forest Landscape Project (P161490), builds on the successful COMACO Landscape Management Project (P144254) pilot that resulted in farmers enhancing production and delivering on carbon mitigation efforts; the Strengthening Climate Resilience (Pilot Program for Climate Resilience [PPCR] Phase II) supports a rural-focused renewable natural resilience approach to adaptation; and the Water Resources Development Project (P114949) promotes the development of small-scale water infrastructure to buffer against climate shocks. New engagements include the PPCR Additional Financing (P165442), and Transforming Landscapes for

Resilience and Development (TRALARD) Project (P164764). Key cooperating partners here include the African Development Bank and the United Nations Development Programme.

60. **Weak enforcement of environment regulations has meant that Zambia possesses some of the most polluted sites in the world, affecting the health and income opportunities for the surrounding communities.** Seventy years of mining operations, no formal mine closures, and a lack of concurrent rehabilitation of mining sites has resulted in a massive “environmental mortgage.” The Mining and Environmental Remediation and Improvement Project (P154683) helps support affected communities in coping with and redressing mining contamination. Since mining will continue to be a key driver of economic growth, the challenge is to manage the trade-off between positive externalities on economic growth, employment, and revenue generation and the unaddressed negative externalities that include but are not limited to environmental damage (land degradation, contamination of land and water, and air pollution) and the subsequent environmental health and socioeconomic costs (health hazards, relocation, alcoholism, alteration of the social structure). Current WBG engagement includes Extractive Industries Transparency Initiative (EITI) Post Compliance Implementation Support, and further activity could include water and soil pollution assistance in specific zones affected by legacy mining, artisanal and small-scale gold mining (Global Environment Facility (GEF)), and solid waste management.

61. **There is ample space for private sector and community participation in adapting productive practices to climate change and overcoming environmental degradation.** IFC’s strategic client engagement aims to promote climate-smart practices and mitigate potential climate risks. For instance, IFC invested in Metalco Industries Company Limited, a Zambian recycling company that is using new capital to upgrade environmental standards, expand operations, create over 250 new jobs, and support the local economy of Kabwe, where the company is based. IFC is also considering specific resource efficiency engagements that would improve energy and water use for agribusiness and manufacturing. The challenge for the Government is nurturing such enterprises through innovative approaches that encourage creative solutions and exchange of information, experience, and mechanisms to scale up successes.

Objective 1.3: Access to and quality of resilient infrastructure services (initial emphasis on electricity and roads) increases in selected rural areas and small towns.

62. **Infrastructure gaps combined with a weak supporting environment in rural areas and small towns are contributing to uneven territorial development.** Access to services is stubbornly low, and investments are failing to keep up with demand. Only 4 percent of the rural population has access to energy, only 17 percent of the population lives within one hour of an all-season road, 44 percent of the rural population have access to water, and less than 20 percent to basic sanitation. Insufficient and unreliable infrastructure services, including electricity, roads, water, and ICT, create investment barriers that inhibit rural economic growth, weaken links among firms, and slow job creation. In particular, women are bound to benefit greatly from access to basic infrastructure because they tend to take on the greater burden for fuel and water collection, and social norms about personal safety can impede their physical mobility. Furthermore, access to reliable ICT services is limited and sometimes non-existent in rural areas. With its penetration rate for mobile services around 67 percent of the population and internet usage around 17 percent, Zambia lags the rest of Africa. Even in areas with coverage, poor service quality prevents the population from benefitting from value-added services. In addition, the broadband sector remains relatively underdeveloped, with very weak geographic coverage and very poor quality standards. Weak connectivity further isolates small towns and rural areas in the already underserved and isolated provinces that are not on rail lines—which further prevents would-be entrepreneurs from capitalizing on cross-border markets with the eight neighboring countries.

63. **Objective 1.3 supports reducing the infrastructure gap in lagging regions.** This objective will help balance regional development and create quality job opportunities by providing a basic infrastructure platform for developing competitive businesses and accessing local and regional markets. It contributes to Objective 1.1 by enabling the poor to participate in the rural and small-town economies. Likewise, it contributes to Objective 2.1 by building a healthy and educated workforce (access to electricity and sanitation has a strong impact on girls' educational outcomes; and access to health services and water supply, sanitation, and hygiene services helps to reduce child mortality and stunting and limit infectious diseases). Achieving this ambitious objective will require developing new financially sustainable business models that better prioritize investments, offer affordable services, and where possible, bring in domestic and international private sector finance.

64. **A mere 4 percent of rural households have access to electricity, and scaling up requires overcoming the main power sector challenges.** When reserve requirements for prudent system operation are considered, existing generation capacity, of which more than 85 percent is hydro, is insufficient to meet demand in the short to medium term let alone for significantly expanding grid access. In addition, hydro capacity, which is concentrated in the Zambezi River basin, is increasingly prone to climatic effects, as recently experienced in 2015/16 when lower than expected rainfall led to a national power crisis. Furthermore, the financial situation of national utility ZESCO has deteriorated because of costly generation capacity procured at the height of the recent power crisis, the lack of cost containment, and inadequate revenues. As a result, ZESCO's capacity to meet recurring expenditures and invest in refurbishments and capacity expansions has been adversely affected, which presents a significant fiscal risk for Government. In addition, the lack of institutionalized and periodic planning coupled with the absence of a transparent procurement framework for large-scale generation capacity and overall private sector participation hinders efficient resource mobilization. Improved planning capability would enable optimized diversification of the generation/supply mix, with other river basins for hydropower, with variable renewable energy resources such as solar and wind, and with imports from the Southern Africa Power Pool, where South Africa is at present a dominant exporter.

65. **The CPF will contribute to increasing access to electricity.** Several overarching efforts will support increased electrical access: the WBG's Electricity Service Access Project (P162760) and Scaling Solar program, IDA and IFC work to support ZESCO and possibly off-grid energy will dovetail with the World Bank power sector efforts, and the World Bank's participation in an energy cooperating partners group that includes the Government.

- a) The Electricity Service Access Project (P162760) will support enhanced access to electricity in rural and peri-urban areas. The project includes analysis of institutionalizing national electrification planning that will provide the basis for scaled-up electrification efforts that will comprise the Government, other cooperating partners, and the private sector and may use results-based financing.
- b) The WBG's Scaling Solar program will assist the Electricity Service Access Project (P162760) by providing a larger share of renewable energy in the country's primary energy mix. Access to more cost-effective regional sources will come through four means: the recently completed Kafue–Muzuma–Victoria Falls Regional Transmission Line Project (P124351); the Zambia-Tanzania Interconnector Project (P166099), which is under preparation; the enhanced financial sustainability of the core power sector, which is backed by a possible partial risk guarantee to support the mobilization of commercial lending; and the development of private sector-led off-grid renewable energy.
- c) The WBG will also continue its collaboration related to the geographic information system activity to identify and locate specific sites for possible off-grid energy solutions, along with other shared activities. Some of the Electricity Service Access Project's (P162760) proceeds will cover the expected viability gap needed for the off-grid energy solutions that are expected to be deployed through a competitive tender (that is, a public-private partnership [PPP] approach).

- d) World Bank engagement will support overall power sector development effectiveness, including capacity building in long-term system planning, financial restructuring, and consolidation of efficiency gains at the utility level. IFC interventions will then leverage the World Bank engagement, in the spirit of the MFD principles, and include work to improve the technical efficiency of ZESCO and to allow for better grid integration of variable renewable energy and helping develop the distributed energy service company segment. Similarly, IDA and IFC are jointly supporting reforms to improve the financial position and financial sustainability of ZESCO, the key utility in the sector, and may explore options to support off-grid energy solutions through the scale up of distributed energy service companies, energy transmission PPPs, municipal financing, and hydro projects.
- e) The World Bank is also part of the lead troika of the energy cooperating partners group that meets regularly to discuss ongoing cooperating partners engagement with the Zambian authorities and to ensure coordination of programs and initiatives. To strengthen coordination and streamline priorities, 11 cooperating partners¹² including the World Bank signed a Declaration of Intent with the Government during the 2016 Marrakech UN Climate Change Conference.

66. **Adequate rural road connectivity, adequate transport for goods and people, and functioning cold chains and warehousing accessibility are critical if regional trade and domestic spatial development are to occur.** A new logistics strategy is being initiated under the Zambia Agribusiness and Trade Project (P156492). This strategy will first seek to identify the key challenges related to a wide range of transport and logistical service challenges and the primary policy and regulatory reform priorities going forward. This broader strategy, championed by the Ministry of Commerce, Trade and Industry, dovetails with the Great Lakes Trade Facilitation Project (P155329), which aims to open up less costly trading routes. Relatedly, the Improved Rural Connectivity Project (P159330) is building capacity to plan, implement, and maintain rural road infrastructure as well as roll out an employment creation policy in road infrastructure. This project is also taking key steps to ensure that the road infrastructure implemented is more resilient against floods, droughts, and more extreme temperatures than in the past. Building on the World Bank's engagement, IFC is exploring ways to scale up private participation and mobilize investors in the provision of essential mobility and regional freight transport services in particular. Using an MFD approach, aforementioned World Bank activities will be leveraged to identify policy and sector reform challenges with the aim to eliminate risk in the sector and thereby crowd in the private sector. Additionally, the WBG will explore the feasibility of PPP options to accelerate investments in key logistics infrastructure.

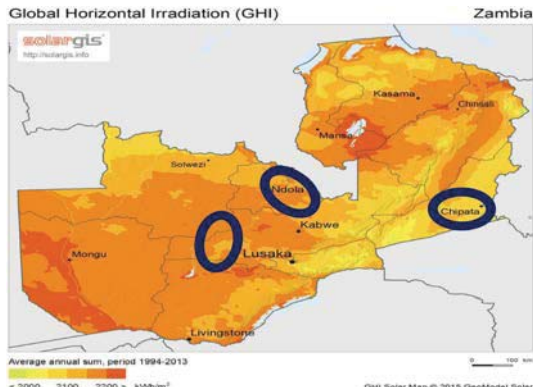
67. **Water and sanitation efforts in Lusaka are informing a national rural water supply and sanitation program.** The national program will seek to boost public and private investment financing in the sector (for example, the sector constitutes only 0.6 percent of Government expenditure, compared with international benchmarks of 1 percent to 4 percent) and increase the efficiency of local service providers, since losses incurred by the 11 commercial utilities serving rural and urban areas exceed revenues by 200 percent. The CPF may explore whether a program-for-results (PforR) program can improve the operational efficiency of water utilities operating in lagging rural regions, while improving access to improved water services and safely managed sanitation in areas with high stunting and morbidity. Opportunities for jobs creation through private sector participation (for example, SME creation for on-site sanitation, or local rural water supply operators) will also be explored, ideally jointly with IFC.

¹² The African Development Bank, the European Union, France, Germany, Ireland, Italy, Japan, Sweden, the United Kingdom, the United States, and the World Bank.

Box 3: Maximizing Financing for Development - Energy

As Zambia is prone to hydrological and climate variability risks, especially because it depends on hydropower to generate over 85 percent of its electricity, it needs to diversify its electricity generation mix. Faced with up to 10-hour power cuts during the 2015/16 energy crisis, Zambia accelerated public and private investment in power generation, including embracing the WBG’s Scaling Solar program that aims to support the competitive procurement of large-scale solar photovoltaic (PV) generation.

Figure B3.1: Global Horizontal Irradiation (GHI)



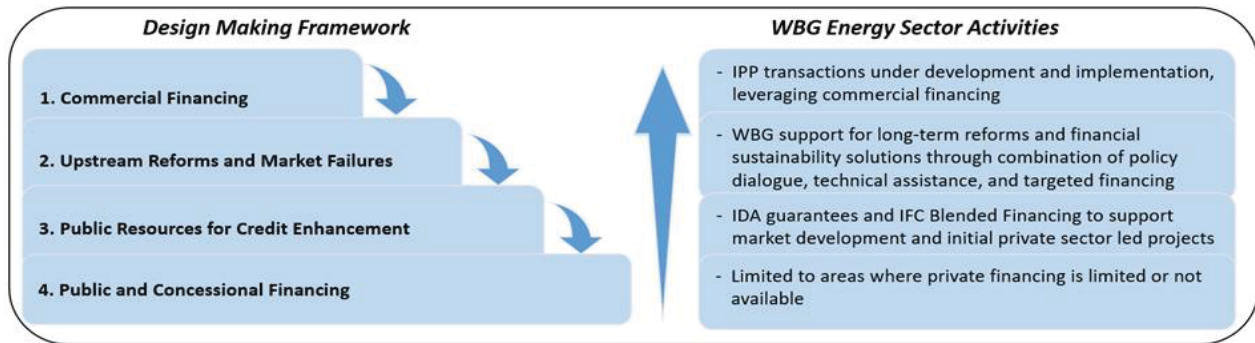
Source: GHI Solar Map, 2015, GeoModel Solar

The World Bank Group Scaling Solar program brought together a suite of advisory, investment, and credit-enhancement services/instruments from IDA, IFC, and MIGA under the umbrella of a single engagement aimed at creating sustainable markets for grid-connected solar power plants and enabling competitive and transparent procurement of solar power. The initiative resulted in the commercial close of 76 megawatts (MW) of capacity under Round 1, establishing the lowest solar PV tariffs in Sub-Saharan Africa at the time.¹³ The initiative also showed that private sector financing can be leveraged through a well-prepared and competitive process and highlighted gaps that exist for the competitive procurement of new generation in Zambia. The Government is drawing on lessons learned and is eager to improve its responsiveness for private sector investments. Following the success of the first round, a second round for 300 MW is planned

for 2018, targeting solar PV generation in the Copperbelt, Central, and Eastern provinces.

The Government also recognizes that the fundamentals of the power sector, including its financial viability, need to be addressed to enable longer-term solutions. Therefore, Zambia is considering embarking on sector reforms. As part of the next stage in the MFD approach, World Bank support has been requested to leverage commercial financing to improve the financial situation of the sector, clear up arrears, ensure ZESCO’s financial sustainability, and pave the way for financial sustainability that will gradually remove the need for credit enhancement instruments. Several options can be utilized to achieve long-term sustainability in the sector.

Figure B3.2: Maximizing Finance for Development in the Energy Sector



Source: World Bank Energy and Extractives Practice

68. **A sector-wide ICT review is needed to determine the way forward.** The MFD focus will require that upstream policy reforms be undertaken to address the high cost of telecom services, limited broadband infrastructure, and limited competition. More clarity is also needed on Government plans to bring in private sector operators to help commercialize existing public infrastructure (for example, ZESCO’s fiber and Zamtel’s towers) on an open, wholesale basis. The Government’s initiatives established to enable a digital economy, such as the Smart Zambia Institute, have created an avenue through which it can leverage the WBG’s experience and regulatory and policy tools to create an environment for high-impact use cases across health,

¹³ US\$0.06/kWh and US\$0.078/kWh (2016).

education, e-commerce, agriculture, social service delivery, and other development areas to maximize private sector expertise. Such WBG participation would fall under the Digital Economy for Africa Initiative.

Focus Area II: Public Services and Social Protection for Job Participation

Objective 2.1: Access to secondary education, health services, nutrition, and social protection increases, with attention to girls and women in selected rural areas.

69. **Poor and unevenly distributed human capital is one of the key constraints to inclusive growth.** Zambia has invested too little and inefficiently in its people, and this is perhaps the main reason why the country's overall performance in terms of inclusive growth has fallen short in recent decades. The analysis and recommendations from the SCD, Jobs Diagnostic, and Impact of Fiscal Policy on Inequality and Poverty in Zambia reports, as well as the 7NDP under the Human Development, Poverty and Vulnerability, and Reducing Inequalities pillars clearly reflect this conclusion. Poor human development outcomes affect individual well-being and labor market productivity and therefore limit economic growth.

70. **The challenge of how to build more productive human development in Zambia is twofold.** Any response to this challenge must simultaneously invest in the adult population, the majority of whom are active in the labor market and are still poor, while also investing in the country's younger generations as the drivers of future economic development. The proposed priority human development interventions in the CPF would affect short- as well as long-term outcomes. This will also create the institutional basis for responding more effectively to disease outbreaks and broader public health emergencies as significant development challenges, as demonstrated by the recent cholera epidemic.

71. **In the immediate term, there is a need to invest more in smart social protection programs to reduce poverty and encourage labor market productivity of the large informal sector.** The majority of those in the labor market live in poverty, have had little education, and predominantly reside in rural areas. Even if more opportunities for formal employment existed, this population would find it difficult to access those jobs. Facilitating people's productive inclusion in society and making sure they can invest in their children's futures requires redistributive policies.

72. **The CPF will contribute to enhancing the redistributive impact of fiscal and transfer policies and to building the productive inclusion program for the poor.** The SCD notes that the poor get insufficient benefits from fiscal policies because of vested interests and limited safety nets. The 7NDP also recognizes this, and the Government has already made progress in expanding its national Social Cash Transfer Scheme (SCTS) to a target of 750,000 extremely poor households. Strong voices within Government call for complementing the social cash transfer with additional support tailored to encourage productive outcomes, including human development and increased earnings.

73. **Women are at the heart of the inclusive growth agenda the WBG will pursue in the CPF.** Because of the severe gender gaps in place today and the critical roles of females in reproductive health and in future human capital investments, the strategic choice in the CPF within the broader productive inclusion agenda is to focus on women. The design of the livelihood programs the WBG supports during the CPF period encourages women's productive outcomes within beneficiary households. For example, the Girls Education and Women Empowerment and Livelihood (GEWEL) Project (P151451) provides a cash-plus model with innovative payment methods to support both women and adolescent girls. For working-age women, the project encourages increased earnings through access to capital, noncognitive training, and basic business skills (for example, financial literacy). For adolescents, GEWEL (P151451) supports human development outcomes through the provision of secondary school scholarships for girls in social cash transfer households.

74. **Human development interventions in health, education, and social protection will contribute to reduced fertility rates.** The total fertility rate is high, at 5.3, and even higher for women in the poorest 40 percent of households. This rate means women's health is affected as well as their prospects to engage in educational and employment opportunities, which in turn affects the potential of their children. Teenage pregnancy and motherhood is a major social and health issue, as about 29 percent of women aged 15–19 have begun childbearing. Poor women also face greater constraints in maternal and other health services. Increased mothers' education will spark positive outcomes, such as reduced fertility, maternal mortality, and stunting, and improve other health indicators for them and their children.

75. **To promote longer-term sustainable and inclusive development, the country must invest in its young people to break the intergenerational transmission of poverty.** Zambia was unsuccessful in achieving the health-related MDGs, particularly the maternal and nutrition outcomes. High fertility rates, childhood malnutrition, and lack of access to early childhood education—particularly in rural areas—still severely affect school readiness of young children, which affects learning in later years. The lack of access to sanitation facilities in schools poses yet another barrier for girls. And while access to basic education has improved, quality and learning outcomes have lagged. Currently, less than 25 percent of students from early to lower secondary grades acquire minimum proficiency in reading, science, and mathematics; and only 4 percent of the population has completed secondary school. Increasing the pool of people with at least 12 years of quality education with 21st century skills will significantly improve economic growth and reduce poverty and inequality.

76. **The World Bank will remain engaged in strengthening maternal and child health interventions as well as reducing communicable and non-communicable disease-related mortality and morbidity.** The recent cholera epidemic, the reemergence of non-communicable diseases, and the high burdens of mortality and morbidity because of HIV and TB show the absolute need to continue investing in basic public health and prevention and treatment services. Incidence of malaria, TB, and HIV/AIDS affect productivity and the capacity to derive an income, and evidence-based interventions to reduce their burden produce the strongest positive economic impact in the short term. Some gains have been made and the Zambia Health Services Improvement Project (P145335) and the Southern Africa Tuberculosis and Health Systems Support Program (P155658) will further contribute toward these goals. The current analytical work on nutrition and on health financing will also guide further engagement.

77. **A strengthened evidence base will inform nutrition-specific and sensitive programming.** Undernutrition among mothers and children is high. In the poorest quintile of the population, nearly half of the children are stunted; international evidence suggests that this could negatively affect future earning potential by as much as 25 to 50 percent. Undernutrition in rural areas is linked to 90 percent of rural households that are smallholders, relying primarily on rain-fed agriculture and maize for their own consumption. These households and children have poor access to water and sanitation as well as basic health services. Early childbearing further compounds the incidence of undernutrition. The World Bank's 2016 Scaling Up Nutrition report on Zambia provides a strong policy rationale for investing in this area, which will provide an estimated economic return of over 30 percent. The programmatic ASA on nutrition (Multi-sectoral Approach to Reduce Stunting in Lesotho, Zambia and Zimbabwe (P164406)) will map the disparate interventions in the country as a basis for developing recommendations to operationalize a comprehensive, multisectoral approach to reduce stunting.

78. **Furthering the equality agenda, the World Bank strategy will give priority to correcting gender gaps in education and social protection.** Low enrollment in secondary education is driven by both supply- and demand-side factors. On the supply side, key factors are the insufficient availability of secondary schools and classrooms, competent teachers, and teaching-learning materials. On the demand side, financial constraints

of the poor families and sociocultural practices play a critical role. The poor quality of basic and secondary education, particularly reading, science, and mathematics, is caused by multiple factors, including quality of teachers, system capacity, and lack of adequate financing targeted at quality improvement. In addition, girls face specific barriers to accessing and completing secondary education that include: early pregnancy, priority given to boys when resources are limited, and social norms. Some of these constraints are tighter for females in rural areas. The result is that girls face lower-quality opportunities than boys, and furthermore, education gender gaps increase with age. Secondary school is a foundational investment and the World Bank's current portfolio invests not only in keeping poor girls in secondary school through GEWEL (P151451), but also in increasing and improving the supply of secondary schooling through the Education Enhancement Project (P158570).

79. **Participation of the private sector through PPPs** (including NGOs, faith-based and for-profit organizations, and communities) in the delivery of health, education, and social protection services will be critical to achieving social development objectives. At present, private sector participation is low, so for example, for-profit organizations working on health delivery comprise only around two percent of providers. Improving coverage will require engagement with nonprofit entities, private practitioners, private schools, hospitals, and health centers. IFC is actively scouting for opportunities to engage in the health and education sectors through partnerships with existing private sector service providers.

Gender Dimension and Specific Interventions

80. **The Zambia SCD highlighted a series of interconnected issues around adolescence, with girls marrying and having children at a young age and dropping out of school, with consequences for their school-to-work transition and long-term economic empowerment.** The CPF is addressing these issues through two projects: GEWEL (P151451) and Education Enhancement (P158570). GEWEL (P151451), which increases secondary education access for adolescent girls in extremely poor households, includes an additional bursary to recipients of the national social cash transfers to promote secondary school attendance. The project targets girls in SCTS households, as these households are the neediest and already receive SCTS financial support that could be used toward non-school-fee education costs, such as the cost of uniforms. The Education Enhancement Project (P158570) is supporting the construction of separate toilet facilities for girls and incineration facilities to support girls' menstrual hygiene management. The project is also supporting the construction of self-catering accommodations for girls at selected schools.

81. **Women's access to economic opportunities, including through entrepreneurship activities to improve the quality of their jobs in the informal sector, is restricted by lower access to credit and skills.** The CPF is addressing these issues through the GEWEL Project (P151451), which is providing women with hard- and soft-skills training, grants, and savings assistance. The training supports basic life skills (leadership, self-esteem and confidence, communications and conflict resolution, household relationships, and gender-based violence [GBV]) and business skills (planning, basic arithmetic, record keeping, savings methods and agribusiness). It is complemented by a capital investment, through cash grants and financial inclusion and savings support, to enable women to start new businesses or expand and improve existing ones. An impact evaluation from the Africa Gender Innovation Lab will measure the relative impact of the provision of human and financial capital on women's self-employment and incomes as well as spillover effects on the economy. The IDSP (P102459) is supporting women's entrepreneurship through a special window under the Investment Support Fund to strengthen investments in job and business skills training and the development of business plans. The project targets women through a social marketing campaign. The CPF includes activities focused on improving women's access to jobs under the Agribusiness and Trade Project (P156492). Also, the Improved Rural Connectivity Project (P159330) will pay special attention to ensuring that women gain employment in road maintenance work, using the "Special Conditions of Contracts" with bidding firms to ensure that at least 20 percent of jobs are filled by women. A gender assessment, under this project, will look at women's

employment by road maintenance contractors and the differing needs of women and men in terms of social infrastructure, including safety issues.

82. **The SCD highlighted demand and supply side issues around maternal health.** To address these issues, the Health Services Improvement Project is supporting both the capacity and use of primary and community-level maternal, newborn, and child health (MNCH) and nutrition services. Capacity support under the project uses a disbursement-linked indicator approach (tied to achievement of processes and outputs) and includes training for nursing and midwifery, along with support to supply chain systems and referral systems and linkages across different levels of care. Demand for health care services will be stimulated by building on the existing results-based financing (RBF) approach. Specific activities at the community level will include early registration and counselling for women of reproductive age and incentives for community-based organizations to submit timely reports on MNCH indicators. Women’s health will also be supported by the Southern Africa Tuberculosis (P155658) and Health Systems Support Project (P145335), which will integrate TB screening into women’s regular maternal and child health visits to health clinics. Women currently have less access to TB screening, as this tends to be targeted at male mining workers and be provided through their employers.

83. **Finally, one project in the portfolio explicitly addresses the need to mitigate any risk of an increase in GBV resulting from interventions.** The Electricity Service Access Project (P162760) already draws on some of the recommendations of the recent Global GBV Task Force¹⁴, including through the inclusion of GBV-specific codes of conduct for workers implementing the off-grid and on-grid components.

Focus Area III: Institutions for Resilience

Objective 3.1: Fiscal and financial fitness increase.
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84. A lack of stabilization instruments to smooth the commodity cycle has led to swings in the real exchange rate and affected investment and the competitiveness of the economy. The SCD stresses that Zambia lacks institutions to mitigate vulnerability to economic shocks, meaning that fluctuations in world market prices directly affect overall economic activity. Borrowing internationally at the top of the cycle, the Government amplified the impact of the resource boom, which led to a strong deterioration in debt sustainability and growth deceleration. The 2017 Public Expenditure and Financial Accountability (PEFA) assessment indicates that basics are now in place for accelerated and sustainable improvements in PFM systems. The assessment identifies areas where Zambia’s performance lags: enactment of the Planning and Budgeting Bill is needed for strict adherence to the constitutional provisions on funding, and improved capacity is needed to properly use the integrated financial management information systems (IFMIS). Full implementation of the Treasury Single Account, additional functionality in the IFMIS, and aggregate fiscal discipline will help prevent accumulation of budget arrears. Tax reforms and functional improvements of the revenue administration are in progress, and support by the PFM project is expected to enhance revenue mobilization. The Minerals Value Chain Monitoring System of the Government is the first of its kind in Africa and is a fully integrated system to help Government monitor the value chain of mining resources. It is anchored in the Zambia Revenue Authority and contributes to enhanced domestic revenue mobilization. It also complements the other initiatives of Government including the alignment with the OECD (Organization for Economic Co-operation and Development)’s Base Erosion and Profit Shifting (BEPS) to mitigate the risks of tax evasion and avoidance by multinational companies through transfer pricing and other mechanisms.

¹⁴ <http://documents.worldbank.org/curated/en/482251502095751999/pdf/117972-WP-PUBLIC-recommendations.pdf>

85. **Zambia has achieved significant traction on the financial inclusion agenda.** This was show-cased in 2017 by the cabinet approval and launch of the National Financial Inclusion Strategy (NFIS) and National Financial Sector Policy, and consequently the NFIS coordination structures were constituted and operationalized. By 2022, the NFIS aims to achieve an overall increase in financial inclusion (formal and informal), from 59 percent to 80 percent, and an increase in formal financial inclusion, from 38 percent to 70 percent. The World Bank has actively supported the financial inclusion agenda in Zambia since 2015, and the CPF will continue to support the Government with increasing access to, usage of, and quality of financial services for individuals and enterprises. The emphasis is on financial infrastructure, capability, and diversified services for enterprises and individuals, including public social services. As referred to above, opportunities to leverage digital technologies to achieve greater access will also be pursued. These efforts will build upon the successful conclusion of the Government to Persons electronic payments pilot executed in 2017 under GEWEL (P151451) and emphasize the advancement of innovative financial services for women.

86. **The CPF will continue support for building stronger fiscal institutions by addressing key constraints related to PFM, public procurement, fiscal decentralization, and public debt and investment management.** Over the CPF period, a first objective will be to fully operationalize the information and management systems recently developed through the ongoing PFM program (Phase I), which is aimed at improved fiscal discipline, increasing transparency in procurement, and enhancing internal controls and audits. The Government is preparing the new Public Financial Management Reform Strategy (2018–2022), which could be supported under the CPF, that complements bilateral interventions of other development partners (including the EU and Germany). A second objective will be to foster fiscal decentralization through the combination of capacity-building activities and the development of an incentive framework for better service delivery and budget management at the local government level. A proposed Public Sector Governance for Service Delivery operation will strive to meet these two objectives. In July 2018, a mission was fielded in Lusaka to review progress in debt management reforms (including debt recording and reporting issues and an institutional framework for issuing public guarantees). Such a review could pave the way for trust-funded technical assistance in support of improved debt management from FY19. Technical assistance to the MNDP will also be conducted, with a view to developing a public investment plan consistent with debt sustainability objectives.

87. **Policy dialogue on structural issues of macroeconomic importance and public awareness on policy options and trade-offs will continue to be supported by biannual Economic Briefs.** Implementation will possibly be completed through Program for Results (PforR) and Development Policy Operations (DPO), should the macroeconomic framework be considered adequate. World Bank Economic Briefs, which have grown into a flagship publication, widely inform and influence the public debate as well as policy makers, and cooperating partners use them as a key input for their own economic assessments. Recent brief themes include debt sustainability, revenue generation, energy, and agricultural subsidies. Under this CPF cycle, the stronger use of PforR will be explored through a review of country systems necessary for the use of PforR and results-oriented institutions. Development Policy Operations and Partial Risk Guarantees would also help diversify the World Bank portfolio in terms of instruments; Maximizing Finance for Development would only be effective for delivering results under a credible macroeconomic and fiscal framework. Programs to be supported with this set of instruments could include (i) nutrition programs at the local level, (ii) agricultural and social protection reforms, (iii) debt and financial management reforms, (iv) electricity sector financial sustainability, and (v) adoption of fiscal stabilization rules.

Objective 3.2: Trade and Infrastructure for economic integration and shared natural resources management with the broader region increases.

88. **Deeper regional integration plays a key role in economic diversification and job creation and in increasing the resilience of the country to domestic and external shocks.** Zambia is strategically positioned at the crossroads between Western and Eastern Africa and Northern and Southern Africa. Deeper regional integration can enhance Zambia's development outcomes in the following ways. First, it can connect remote and poor regions in the country to markets and opportunities in neighboring countries. This is already happening, despite substantial transaction costs, signaling significant further potential. Second, opening the domestic market to trade in goods and services can help rein in anti-competitive practices that are now limiting investment and increasing the cost of important inputs (for example, transportation, construction materials), which constrains productivity in sectors where Zambia has comparative advantage. Third, commitments at the regional level could lend stability to domestic policy by locking in reforms and limiting the scope for policy reversals, a major obstruction to business development today. Fourth, Zambia could enhance its role as a major transit route to connect countries, which would increase transport and logistics activities in the country. Fifth, integration can support coordination with other countries, improving the management of shared infrastructure and common natural assets.

89. **The Government has recognized the importance of regional integration to the country's development prospects.** The 7NDP commits to advancing the regional integration agenda. A key outcome targeted in the 7NDP is improved access to regional and international markets, which is seen as essential to driving export diversification. The 7NDP also highlights the importance of effective management of local and transboundary aquifers with riparian states to ensure water security in the broader framework of river basin water management. The 7NDP's priority on transportation foresees a well-functioning transport system linking to principal ports and serving as a hub for goods in transit, and Zambia aspires to be a regional hub for energy trading (see Box 4). The 7NDP therefore, recognizes the importance of linking the national development strategy with regional agendas such as the SADC Regional Indicative Strategic Development Plan and COMESA protocols. An important opportunity for Zambia comes from the movement toward continental free trade through the COMESA-EAC-SADC Tripartite, which creates a market of 600 million people, and subsequently the Continental Free Trade Area, which would cover the whole of Africa.

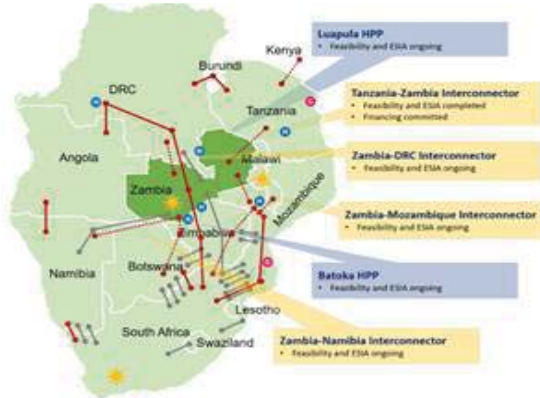
90. **COMESA and SADC have developed strategies to support industrialization through deeper regional integration.** The SADC Industrialization Strategy and Roadmap, as well as the more recent COMESA Industrialization Strategy, provide for a new approach by which Zambia can cooperate with countries in the region to develop value-added trade through regional value chains, especially in agro-processing and minerals beneficiation. The Government emphasizes the importance of border infrastructure and market intelligence in enhancing trade with key markets. Recent analytical work by the World Bank, under the SADC Industrialization ASA, and other development partners is identifying market failures and policy barriers that stifle trade and investment within specific regional value chains. Successfully addressing such barriers necessitates coordinated investments and policy reforms by the affected countries and will therefore require a more flexible country-driven approach to deeper regional integration that will be coordinated by the regional economic corridors. This is the key premise underlying the Accelerated Program for Economic Integration (APEI)¹⁵, of which Zambia is a member, which seeks to hasten implementation of member countries' commitments under SADC and COMESA in the areas of goods and services trade, trade facilitation, and improvements to the business environment and is supported by cross-border peer-to-peer learning.

¹⁵ The APEI countries are Malawi, Mauritius, Mozambique, the Seychelles, and Zambia.

Box 4: Zambia Aspires to Become a Regional Hub for Energy Trading

Zambia’s geographical position and hydropower potential make it well placed to play a larger role in regional integration. Being a regional power-trading hub would also support Zambia’s enhanced energy security, avoid power shortages like those experienced in 2015/16 because of low rainfall, optimize the use of primary energy resources, and optimize power sector investments, thus reducing the cost of electricity and scaling-up rural electrification.

Figure B4.1: Planned regional generation and interconnection projects in Zambia



Source: Southern Africa Power Pool

IDA supports Zambia’s efforts and through the IDA Regional Window co-financed the Kafue Town-Muzuma Regional Transmission Line Reinforcement Project, and the upcoming Zambia-Tanzania Interconnector Project that will not only link the two countries but also the Southern African Power Pool (SAPP) and the East African Power Pool. As part of the SAPP Program for accelerating Regional Energy Projects, other investments under consideration include the Luapula and Batoka hydropower plants, which are to be developed with a regional perspective since the additional capacity would exceed Zambia’s medium-term domestic requirements. Further power interconnections with Democratic Republic of Congo, Namibia, Malawi, Mozambique, and Zimbabwe complement the

investment picture, with funding potentially mobilized from both public and private sources. For Zambia to become a fully-fledged regional trading hub, structural reforms that ensure ZESCO’s long-term operational and financial sustainability are crucial to make it a credible trading partner. Such reforms are expected covering strengthening governance, enhancing revenues and enforcing payment discipline, as well as improving operational efficiency. The Bank is leveraging its current engagement to map out the detail of these reforms, including a power sector note, and will support their implementation through a proposed ZESCO re-financing guarantee.

91. **The CPF will support the integration of Zambia into the region by emphasizing management of trade, infrastructure, and natural resources.** The WBG will support these efforts to deepen regional integration within the framework of the Regional Integration and Cooperation Assistance Strategy (RICAS) 2018–2023 for Africa¹⁶. CPF support is consistent with the strategy, specifically with Strategic Priority 1: Generate Economic Dynamism along Regional Economic Corridors and Strategic Priority 2: Develop Functioning Regional Markets in Identified Priority Sectors. On trade in goods, the immediate priorities are to reduce high trade costs at borders, address key gaps in trade-related infrastructure, such as border markets, and improve the transparency and predictability of trade policies. COMESA and SADC provide the regional frameworks with which to make progress on these issues. The APEI’s regional business plan, which is under development, will identify concrete interventions in physical connectivity, trade and investment, and economic diversification. The WBG could support these interventions through a potential future Nacala corridor operation focusing on trade-related logistics infrastructure and policy reforms to remove trade regulation barriers on goods and services. Zambia is part of the Great Lakes Trade Facilitation Program and will work with Democratic Republic of Congo, with coordination by COMESA, to reduce trade costs at key border crossings, which is expected to particularly benefit women, as they are strong participants in small-scale trade across borders. The Zambia Investment Climate Program III and the Agribusiness and Trade Project, the recently completed Kafue-Muzuma-Victoria Falls Regional Transmission Line Reinforcement (P124351), the Kariba Dam Rehabilitation (P146515), and the upcoming Zambia-Tanzania Interconnector (P166099) projects provide support for electricity, water, and corridor connectivity; enterprise competitiveness; and the institutional framework (for example, by upgrading the standards agencies). Advances in the regional water and electricity projects are critical to realizing Zambia’s goal to become a regional hub for regional energy

¹⁶ <http://documents.worldbank.org/curated/en/700111528428661825/pdf/REGIONAL-INTEGRATION-CAS-AFRICA-05112018.pdf>

trading. Building on past transboundary natural resource management support (for example, Nyika Conservation Project), the CPF will continue the dialogue and promote it in the context of waterways and wildlife. In sum, future engagement under this CPF would include the Tanzania-Zambia Interconnector Project (P166099), Africa Centers for Disease Control and Prevention (P167916), and a possible GEF engagement under the TRALARD Project (P164764) on transboundary wildlife management. Likewise, IFC will explore mobilizing private sector financing in the provision of airport services in support of regional integration and tourism activities.

C. Implementing the FY19–FY23 Country Partnership Framework

Financial Envelope and Managing Program Implementation

92. **The CPF builds on a recently improved portfolio performance that needs to be further strengthened and stabilized going forward.** Encouragingly, the portfolio significantly improved its disbursements over the last two fiscal years (FY17: 20.4%, FY18: 18.4% compared to an average of 12% between FY12-FY16) while recognizing that in FY17 alone, about one-third in net commitments were added. The portfolio has grown significantly under IDA17 for two main reasons: (i) the volume increased because of additional resources from the IDA17 Scale-up Facility (plus \$200 million), the regional window (plus \$89 million), and trust funds (particularly for climate change resilience); and (ii) the number of projects increased with a new crop of projects that are designed to scale up. The portfolio is going through a transition toward better absorption capacity and delivery of transformational impact under IDA18, and a comprehensive reform agenda has been developed with the Government. The focus shall be on implementation of the existing portfolio for the next few years as discussed below and building a ‘chunkier’ portfolio through consolidation.

93. **The portfolio’s recovery toward better absorption capacity calls for enhanced Government ownership, greater complementarity between WBG interventions, and increased focus on regions with the highest poverty density.** Specifically, this includes introduction of new instruments and approaches to strengthen ownership:

- (a) *Poverty mapping and spatial alignment:* Encouragingly, the portfolio already focuses on the areas of the country with the highest poverty density, but it will promote a stronger multisectoral approach following the Twangale Circles, outlined under Section III A, and demonstrated in Figure 6.
- (b) *Second-Generation Infrastructure:* Infrastructure investments remain a priority for the Government but will be embedded in large national programs, referred to as “second-generation infrastructure” projects, rather than stand-alone projects. Examples include the Improved Rural Connectivity (P159330) and Education Enhancement (P158570) projects.
- (c) *“De-risking” private sector investments:* Investing in a “One WBG” approach to embed MFD principles to promote sustainable and inclusive private sector-led growth through the cascading of IDA and IFC instruments. A key example is the Agribusiness and Trade Project (P156492) that was highlighted at the Maximizing Finance Event launched by WBG President Jim Yong Kim in February 2018. The WBG plans to deepen its collaboration especially in agriculture, energy, and infrastructure, including transport and logistics. Considering the market readiness and potential of each sector, this will entail: (i) promoting private sector-minded regulatory reforms; (ii) engaging upstream with policy makers and private sector operators; (iii) providing targeted advisory, blended finance, and PPP solutions; and (iv) fostering joint WBG sectoral interventions in these sectors. The WBG will pursue a Country Private Sector Diagnostic with the purpose of identifying concrete opportunities for the same. Specifically, the Scaling Solar program will shift its cascade approach away from the retail approach providing IDA Guarantees on a transaction basis to the more comprehensive Partial Credit Risk Guarantee for the energy utility ZESCO.

- (d) *Program for Results*: The CPF proposes diversifying the range of instruments further. Specifically, the PforR focus on building institutions for results resonates strongly in the Zambian context and can be a vehicle for sharpening government program formulation, the accountability framework, and fiduciary practices. The experience of several projects designed with disbursement-linked indicators¹⁷ has been mixed—some institutions embrace it from the start while others require significant capacity strengthening. The agreed next step is to conduct a review of country systems necessary for the use of the PforR to guide the process.

The aim is to consolidate the portfolio around a limited number of large but impactful projects. The absorption of significantly increased IDA and trust fund resources has led to a temporary increase in the number of national IDA projects, while older underperforming projects in the portfolio have been restructured or are being cancelled. The pursued approach is to identify strategic champion projects for scaling up through additional financing for transformational impact. Suitable candidates will be identified based on performance and strategic relevance and could include GEWEL (P151451), Health Services Improvement (P145335), Electricity Services Access (P162760), and Agribusiness and Trade (P156492) Projects.

94. **The adoption of new rules of engagement for strengthened portfolio oversight by the MNDP is a first, important step toward revamping implementation arrangements for improved project delivery.** A joint comprehensive review of the structural delays around portfolio performance led to the identification of a joint portfolio reform agenda. At the core is the introduction of a “Structured CPF Engagement” between the MNDP and the Ministry of Finance. The engagement has a bottom-up pyramid-like structure and entails biweekly technical portfolio meetings, through quarterly project implementation unit meetings to every bimonthly tripartite meetings at the level of Permanent Secretaries allowing for three key results. First, it allows for systematic work on structural and urgent portfolio challenges. Second, it allows for active portfolio management by addressing early declining project performance and jointly identifying remedial actions such as cancellations. Third, there is greater ownership along the project pipeline through joint reviews and monitoring portfolio growth. This is complemented by the Government’s introduction of an implementation committee under the 7NDP and the Development Cooperation Steering Committee, chaired by the Secretary to the Treasury, to improve coordination across Government agencies implementing projects with cooperating partners. This bottom-up and comprehensive approach aims at systematically addressing and monitoring urgent and structural portfolio issues, particularly by avoiding the dispersion of efforts that were problematic in the past. A core challenge to portfolio performance, however, remains, the one-year lag in project effectiveness from the time of Board approval—an administrative process which is under the control of Government. The delayed project start hampers implementation momentum because the passage of one project year negatively affects the disbursements trajectory from the beginning. The Government acknowledges this issue, and the Ministry of Finance has recently reinforced its staff in the Treasury Legal Counsel’s office and has formed a task force to find more structural solutions.

95. **The CPF FY19–FY23 will span the entire IDA18 and IDA19 cycle with significantly increased indicative financing under IDA18.** The indicative IDA18 PBA envelope¹⁸ for Zambia is in the range of US\$580-600 million¹⁹ which represents an increase of nearly 70 percent compared to IDA17. Since Zambia committed 30 percent of FY18 allocation (i.e., about SDR44 million or US\$61 million), IDA18 allocation available for FY19 and FY20 would range from SDR375-385 million (US\$530-540 million). Among the IDA18 Windows, the Government plans to access the Regional Window continuing the strong regional engagement as covered

¹⁷ Health Service Improvement, Education Enhancement and Agribusiness and Trade

¹⁸ IDA18 volumes are indicative, as actual Performance Based Allocations will be determined annually during the FY18–FY20 period and will depend on: (i) total IDA resources available, (ii) the number of IDA-eligible countries; (iii) the country’s performance rating, per capita gross national income, and population; and (iv) the performance and other allocation parameters for other IDA borrowers.

¹⁹ About 420-430 million special drawing rights.

below in more detail. Once Zambia has been assessed to be eligible to access the IDA18 Refugee Sub-Window²⁰, the Government could access these funds, but so far expressed preference only for grant support for this purpose. Zambia is presently not eligible for the IFC-MIGA Private Sector Window being classified as IDA-gap. While Zambia benefitted from the IDA17 Scale-up Facility (Improved Rural Connectivity Project (P159330)) access to the IDA18 Scale-up Facility is unlikely given the increased risk of high indebtedness identified under the latest Debt Sustainability Assessment of 2017.

Table 2: Current Portfolio and Indicative FY19–FY21 IDA Lending Program, in US\$ million

Focus Areas	Portfolio of Current Programs	FY19 Indicative Lending	FY20 Indicative Lending	FY21 Indicative Lending
More even Territorial development: opportunities and Jobs for the rural poor	<ul style="list-style-type: none"> • Rural Connectivity (\$200) • Electricity Service Access (\$26.5) • Lusaka Transmission & Distribution Rehabilitation (\$105) • Guarantees for Scaling Solar (\$3.7) • Irrigation Development & Support (\$115) • Agribusiness & Trade (\$40) • Integrated Forest Landscape (\$17) • Climate Resilience (\$50, TF) • Environment & Mining (\$65.6) • Water Resources Dev. (\$50) • Lusaka Sanitation (\$65) 	<ul style="list-style-type: none"> • Transforming Landscapes for Resilience (\$150: \$75 IDA + \$75 Green Climate Fund) • Public Sector Governance for e-Service Delivery (\$80-\$100) 	<ul style="list-style-type: none"> • Economic Diversification for Rural Jobs (\$100)²¹ • Guarantees for Scaling Solar Round II (\$3–15) 	<ul style="list-style-type: none"> • Land Governance
Public Services and Social Protection for Job participation	<ul style="list-style-type: none"> • Health Services (\$52 IDA, \$15 TF) • Girls' Education & Women's Empowerment (\$65) • Education Enhancement (\$60) 	<ul style="list-style-type: none"> • <i>Regional: Africa Centers for Disease Control & Prevention (\$230)</i>²² 	<ul style="list-style-type: none"> • Girls Education & Women's Empowerment AF (\$80-\$100) 	<ul style="list-style-type: none"> • Health/ Stunting/ Malnutrition
Institutions for Resilience	<ul style="list-style-type: none"> • Public Financial Management Phase 1 (\$22, TF) • <i>Regional: Kariba Dam Rehabilitation (\$75, \$20, TF)</i> • <i>Regional: Africa Higher Education Centers of Excellence (\$148)</i> • <i>Regional: Agricultural Productivity Program for Southern Africa (\$90)</i> • <i>Regional: Southern Africa Tuberculosis and Health Systems Support (\$122)</i> 	<ul style="list-style-type: none"> • <i>Regional: Tanzania-Zambia Interconnector (\$180-210)</i> • <i>Regional: Great Lakes Region Trade Facilitation (\$60)</i>²³ 	<ul style="list-style-type: none"> • ZESCO Partial Credit Risk Guarantee (\$80) 	<ul style="list-style-type: none"> • Development Policy Operation

96. **Zambia being landlocked, regional integration is of strategic importance but calls for further selectivity to mitigate the risk of fragmenting a country program.** Zambia is already benefiting from five regional projects (one closed in June 2018), with a volume of US\$222 million and making up one-third of the

²⁰ Confirmation of a country's eligibility to access the Refugee Sub-Window is subject to a Board Consultation Note evaluating the eligibility.

²¹ This project is expected to focus on agriculture jobs but can only be advanced once the Irrigation Development Support Project has improved its implementation performance.

²² The indicative amount for the Zambia part of this regional project is US\$60 million of which one third is from the National IDA envelope.

²³ The indicative amount for the Zambia part of this regional project is US\$10 million of which one third is from the National IDA envelope.

Zambia lending program. Under the CPF FY19–FY23, Zambia is expected to further participate in several regional initiatives as outlined under Objective 3.2. Energy security and trade dominate Zambia’s regional integration demand, and regional trade more generally harbors huge benefits given the several promising export markets, particularly for the agricultural value chains. The Government appreciates the additional resources under regional integration, presently at a leverage ratio of 1:2 (national IDA/regional IDA), but struggles to secure government ownership for dedicated project implementation. The number of regional projects significantly prolong the list of projects in the portfolio requiring oversight by the MNDP that is struggling with its capacity for that.

97. **The CLR findings are informing the CPF.** Several “lessons learned”, as highlighted in the CLR, have already been applied and have further informed the CPF. First, how can the root cause of poor implementation be identified at the project design stage? Second, how can design be better tailored around Government ownership and institutional capacity and be better embedded in the political economy environment? The answers to these questions will require adaptive changes in both project design, allowing for midstream adaptation and implementation procedures, where many unforeseen issues can surface. The MNDP identified this as an area to which they would like to contribute more fully, particularly through strengthened project monitoring. Under the 7NDP, a new implementation committee chaired by the MNDP has been created. The committee will provide the necessary platforms along with the newly formed Development Cooperation Steering Committee. A real game changer will come once the Government issues a prioritized public investment program, as planned under the 7NDP. On the WBG side, the Country Management Unit (CMU) has been insisting that all project teams engage beyond their respective line ministry and integrate MNDP in the project planning and preparation phase. Further, WBG technical teams will be more demanding on ownership and will be giving sufficient space to ensure quality at entry and assess the political economy environment. A significant step has already been undertaken in that respect by recent IDA projects that leverage large national programs, such as Improved Rural Connectivity (P159330) and Education Enhancement (P158570) projects. Progress on the Government’s decentralization agenda, which has been slow, will provide the opportunity to step up WBG support at the local level. For example, the Pilot Program for Climate Resilience (PPCR) Phase II and the Integrated Forest Landscape Project are examples of project implementation being led by local actors at the provincial and district levels.

98. **The poverty focus of the Zambia country program has improved but remains a work in progress, as is having more participatory project design and implementation.** The IEG Country Program Evaluation noted the need for a stronger poverty focus, which was reiterated by the SCD. The spatial mapping of the portfolio confirmed that the portfolio is most active in the poorest areas of Zambia (see Figure 6), and the SCD identified priorities that further confirmed that the portfolio is well aligned. However, at the project level, the CPF commitment is to strengthen the line of sight narrative, underpinned by better evidence of their impact on poverty reduction. Citizen engagement in project design and implementation will be further strengthened through the appointment of a focal point in the Lusaka Country Office who is tasked to screen all projects.

99. **How is the portfolio delivering on jobs?** Under the Let’s Work Partnership, the Zambia portfolio has been mapped applying the Jobs Conceptual Framework²⁴ that visualizes the links between project interventions and job outcomes. The analysis showed that the WBG portfolio has focused on the facilitating factors to job creation, i.e., the necessary conditions for jobs, but they do not directly create jobs, improve jobs, or connect people to jobs. This methodology will be used to sharpen the focus on the other dimensions of job creation, job quality, and job access and to track impact on the ground.

100. **Integration of Gender in Active and Pipeline Portfolio.** The CPF program seeks the empowering of women in line with Zambia’s 7NDP and the National Gender Policy. The gender focus of the CPF design is

²⁴ World Bank 2017 “A Conceptual Framework for Jobs: Interventions and Outcomes”.

informed by the SCD and country-level gender analyses spanning agriculture, education, health, and jobs, in compliance with OP/BP 4.20.²⁵ First, in agriculture, this CPF will continue seeking to reduce the time burden that women face, while R&D efforts are going toward developing labor-saving technologies that help women in highly time-intensive tasks. Similarly, Rapid Social Assessments will be used to ensure that activities promoting CSA technologies consider the different roles of women and men in agricultural production, access to resources and services, and decision-making power.²⁶ The World Bank's Gender in Agriculture Sourcebook has informed the preparation of a gender action plan under the IDSP. Second, in education, the high rate of girls' school drop-outs will continue to be addressed through bursaries, construction of separate school toilet facilities for girls, incineration facilities to support girls' menstrual hygiene management, and self-catering accommodation for female students.²⁷ Third, efforts to improve maternal health will foster the capacity and use of primary and community-level MNCH and nutrition services using a RBF approach.²⁸ Also, TB screening will be integrated into women's regular maternal and child health visits to clinics.²⁹ Fourth, economic empowerment will benefit from the provision of hard and soft skills training; Productivity Grants and Savings Assistance;³⁰ special windows to support investments in job and business skills; and, the use of special conditions of contracts to set floors on women's employment.³¹ Fifth, to mitigate any risk of an increase in GBV, the Electricity Service Access Project (P162760) already draws on some of the recommendations of the recent Global GBV Task Force, including the inclusion of GBV-specific codes of conduct.

101. **Maximizing IDA climate change co-benefits.** In line with the SCD and CPF goal of strategic and selective investment, by enabling careful balancing of competing demands as the country develops, the CPF will support the Government's ability to integrate climate resilience into its development planning and finance investments in climate resilience, mitigation, and adaptation efforts to maximize IDA climate change co-benefits and achieve a more sustainable low-carbon and resilient growth. Zambia is projected to achieve 8 percent of climate co-benefits based on two IDA projects in the FY18 portfolio³² (see Annex 7). The indicative FY19 investment pipeline and future proposed Development Policy Operations underscore the fact that Zambia's vulnerability as well as emerging risks from depletion of some biodiversity, forestry, fisheries, water, and wildlife resources will contribute to climate change co-benefits in the CPF. For example, the US\$75-million IDA investment in TRALARD (P164764) alone will contribute 95 percent of co-benefits. The portfolio will be comprehensively assessed to determine the climate co-benefits across the proposed program.

102. **A set of trust funds around climate change is also strengthening the climate change resilience of the poor and vulnerable communities and positioning Zambia to access carbon payments.** Therefore, the CPF embraces a climate-resilient and inclusive path to economic growth and development. Building on the results under the ongoing Pilot Program for Climate Resilience, US\$75 million is expected, under the Green Climate Fund, to expand the approach to three new provinces with a rural population that is highly poor and vulnerable to climate change. The Government requested US\$75 million from the IDA18 envelope to complement the Green Climate Fund funding and finance the planned TRALARD Project (P164764) for a total of US\$150 million. The Integrated Forest Landscape Project in the Eastern province will continue scaling up the successful pilot on carbon credit payments under the BioCarbon Fund by promoting the adoption of CSA practices and sustainable forestry management among smallholders. All the ongoing and pipeline initiatives

²⁵ Gender analyses that have informed this CPF include: Poutiainen and Mills 2014; Namonje-Kapembwa and Chapoto 2016; USAID 2011; White et al. 2015; Male and Wodon 2016; Handa et al. 2016; Gabrysch et al. 2011; World Bank 2015; Merotto 2017; Krishnan et al. 2017.

²⁶ Integrated Forest Landscape Project

²⁷ GEWEL, Education Enhancement Project

²⁸ Health Services Improvement Project

²⁹ Southern Africa Tuberculosis and Health Systems Support project

³⁰ GEWEL

³¹ Improved Rural Connectivity Project

³² Education Enhancement and Guarantee for Scaling Solar projects

will also support Zambia's climate ambition, as noted in the Nationally Determined Contribution both in terms of carbon mitigation (including the Scaling Solar guarantee series) and climate-smart adaptation, by empowering and protecting rural women and girls through increased resilience to shocks, sustainable climate smart and diversified agriculture, and more climate-resilient infrastructure.

103. **The ASA program comprises a combination of policy notes, hands-on technical assistance, impact evaluations, and broader reports across several countries emphasizing South-South learning.** These knowledge products are being used to support the ongoing program and dialogue and prepare future operations by closing existing knowledge gaps. The SCD has identified knowledge gaps on agricultural productivity, wealth accounting, the role of small and medium-sized towns and cities, migration, forced displacements, cash transfers, climate change, and vested interests. The current World Bank ASA addresses these knowledge gaps. During the CPF period, efforts will be made to deepen knowledge on how forced displacement and vested interests are impacting poverty outcomes and regional disparities. South-South learning is pursued in project implementation; for instance, in the health sector, it resulted in a strategic partnership with the Government of Turkey on strengthening medical sciences. In social protection under GEWEL (P151451), counterparts visited India to gain a deeper understanding of how initiatives such as Supporting Women's Livelihood are being implemented by different stakeholders including the Government and NGOs. In addition, a peer-learning system was established under the Global Initiative for Financial Inclusion.

Financial Management and Procurement and Government Systems

104. **The Government is committed to implementing PFM reforms for improved fiscal discipline and service delivery.** The Ministry of Finance has prioritized public expenditure and fiscal management for better economic governance. So far, the PFM reforms have resulted in general improvements across various institutions and operations, such as the Accountant General's office, payroll, internal audit, and external audits key for good governance. The PEFA Report of 2016 provided a basis for follow-up actions to improve various functions including the credibility of the budget (preparation and execution). The WBG will continue supporting the implementation of these reforms, and the Government has already made use of the PEFA Report by launching a cabinet-level workshop on promoting ethical conduct, integrity, and accountability in the public sector for enhanced public service delivery.

105. **The Government is also committed to supporting the capacity of implementing agencies to improve absorption of resources and internal oversight functions.** The disbursement ratio of the portfolio has been low and averaging about 12% between FY12-FY16 and has recently reached the WBG Africa Region average of 20.4% in FY17. For FY18, the ratio was 18.4% and only slightly below the WBG Africa Region average of 19.6%. Poor financial management (such as delayed opening of bank accounts and submission of withdrawal applications) has contributed to the slow uptake of resources, and internal controls are weak and result in a misuse of resources, as often pointed out through the auditor general's reports. Consequently, the WBG will provide training for project accountants, internal auditors, and audit committees to enhance transparency and accountability.

106. **The WBG will, through the CPF, support the strengthening of the public procurement system.** Through the E-Government Procurement system, which is part of the PFM project, end-to-end automation of procurement processes has been developed, and the roll-out is in progress, heralding a new era of transparency and efficiency in procurement processes in Zambia. The WBG will also contribute to an improved public procurement system through building capacity in World Bank-financed projects and programs embedded in Government programs. Further, the procurement assessments provide an entry point to support the Government to improve the efficiency, transparency, and accountability at implementing ministries and the Zambia Public Procurement Authority.

Partnerships and Cooperating Partners Coordination

107. **Partnerships remain important for Zambia both for knowledge and finance.** With Zambia having achieved lower middle-income country status (2015) and the financial contribution official development assistance decreasing, the country is relying largely on domestic revenues to finance its development agenda (as spelled out under the 7NDP). Still, official development assistance averages about a quarter of domestic revenues each year, with multilateral institutions contributing about 30 percent and bilateral cooperation about 70 percent of the share of assistance, and the overall level of concessionality is now lower. The WBG is the largest cooperating partner, with an overall portfolio of over US\$1.4 billion (including IDA, IFC, MIGA, and trust funds), and the disbursements were equivalent to about 5 percent of annual public investments.

108. **The 7NDP provides a more integrated framework of cooperation for partners.** Under the Implementation Plan of the 7NDP, the Government has defined cluster advisory groups for each of the five pillars (see Figure 5), with further technical-level working groups. Cooperating partners are being aligned to this new setup, and the WBG has been invited to join the Economic Diversification and Job Creation Advisory Cluster, chaired by the Deputy Secretary to Cabinet, so it will have a seat at the table when key economic policies are discussed and monitored. Accordingly, the cooperating partners are overhauling their approach for coordination that was built on the Joint Assistance Strategy (2007), including a clear division of labor along sector lines and monthly cooperating partner group meetings among heads of agencies held on WBG premises. The Government actively uses this forum for its dialogue including at the ministerial level—for example, the Finance Minister presented his economic recovery program, calling it “Zambia Plus”, to emphasize the role of cooperating partners’ contributions.

109. **The dialogue with the parliament is very active and is influencing the national policy debate.** The World Bank Group Team is regularly submitting technical briefing notes and appears in front of respective parliamentary committees covering themes around economic and social development, most recently on poverty and inequality, subsidies in agriculture, PPPs, parastatals, and water and sanitation. Such interaction provides an opportunity for the WBG to share knowledge on core development issues and is also a demonstration that the World Bank Group is considered a credible source of information. This engagement will further deepen with the upcoming legislation under the updated Constitution of 2016 that requires all loans procured by the Government to be approved by parliament before being contracted.

110. **Additional partnerships** include (i) universities in Lusaka and the Copperbelt, with engagement sessions on development policies and economics reaching out to more than 1,000 students; (ii) civil society, particularly regular dialogue with around themes like poverty and inequality, GBV, and social inclusion of vulnerable groups; (iii) private sector organizations such as chambers of commerce, the Farmers’ Union, and manufacturing associations that are regular members of panels in launch events and part of IFC’s stakeholder dialogue; and (iv) EITI: the WBG has worked with member civil society organizations (CSOs) of the Zambia EITI Multi Stakeholder Group to enhance the capacity of these CSOs to participate in the reporting and disclosure requirements of the EITI process; and (v) the media: helping develop a crop of journalists with more in-depth knowledge about WBG activities—one such interaction resulted in a Zambian journalist being selected for the 2017 Ricardo Ortega Memorial Prize issued by the UN.

111. **The WBG is widely and consistently viewed as a long-term and all-weather partner, finds the Zambia Country Opinion Survey 2018.** The survey confirms that relationships between the WBG and Zambia are strong and that the institution’s financial resources are considered the greatest value it brings to Zambia. Economic growth continues to be a top development priority, and stakeholders believe the WBG should emphasize areas they consider paramount, which are agriculture and rural development followed by

education, governance, jobs, and private sector development. Stakeholders also consider water and health—including related anticorruption efforts—as top development priorities for Zambia’s poverty reduction agenda. The WBG is viewed as effective, and staff preparedness is viewed positively. Perceptions of relevance remain quite positive, at 7.3 on a 10-point scale. The CPF benefitted from broad consultations with civil society organizations, cooperating partners, think tanks, private sector organizations, and the Provincial Government of Luapula. A summary of these consultations is provided in Annex 9.

Monitoring and Evaluation

112. **The Results Framework presented in Annex 1 will be the main tool for monitoring achievement of the CPF objectives.** The WBG will utilize the structured engagement recently agreed to with the Government to review progress on a regular basis, including quarterly discussions on the portfolio. A Performance and Learning Review (PLR) will be carried out in FY20/21 to inform remedial action needed.

113. **Instruments of the Government, such as the Living Conditions Monitoring Survey (LCMS), Demographic and Health Survey (DHS), and labor surveys, will be utilized to measure outcomes of the CPF.** Even though Zambia’s capacity to produce reliable, relevant, and timely statistics is constrained, WBG will provide technical advice to the Central Statistics Office, especially on the LCMS, to have more reliable data on poverty. Projects will also support several sectors for this purpose.

IV. MANAGING RISKS

114. **The overall risk for Zambia is assessed as high.** Only the stakeholders risk is moderate, while the others are considered either substantial or high. The risks are highlighted in Table 3 and the text below.

Table 3: Systematic Operations Risk-Rating Tool (SORT) for Zambia

Risk Categories	Rating (H, S, M, or L)
1. Political and governance	Substantial
2. Macroeconomic	High
3. Sector strategies and policies	Substantial
4. Technical design of project or program	High
5. Institutional capacity for implementation and sustainability	High
6. Fiduciary	Substantial
7. Environment and social	High
8. Stakeholders	Moderate
Overall	High

115. **Political and governance risks.** The political risk seems moderate, but the governance risks are substantial, making for an overall risk rating of substantial. The current government is mandated to stay in power until the next elections in 2021, the recent political polarization around the presidential elections notwithstanding. In general, political polarization, political commitment, and political decisions have not produced significant adverse effects on program implementation so far. However, this will be closely monitored during program implementation and reassessed accordingly. The preparation of the 7NDP has followed a broad consultation process, but its implementation could be marred by limited mechanisms to hold the Government and its civil servants accountable. Challenges to institutions guarding transparency and accountability point to a substantial governance risk. For instance, after the retirement of the previous auditor general in December 2015, the Government did not appoint an auditor general in a substantive capacity, but rather kept the position in acting capacity, which affected the auditor general’s independence. A few key regulatory authorities have also witnessed sudden changes in leadership ahead of their normal tenure (for example, the leaders of the Anti -Corruption Commission, Zambia Revenue Authority [ZRA] and the Zambia Public Procurement Authority). Furthermore, the provision under the new constitution relating to auditor

general, the State Audit Commission, is not yet fully functional. Implementation of provisions relating to the Commission can both positively and negatively affect the auditor general's independence, depending on how they are implemented.

116. **The country's PFM systems are improving with the support from the World Bank's PFM project.** Key recent reforms in the Government on IFMIS, cash management, financial reporting, electronic government procurement, internal control, internal audit, and strengthening of the accounting profession enable the World Bank's teams to have improved and easier fiduciary risk management processes in place. Ongoing reforms are expected to further deepen and strengthen the country's financial management and procurement in the coming years, with the Government embarking on a new Public Financial Management Reform Strategy. The World Bank has played a dual role in fiduciary risk management, (i) supporting the Government's reform efforts with technical assistance and project financing and (ii) continuously aligning the World Bank's fiduciary risk mitigation practices to the evolving strengths of country systems. Therefore, the WBG will continue to promote reforms for enhanced transparency and bring awareness to such issues, especially as they affect the implementation of the CPF.

117. **Macroeconomic risks.** Current macroeconomic imbalances discussed in Section II pose high risks to the achievement of the CPF objectives, such as limiting fiscal space to finance public programs and preventing the full participation of the private sector to the envisaged energy and agricultural programs. Actions considered to mitigate the risks of macroeconomic disruption stemming from such imbalances include technical assistance to implement ongoing PFM and debt management reforms, improved portfolio management (for quicker disbursement of concessional funds), support to economic diversification (regional integration, agricultural diversification), and continued policy dialogue at the sectoral and macroeconomic levels. Actions to minimize the impact of possible macroeconomic disruptions on development outcomes include improved public service delivery (health, education, social protection) to the most vulnerable citizens, rural girls in particular. Technical assistance to the MNDP will also be conducted, with a view to developing a public investment plan consistent with debt sustainability objectives, which is seen as a precondition to facilitating the balance of payments and budget support from international financial institutions and coordinating partners. Such support would amplify the effectiveness of the Government's efforts to restore macroeconomic and debt sustainability.

118. **Sector strategies and policies can be a potential threat to the CPF.** Some sectors have developed strategies (for example, agriculture, health, and education). However, in several sectors, the government commitment will be tested as it seeks to advance policy reforms and reallocate resources according to priorities. For energy, a key sector for the WBG, policies have not resulted in financial stability, and this is a risk to the development outcomes of the CPF. Furthermore, the proper design of strategies and policies is critical for the introduction of PPP interventions and the opening of sectors to private sector involvement. To mitigate this risk, the WBG will continue its dialogue in agriculture and energy and support strategy and policy designs through analytical work. The WBG will also engage the Ministry of National Development and Planning so that the MFD principles are embedded at policy formulation stage to ensure formulation of private sector friendly policies.

119. **Technical design of project or program shall be better tailored to improve portfolio quality.** To mitigate this risk, the CPF will follow the CLR recommendation to align design with priority government programs and initiatives through improved diagnostics and assessments. The aim will be for the design to fit the Government's priorities and capacity and set the basis for scaling up as the partners, including the beneficiaries, learn. Project design will build on national programs with a good track record of implementation, and there will be intensified collaboration with the client in the preparation stage to ensure appropriate designs and buy in. Piloting of innovative approaches will be encouraged for learning and building

capacity to scale up. Lending instruments beyond the traditional investment project financing will also be used, including PforR and possibly Catastrophe Deferred Drawdown Option. To this end, the WBG is carrying out a review of country systems necessary for the use of the PforR that will guide the process.

120. **Institutional capacity for implementation and sustainability has been identified as being the most critical to success of the WBG program in Zambia.** To mitigate the low capacity, the first two years of the CPF will focus on working with the Government to remove the bottlenecks that are hampering implementation of the ongoing program. In addition to what is outlined above on improved capacity for government ownership and oversight, the Government plans to revamp its approach around project implementation units to make them more efficient and more performance oriented, for example, by introducing performance contracts for project coordinators. This renewed effort fits into the broader government determination to unlock the slow implementation of Government infrastructure projects with a minister-level taskforce under the leadership of the housing and infrastructure minister. Priority attention will be given to reducing the time to reach project effectiveness after Board approval, which currently stands at one year. The Government agreed to strengthen its oversight capacity in the MNDP, the Office of the Attorney General, and the Finance Ministry, which have been identified as the most serious bottlenecks. Furthermore, the Government is considering enforcing standard turnaround times for document processing and much faster overall follow-up. The WBG will continue to offer training opportunities for project teams to boost implementation, including at the local level. The WBG will also encourage the use of the private sector to implement some activities.

121. **Fiduciary risk.** The combination of low staff capacity and slow government administrative processes, such as obtaining clearances at various stages from the attorney general for all procurements, have contributed to slow project implementation. The WBG will ensure that appropriate staff are hired as soon as possible for projects and will continuously undertake targeted training on procurement and financial management for this cadre of project staff. Furthermore, the WBG will continue to provide continuous support to implementation units around the procurement cycle. As already mentioned, the PFM project is also supporting E-Government Procurement and enhanced internal control and audit. This project has contributed to improved transparency in procurement as well as strengthened the accounting profession and improved financial reporting standards. The WBG will seek to build on this foundation even after this project comes to an end.

122. **Environment and social risks are an emerging threat to the Zambia portfolio.** The limited client capacity to monitor environmental and social safeguards, including resettlement and GBV, especially for infrastructure projects has contributed to this threat. Implementing agencies will be encouraged to hire dedicated safeguard staff (environment and social) as key members of the project team for all projects with hard investments, in line with recommendations from a recent environmental and social risk management portfolio review. Implementation will be monitored closely through project implementation unit meetings every two months. The WBG will also support strengthening the project implementation unit and central ministry staff through continuous training and provision of relevant resources such as guidance materials and peer learning from other countries. This will also be done in line with the forthcoming new Environmental and Social Framework which takes effect on October 1, 2018. Continuous guidance for safeguards in general and in particular for GBV and incident reporting will be provided regularly. Specifically, capacity building and strengthening guidance in GBV for World Bank staff and clients will be instituted. The WBG will put in place measures for regular interaction with the Zambia Environmental Management Agency on projects that have a high-risk potential to ensure sustained regular oversight, monitoring, and compliance from the Government. On resettlement, the WBG will collaborate with bilateral partners to engage with the Government to support harmonizing donor resettlement policy expectations in keeping with the national policy in the long term.

ANNEX 1: Zambia CPF FY19–FY23 RESULTS MATRIX

FOCUS AREA ONE: MORE EVEN TERRITORIAL DEVELOPMENT: OPPORTUNITIES AND JOBS FOR THE RURAL POOR
<p>Focus Area I helps the government redress regional imbalances in opportunities and jobs that have led to wide disparities in poverty rates across the country, including between the urban and the rural areas. The engagements under this Focus Area cover: (a) rural and agricultural development as a motor of diversification away from mining and of poverty reduction (objective 1.1); (b) Selected rural communities become more resilient to hydrological, climate and environmental shocks (objective 1.2) and (c) Access to and quality of resilient infrastructure services (initial emphasis on electricity and roads) increases in selected rural areas and small towns (objective 1.3.) The three objectives complement each other.</p>
Objective 1.1: Agri-food sector becomes less maize-centric, more productive and better connected to domestic and external markets
<p>By 2010, two out of every three people were employed in agriculture, producing however only 10% of GDP. Poverty is highly concentrated in the rural areas, where agriculture is the principal source of livelihood. Agricultural output has been skewed towards maize, leading to large maize surpluses, and unbalanced diets. Stunting among children below 5 is at 40% and Zambia is among the 10 worst ranked countries in IFPRI's Hunger Index and the Economist's Food Security Index. To reduce stunting and ensure a diversified agriculture sector, there is need to shift towards non-maize centric policies. Furthermore, the agricultural sector has already been prioritized by the Government of Zambia, in its efforts to reduce reliance on mining. In line with these priorities, the CPF's activities under objective 1.1 will support cranking up the economic motor of growth in the rural areas and providing employment and incomes and contributing to a reduction in poverty.</p> <p><i>WBG Response:</i></p> <ul style="list-style-type: none"> ✓ The ongoing portfolio was selected around the wish to increase sustainable productivity of the sector, in terms of yields and labor. The WB therefore financed irrigation development, enhanced performance of the livestock sector, increased investment in new technologies and sustainable land use. ✓ The Government 7NDP prioritizes diversification anchored on rural development and centered on increasing productivity especially of small scale farmers. Launching a path of sustained productivity increases is likewise a first-tier priority. To enhance the role of agriculture as the motor of development, the attention to market issues has been increasing, as observed in the Agribusiness and Trade Project (P156492) and in the upcoming Agricultural Cluster project. These projects will provide specific attention to the policy environment, aimed at removing the pro-maize bias and facilitating agricultural exports. Furthermore, they support the diversification of the sector, balancing the production of field crops, improving the availability of livestock and horticulture products, and actively promoting agro-industrial development and employment creation off-farm within the agricultural value chains. ✓ Zambia's agriculture is spread over a very large territory which makes national strategies hard to implement. In line with the CPF new agricultural activities will therefore focus on the three priority regions agreed with the Government. Zambian farmers have little knowledge beyond the skills that are traditionally transferred from mother to daughter, and Zambian agricultural markets are relatively thin. To be the engine of growth for the rural areas markets, skills and access to finance need to be improved simultaneously, most easily done by focusing on those subsectors where demands are increasing quickly. The successful development of regionally focused subsectors may create poles of growth in secondary cities, thereby inducing the further development of the rural non-agricultural economy. The vision is of a thriving rural economy driven by robust agri-food production well anchored on domestic and foreign markets, especially regional markets. ✓ According to the 2010 Census, 23% of rural households are female headed. The JICA Country Gender Profile of 2016 shows that 78% of women were employed in agriculture. With total agricultural employment estimated at 52%, women are over represented in the agricultural labor force. Similar to their pro-poor nature, agricultural investments tend to be pro-women. All ongoing and future WB projects on agriculture have mainstreamed gender considerations in their design, to maximize their contribution to poverty reduction and gender equality. ✓ IFC will be supporting access to affordable credit by implementing a collateral registry for private sector to be able to use their movable and immovable assets as collateral to access finance and implement leasing regulation. All this will encourage SME borrowing.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>Indicator 1: Area under irrigation³³ Baseline: 1,187 ha (2017) Target: 10,120 ha (2022)</p> <p>Indicator 2: Additional added value created³⁴: Baseline: 0 (2017) Target: \$88,460,000 (2022)</p> <p>Indicator 3: Additional net direct employment in Full Time Equivalents (FTEs)³⁵: Baseline: 0 (2017) Target: 12,250 of which female employment >4,900 (2022)</p> <p>Indicator 4: Yield index of main field crops³⁶ Baseline: 100 (2017) Target: 110 (2022)</p> <p>Indicator 5: Number of SMEs granted credit secured with movable property³⁷: Baseline: 102 (2017) Target: 867 (cumulative by 2020)</p>	<p>Progress Indicator 1: Number of farmers reached³⁸: Baseline: 611,787 of which female farmers are >40% (2017) Target: 980,5777 of which female farmers are >40% (2022)</p> <p>Progress Indicator 2: Share of production of WB targeted farmers that is processed or sold under contract³⁹. Baseline: 0 (2017) Target: 53% (2022) Of which 30 % are women</p> <p>Progress Indicator 3: Number of farmers adopting improved agricultural technologies⁴⁰ Baseline: 353,239 of which female farmers are >40% (2017) Target: 688,399 of which female farmers are >40% (2022)</p>	<p>Ongoing: IDA Operations</p> <ul style="list-style-type: none"> • Irrigation Development and Support (P102459) • Integrated Forest Landscape (P161490) • Agribusiness and Trade (P156492) • Regional: Agricultural Productivity Program for Southern Africa (P094183) • Water Resources Development Project (P115959) <p>Trust Funds</p> <ul style="list-style-type: none"> • Community Markets for Conservation Landscape Management (P144254) • Integrated Forest Landscape-GEF(P157521) • Pilot Program for Climate Resilience (PPCR) Phase II (P127254) • Pilot Program for Climate Resilience (PPCR) Additional Financing) (P165442) <p>WB ASA</p> <ul style="list-style-type: none"> • Climate Smart Agriculture Investment Plan (P165210) • Economic Brief #9: Reaping Richer Returns from Public Expenditures in Agriculture (P157243) • El-Nino Effects on Agriculture in Zambia (P159533) • Climate Smart Agriculture Country Note (P161380)

³³ Irrigation Development and Support and Water Resources Development

³⁴ Irrigation Development and Support, Agribusiness and Trade and Economic Diversification for Jobs in Agriculture

³⁵ Agribusiness and Trade and Economic Diversification for Jobs in Agriculture

³⁶ The index weighs the average yields (MT/ha) of most important field crops for 2016 and 2017 with the share in the area harvested. Field crops included are: maize, sorghum, rice, millet, sunflower, groundnut, soya bean, seed cotton, mixed beans, cowpea, sweet potato. The resulting value is divided by itself to arrive at 1.00 (Annual Crop Forecasting Surveys by Ministry of Agriculture)

³⁷ IFC Investment Climate Program III

³⁸ Project direct beneficiaries from Integrated Forest Landscape, Community Markets for Conservation Landscape Management, Livestock Development and Animal Health, Agribusiness and Trade, Agricultural Productivity Program for Southern Africa, Irrigation Development and Support and Economic Diversification for Jobs in Agriculture

³⁹ Integrated Forest Landscape, Agribusiness and Trade and Economic Diversification for Jobs in Agriculture

⁴⁰ Integrated Forest Landscape, Community Markets for Conservation Landscape Management, Livestock Development and Animal Health, Agribusiness and Trade, Agricultural Productivity Program for Southern Africa, Irrigation Development and Support and Economic Diversification for Jobs in Agriculture

	<p>Progress Indicator 4: Number of farm households integrated in a value chain⁴¹. Baseline: 18,310 of which female farmers are >25⁴²% (2017) Target: 239,577 of which female farmers are >25% (2022)</p>	<ul style="list-style-type: none"> • Regional: El Nino effects on trade and regional markets (P161296) • Global: Enabling the Business of Agriculture (P143961) • Regional: Study on Productive Diversification(P162185) • Regional: Needs Assessment of Early Warning Systems for Food Security (P159533) <p>IFC</p> <ul style="list-style-type: none"> • Zambeef (629304) • Chayton Africa (776709) • Zambia Secured Transactions - (P165590) <p>MIGA Guarantees</p> <ul style="list-style-type: none"> • Silverlands Ranching Limited • Yalelo Aquaculture <p>Planned:</p> <p>IDA Operations</p> <ul style="list-style-type: none"> • Transforming Landscapes for Resilience and Development (TRALARD) (P164764) • Economic Diversification for Jobs in Agriculture (P167736)
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Objective 1.2: Selected rural communities become more resilient to climate and environmental shocks

Objective 1.2 seeks to strengthen the resilience of natural, physical, and human capital by making farmland, landscapes, and watersheds more resilient; by adopting smart climate policies, and sustainably protect communities from the environmental impact of mining.

Climate Resilience: Renewable natural resource-based sectors such as agriculture, water, energy forestry, wildlife, fisheries, nature-based tourism, biodiversity; and human health are most vulnerable to the impacts of climate change. Climate variability and change will make agricultural productivity and food security worse through exacerbated impacts of climate change. Health consequences of climate change include food shortages, potable water scarcity, and climate induced fluctuations and changes in vector borne diseases. The people most affected by climate change and who will find it hardest to adapt are those living in poverty, in low-income areas with weak or unstable governance structures. Rural women may be particularly affected because they tend to play a greater role in natural resource management and ensuring nutrition. The physical effects of climate change will considerably increase the negative impacts on livelihoods, and in a vicious circle, increase the risks of mass migration and further state fragility. Notwithstanding the above, Zambia still boasts of good biophysical characteristics, and renewable natural resource endowment. Building resilience to climate variability is an urgent development issue for Zambia. *WBG Response:* The CPF emphasizes the use of an integrated landscape management approach considering the resilience of both ecosystems and livelihoods and recognizing the importance of moving beyond single-sector interventions. The focus on the adoption of climate-smart practices complements efforts under Objective 1.1 on increasing agricultural productivity. The WBG will support efforts at scaling up and consolidating the multiple engagements throughout the country, in collaboration with other development partners. The scaling up will be based on cross-learning,

⁴¹ Integrated Forest Landscape, Agribusiness and Trade and Economic Diversification for Jobs in Agriculture

⁴² 23% of rural household in Zambia are female headed (2010 Census of Population and Housing)

harmonization, simplification and decentralization. It is expected that the approach will serve to enhance the capacity of the central authorities to mobilize further resources for extending coverage of climate resilient initiatives, to the most vulnerable.

Environmental impact of mining: Zambia faces a challenge in managing the trade-off between the positive externalities of mining sector development versus the negative externalities including environmental degradation and the subsequent environmental health and socioeconomic costs. A lack of tools and incentives for the poor to manage natural resources and support climate resilient livelihoods, and a lack of compliance with environmental regulations are major constraints. The inability to enforce environment regulations on copper mining are affecting health, quality of life and agriculture in the affected areas. *WBG Response:* The CPF will focus on the sustainability of efforts to reduce health risks and lead exposure through the provision of financial assurances for closing of mining operations, hence improving compliance with the mandatory contributions to the Environment Protection Fund (EPF). Support to communities affected by mining externalities will focus on introducing income generation opportunities that would enhance community involvement in addressing environmental health risks and facilitate behavioral change. Similarly, support will be provided to government to strengthen capacity to monitor environmental impact, identify emerging hotspots and enable corrective actions. Key risks to mitigate are: (i) technical, economic and ownership issues related to rehabilitating tailing dams; (ii) Institutional challenges associated with rolling out health interventions to reduce Blood Lead Levels; (iii) environmental liabilities associated with earlier mining operations make the sector and policies risks substantial; (iv) Coordination between the key agencies and Institutional capacity are crucial to the success of this project.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>Indicator 1: People with increased monetary and non-monetary benefits percentage share of which women⁴³ Baseline: 0 (2017) Target: 40,000 (2022) Of which 30 % are women</p> <p>Indicator 2: Hectares of land protected and or restored.⁴⁴ Baseline: 0 (2016) Target: 90,000 (2021)</p>	<p>Progress Indicator 1: Seventy vulnerable districts using improved tools, information and instruments to respond to climate change and variability⁴⁷ Baseline: 0 (2016) Target: 50% (2021)</p> <p>Progress Indicator 2: Government equipped with capacity on multi-sectoral coordination for planning and managing Climate Change programs⁴⁸. Baseline: 0 Target: Permanent Climate Change Coordination Unit in the MNDP fully functional by 2020.</p>	<p>Ongoing: IDA Operations</p> <ul style="list-style-type: none"> • Water Resources Development (P114949) • Mining and Environmental Remediation and Improvement (P154683) • Integrated Forest Landscape (P161490) <p>Trust Funds</p> <ul style="list-style-type: none"> • Pilot Program for Climate Resilience (PPCR Phase II) (P127254) • Pilot Program for Climate Resilience (PPCR Additional Financing) (P165442) • Zambia COMACO Landscape Management (P144254) • EITI Post Compliance Implementation Support (P159717) • Integrated Forest Landscape (GEF) (P157521) <p>WB ASA</p>

⁴³ Integrated Forest Landscape and Pilot Program for Climate Resilience (PPCR) Phase II – survey/MIS by PIU, [and Transforming Landscapes for Resilience and Development (TRALARD) – target figure to be updated once project approved.]

⁴⁴ Integrated Forest Landscape, COMACO Landscape Management, and Landscape and Transforming Landscapes for Resilience and Development

⁴⁷ Pilot Program for Climate Resilience (PPCR) Phase II and Transforming Landscapes for Resilience and Development

⁴⁸ Pilot Program for Climate Resilience (PPCR) Phase II

<p>Indicator 3: Reduce share of population living within 500m from lead contamination hot spots in project area⁴⁵. Baseline: 100% (2017) being 76 600 people Target: 30% (2021) being 22 980 people</p> <p>Indicator 4: Net reduction in deforestation measured as areas protected/recovered⁴⁶. Baseline: 0 hectares (2017) Target: 24,170 hectares (2022)</p>	<p>Progress Indicator 3: More of the 32 mineral rights holders (excluding artisanal mineral rights holders) complying with Environmental Protection Fund(EPF)⁴⁹. Baseline: 20% or 7 companies (2017) Target: 70% or 25 companies (2022)</p> <p>Progress Indicator 4: Integrating environmental management practices into manufacturing companies. Baseline: 1 (IFC investment in Metalco Industries Company Limited) Target: 3 IFC investments in manufacturing companies</p>	<ul style="list-style-type: none"> • Wealth Accounting and the Valuation of Ecosystem Services Project (ZWAVES-P) (P163150) • Forest Investment Program (FIP) (P160267) • Scaling up Renewable Energy Program (SREP) Investment Plan - (P153795) • Satellite Monitoring for Forest Management (P159681) • Forest Sector Analysis (P164723) <p>IFC Investment & Advisory</p> <ul style="list-style-type: none"> • Metalco GVL (33340) • Metalco GVL (601876) • Zambia Registry Phase 2: Activity on implementation of a Collateral Registry in Zambia <p>Planned:</p> <p>IDA Operation</p> <ul style="list-style-type: none"> • Transforming Landscapes for Resilience and Development (TRALARD) (P164764) <p>Trust Fund</p> <ul style="list-style-type: none"> • Transforming Landscapes for Resilience and Development II (TRALARD) (Green Climate Fund)
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Objective 1.3: Access to and quality of resilient infrastructure services (initial emphasis on electricity and roads) increases in selected rural areas and small towns

Infrastructure gaps, the quality of the business environment, and a weak supporting environment in rural Zambia and small cities contribute to uneven territorial development. These gaps affect the rural economy and break the link with the more prosperous urban environment. Demand for agricultural products suffers. Objective 1.3 supports closing the gap and pays special attention to small towns.

Energy: In the energy sector, the overall national electricity access rate of 31% in 2015 is low and below the average for Sub-Saharan Africa. While there has been progress in increasing urban access to 67%, rural access has stagnated at 4%. This divergence substantially compounds growing inequality in Zambia. With electricity demand growing at an average 4 % per annum, increasing access to electricity and maintaining quality and reliability for existing consumers requires investments in generation and network expansion and commensurate financial capacity in the sector. *WBG Response:* Access to electricity in rural and peri-urban areas is supported by the Electricity Service Access Project (P162760). The project is also helping Government develop a strategy to scale up national electrification efforts, which could in turn be supported by the Bank along with other development partners. IDA and IFC will also explore options to support Off-Grid energy solutions, through the scale up of distributed energy service companies (DESCOs), energy transmission PPPs, municipal financing, and hydro projects. The effort to increase access will be complemented by a larger share of renewable energy in the country's primary energy mix through Scaling Solar program and access to more cost effective regional sources through the

⁴⁵ Mining and Environmental Remediation and Improvement. Numbers are from four Kabwe areas that are particularly contaminated and polluted with lead, and the population is showing alarmingly high level of blood lead levels. Data from Chingola and Mufira may be added later. Data on the population living in the project area comes from 2010 national census data and will be overlaid with the map showing location and extent of lead contamination hotspots (which will be updated annually).

⁴⁶ Integrated Forest and Landscape

⁴⁹ Mining and Environmental Remediation and Improvement

Kafue-Muzuma-Victoria Falls Regional Transmission Line Reinforcement (P124351) and the upcoming power interconnectors with other countries linked to Objective 3.2 of this CPF. The WBG considers also support enhancement of the financial sustainability of the power sector with a possible Refinancing Guarantee including the reforms necessary to ensure sustainability. In its interventions WBG will also support programs that ensure greater access to electricity for female headed households and female-headed micro and small enterprises that comprise 27% and 41% of the respective population. The key risk to mitigate is the financial sustainability of the power sector that will require a move to cost reflective tariffs, better tariff structuring and cost containment within the main power utility ZESCO.

Transport: In rural Zambia, the percentage of people living close to an all-season road ranges from 3.4 to 56.2 %, with a national average of 17 %. There is a significant relationship between rural accessibility and agricultural productivity. Where rural access is low, agricultural production remains suboptimal, because farmers and agribusinesses lack good access to markets. Rural accessibility is also correlated to poverty in many parts of the country. *WBG Response:* The drive to improve rural road connectivity and accessibility is part of a broader long-term government program, which the WBG supports under the Improved Rural Connectivity Project (P159330) focusing on the poorest regions. Institutional improvements including building institutional capacity to plan, implement, and maintain rural road infrastructure, and adoption and implementation of an employment creation policy in road construction, rehabilitation, and maintenance is firmly integrated in the support. Climate-related risks and their impact on rural roads will be assessed, along with suitable adaptation options to make such infrastructure more resilient against floods, droughts, and extreme temperatures. Joint WBG upstream activities will be required to mobilize private sector to address the issue of urban mobility. IFC is exploring ways to scale up private participation and mobilize investors in the provision of essential urban mobility and regional freight transport services. Specifically, IFC is considering engaging in an operational PPP to support the Lusaka/Ndola dual carriageway PPP project which is currently under construction or supporting the air transport project. Additionally, joint review of PPP potential among the country’s brownfield airports will be undertaken. WBG will stand ready, at Government’s request, to explore the restructuring of some of the state-owned enterprises, for example, Zambia Railways Limited (ZRL) and Tanzania-Zambia Railway Authority (TAZARA) rail companies with a view to promote open access regime to both rail networks to entice private sector investment in railway rolling stock through the granting of private freight rail operator licenses.

Water Supply and Sanitation: Access to safe water supply and sanitation services remains stubbornly low in Zambia – 63% access to safe water and 43% sanitation. Zambia’s 2030 coverage targets will be missed. Quality of services is poor, particularly in rural areas and small towns. In Zambia, inadequate sanitation and water supply results in regular cholera outbreaks (on average 4,300 cases per year)⁵⁰, widespread diarrheal disease, high child mortality and stunting in children under five (40%)⁵¹. *WBG Response:* The Lusaka Sanitation Project is supporting the agenda and is informing a broader national rural water supply and sanitation program. Opportunities for jobs creation through private sector participation (e.g. SME creation for on-site sanitation, or local rural water supply operators) will also be explored, ideally jointly with IFC.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>Indicator 1: Share of Zambia’s rural population with access to an all-seasoned road⁵². Baseline: 18.7% (1,147, 000 people) (2016) Target: 20% (1,270,000 people) (2021)</p>	<p>Progress Indicator 1: Number of jobs created through the implementation of National Council of construction ‘s labor-based policy⁵⁶. Baseline: 0 (2017) Target: 25 000 (2022)</p>	<p>Ongoing: IDA Operations</p> <ul style="list-style-type: none"> • Improved Rural Connectivity (P159330) • Lusaka Transmission and Distribution Rehabilitation (P133184) • Lusaka Sanitation (P149091)

⁵⁰ Data from Ministry of Health

⁵¹ Ministry of Health, 2017, Zambia Nutrition Profiles 2017

⁵² Improved Rural Connectivity - Rural Access Index as a measure of improved rural connectivity within the target area by the Road Development Agency (RDA).

⁵⁶ Improved Rural Connectivity

<p>Indicator 2: People in rural and peri-urban areas provided with new or improved electricity service by household connections (grid or off-grid)⁵³ of which 27% are female headed households. Baseline: 3.5% (≈250,000) (2016) Target: 10% (≈650,000) (2021)</p> <p>Indicator 3: Private sector capital mobilized into electricity infrastructure⁵⁴: Baseline: 0 Target: \$1.1 billion (including \$600 million to support increasing Variable Renewable Energy share in generation + \$500 million to improve sector operational and financial sustainability)</p> <p>Indicator 4: Number of people in low-income areas in Lusaka gaining access to improved sanitation services⁵⁵. Baseline: 0 (2016) Target: 213,000 of which half (107,500) are female beneficiaries (2021).</p>	<p>Progress Indicator 2: Increased capacity electricity transmission system in the Lusaka area. Baseline: 450MW (2018) Target: 900MVA (2021)⁵⁷</p> <p>Progress Indicator 3: Variable Renewable Energy capacity added to the grid⁵⁸. Baseline: 0 (2016) Target: (450MW) (2021)</p>	<ul style="list-style-type: none"> • Guarantee for Scaling Solar Round 1 West Lunga– Neon/First Solar (P157943) • Guarantee for Scaling Solar Round 1 Ngonye – Enel Green Power (P163958) • Electricity Service Access (P162760) <p>WB ASA incl. TF</p> <ul style="list-style-type: none"> • Renewable Energy Resource Mapping and Geospatial Planning: Zambia (P145271) • Global Survey for Multi-Tier Energy Access Tracking (P156666) • Evaluation and Recommendation for Scale-Up of Connection Subsidy Program in Rural and Peri-Urban Zambia (P163122) • Productive Use of Electricity by MSEs in Urban and Peri-Urban Zambia (P159610) • Scaling-Up Renewable Energy Program Investment Plan (P153795) • Economic Brief: Powering the Zambia Economy (P158366) • PPIAF Improve Commercial Viability of the Lusaka Water & Sewage (P150056) • Strengthening Water and Sanitation Service Delivery in Zambia (P155789) • Regional: Southern African Power Pool (SAPP) Program for Accelerating Regional Energy/Transformational Projects (P126661) <p>IFC Investment & Advisory</p> <ul style="list-style-type: none"> • Scaling Solar - Neon (38685) • Zambia Solar Scale Up (601182) • Zambia Solar Round 2 (601536) <p>MIGA Guarantees</p> <ul style="list-style-type: none"> • Ithezi Tezhi Hydro Power <p>Planned:</p> <p>IDA Operations</p> <ul style="list-style-type: none"> • Energy Partial Credit Risk Guarantee for ZESCO (P166099) • Guarantees for Scaling Solar Round 2 (P601536) • Regional: Tanzania-Zambia Interconnector (P166099)
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⁵³ Electricity Service Access– Quarterly Reports by ZESCO/REA

⁵⁴ IDA: Guarantees for Scaling Solar Round I (Lunga– Neon and Ngonye – Enel Green Power), IFC: Scaling Solar, MIGA: Ithezi Tezhi Hydro Power

⁵⁵ Lusaka Sanitation Project – Progress reports from the Lusaka Water and Sewerage Company.

⁵⁷ Lusaka Transmission and Distribution Rehabilitation– Quarterly reports by ZESCO

⁵⁸ IDA: Guarantees for Scaling Solar Round I (Lunga– Neon and Ngonye – Enel Green Power), IFC: Scaling Solar.

FOCUS AREA TWO: PUBLIC SERVICES AND SOCIAL PROTECTION FOR JOB PARTICIPATION

Focus Area II supports the country in charting a more inclusive development path with a focus on long-term human capital investments to break the intergenerational transmittal of poverty, particularly in rural and disadvantaged areas. The engagement under this Focus Area covers: (i) improvement in rural health service delivery with emphasis on primary and community level maternal, neonatal, child health (MNCH) and nutrition services including improving standards in nursing and midwifery, supply chain systems, and referral linkages across all levels of the Zambia health care delivery system; (ii) strengthening social protection through increased access to secondary education for disadvantaged adolescent girls in extremely poor households and overcoming constraints to productivity faced by poor Zambian women; and (iii) education enhancement through increased equitable access to secondary education, improved quality of teaching and learning.

Objective 2.1: Access to secondary education, health services, nutrition and social protection increases, with attention to girls and women in selected rural areas.

This objective aims to build a healthy and educated workforce capable of actively participating in, and contributing to the Zambian economy and help the country achieve the goal of accelerated development towards the Vision 2030 without leaving anyone behind, as enunciated in the Seventh National Development Plan.

Health: Breaking intergenerational poverty and improving equality requires long-term investments to improve health outcomes. Zambia was unsuccessful in achieving water, sanitation and health-related MDGs, particularly reproductive, maternal and nutrition outcomes. Total fertility rates are particularly high for women in the poorest 40 % of households. This has a negative impact on not only women's health and their prospects to engage in educational and employment opportunities, but also on cognitive ability of their children. Teenage pregnancy and motherhood is a major social and health issue in Zambia. About 29 % of women aged 15-19 have already begun childbearing. Poor women also face greater constraints in giving birth safely and obtaining medical treatment than wealthy women. Poor maternal health, along with other factors (including poor access to safe water and sanitation), also have a direct impact on early childhood development. In the poorest wealth quintile, nearly half of children are stunted; and evidence suggests that this could negatively impact future earning potential by as much as 25 to 50 %. *WBG Response:* The CPF program aims to improve health service delivery particularly in rural areas with emphasis on primary and community level MNCH and nutrition services. The CPF will seek to raise awareness in the country about the negative consequences of the high level of stunting, and will use the available instruments to reach impact on the ground.

Social protection: Increasing coverage and improving efficiency of social protection programs can improve household productivity in the near term while also building human capacity of future generations. Currently, most of the labor force lives in poverty, has had little education, perish young from avoidable diseases, and is predominantly rural. Even if more opportunities for formal employment existed, a sizeable portion of the current labor force would not be well suited for these jobs. Their productive inclusion in society, and making sure they can invest in their children's futures, requires redistributive social protection policies. The Government's recent policy reform to reallocate public resources from regressive subsidies to increase beneficiaries from the SCTS by half a million households (from 240,000 in 2016 to 750,000 in 2018) represents a solid first step. The Government, however, also realizes that there is a need to complement the SCTS with additional support tailored to encourage productive outcomes, including educational attainment and further increased earnings from household enterprises. Implementation of the recently approved National Health Insurance (NHI) scheme would require development of social protection mechanisms to enable access to health services provided by the NHI by the poor. *WBG Response:* Within the broad range of needs for social protection services in Zambia, the CPF prioritizes improved access for girls and women in rural areas, as their empowerment is at the heart of breaking the intergeneration cycle of poverty in the country. Priority is being assigned to increasing secondary education attendance, and keeping poor girls in school.

Education: Education is a key driver of inclusive economic growth in Zambia. However, children and young people's opportunities are constrained by poor educational outcomes. Although Zambia has reached universal access to primary education, quality of learning is poor in comparison to its neighbors, while transition to and completion of secondary education is low. More than 25 % of pupils from primary to junior level secondary education do not acquire adequate basic reading, and proficiency in science and mathematics. For instance, out of 100 children who enroll in grade one, only half of them make it to junior secondary and about 35 children make it to upper secondary. Among the children who drop out from schools, the majority are girls. This has resulted in a workforce with much lower basic cognitive, and

job-specific skills which are required to become a productive citizen with capacity to break the intergenerational poverty trap. *WBG Response:* The CPF will focus on improving equitable access to quality secondary education, particularly for girls and children at-risk in rural areas, and peri-urban areas.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>Indicator 1: Deliveries attended by skilled health staff (%)⁵⁹ Baseline: 52% (147,215 deliveries) (2017) Target: 57% (177,255 deliveries) (2019)</p> <p>Indicator 2: Extremely poor households in 16 targeted districts receiving support to keep girls in secondary school (%)⁶⁰ Baseline: 0% (2016) Target: 7% (14,000 of 189,828 households) (2021)</p> <p>Indicator 3: Extremely poor households in 51 targeted districts receiving livelihood and empowerment benefits (%)⁶¹ Baseline: 0% (2016) Target: 16% (75,000 of 454,977 households) (2021)</p> <p>Indicator 4: Number of students enrolled in Grades 8-12 in the expanded secondary schools with additional classrooms and facilities⁶². Baseline: 0 (2017) Target: 22,960 (2023)</p> <p>Indicator 5: Tuberculosis treatment success rate⁶³.</p>	<p>Progress Indicator 1: Percentage of health centers and health posts in project areas with at least one qualified health worker. Then the figures are: Baseline: 88% (911) (2016) Target: 94% (973) (2019)</p> <p>Progress Indicator 2: Percentage of HIV patients routinely screened for TB⁶⁴. Baseline: 76% (2015) Target: 80% (2021)</p> <p>Progress Indicator 3: Number of students enrolled in accredited PhD and Master programs on Infectious Disease in Humans and Sustainable Mining⁶⁵. Baseline: 78 (2016) Target: 541 (2022)</p>	<p>Ongoing: IDA Operations</p> <ul style="list-style-type: none"> • Health Services Improvement (P145335) • Girls’ Education and Women’s Empowerment and Livelihood (GEWEL) (P151451) • Education Enhancement (P158570) • Regional: Eastern and Southern Africa Higher Education Centers of Excellence (P151847). Zambia features two Centers: (i) Infectious Disease in Humans and Animals in University of Zambia, and (ii) Sustainable Mining in Copperbelt University. • Regional: Southern Africa Tuberculosis and Health Systems Support (P155658) • Lusaka Sanitation (P149091) <p>Trust Fund</p> <ul style="list-style-type: none"> • Zambia Livelihood and Nutrition (P147745) <p>WB ASA</p> <ul style="list-style-type: none"> • Zambia Health Sector Public Expenditure Review (P162287), DFID funded. • Multi-sectoral Approach to Reduce Stunting in Lesotho, Zambia and Zimbabwe (P165406) • Developing an Innovative Payment Platform for the Social Protection System in Zambia (P163380) • Strengthening Girls’ and Women’s Rights in Zambia (P151451)

⁵⁹ Health Services Improvement Project

⁶⁰ Girls’ Education and Women’s Empowerment and Livelihood (GEWEL) Project; calculations are based on 2015 LCMS data for population estimates in the targeted districts, the average household size of 5.1 persons, and the extreme poverty line of 40.8%.

⁶¹ Girls’ Education and Women’s Empowerment and Livelihood (GEWEL) Project; calculations are based on 2015 LCMS data for population estimates in the targeted districts, the average household size of 5.1 persons, and the extreme poverty line of 40.8%.

⁶² Education Enhancement Project

⁶³ Southern Africa Tuberculosis and Health Systems Support Project. This includes new and relapsed cases. The numerator is the number of Tuberculosis (TB) patients successfully treated and having negative sputum, while the denominator is the number of sputum positive patients beginning TB treatment.

⁶⁴ Southern Africa Tuberculosis and Health Systems Support Project

⁶⁵ Eastern and Southern Africa Higher Education Centers of Excellence

<p>Baseline: 85% (13,571) (2015) Target: 90% (15,472) (2021)</p>		<ul style="list-style-type: none"> • Operationalizing the Youth Employment Agenda in Southern Africa (P165154) <p>Planned:</p> <p>IDA Operations</p> <ul style="list-style-type: none"> • Regional: Africa Centers for Disease Control and Prevention (P167916) • Girls' Education and Women's Empowerment and Livelihood (GEWEL) - Additional Financing. <p>Trust Fund</p> <ul style="list-style-type: none"> • Education Enhancement Additional Financing
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FOCUS AREA THREE: INSTITUTIONS FOR RESILIENCE

The SCD stresses that Zambia lacks institutions and is not sufficiently integrated regionally to mitigate vulnerability to economic and nature shocks. Institutional mechanisms to protect the economy against external and domestic shocks need to be strengthened. Regional integration can also help diversifying risks, foster balanced development with Zambia, while expanding the set of economic opportunities, all contributing to a more resilient Zambia.

Objective 3.1: Fiscal and financial fitness increase

Procyclical fiscal policies during the commodity super cycle have exacerbated Zambia’s fiscal vulnerabilities. Fiscal deficits significantly increased, public expenditure arrears mounted, and risks of external debt distress were reclassified from moderate to high in 2017. This severely impacted private sector development: arrears fragilized firms’ treasury situation, and the necessary tightening of the monetary policy crowded out banking credit to the domestic private sector, which contracted since 2016. The amplification of economic cycles also entailed large swings in exchange rates, and a related perception of higher exchange rate risk for foreign investors. Meanwhile, climate shocks (El Nino, 2015-16) also impacted the financial sustainability of key State-owned enterprises (se), the electricity utility (ZESCO) notably, which accumulated arrears as forced to resort to more expensive energy sources not covered by corresponding tariff increases. Actual and contingent liabilities from SOE are compounding debt sustainability issues. At the origin of these various problems are notably weaknesses in public investment management (translating expensive borrowing into high-return profitable public investment projects), in debt management (diversifying risks related to borrowing terms and maturity, recording and communicating debt properly), and in public financial management (preventing the accumulation of arrears, improving the value for money of public spending).

WBG Response: Objective 3.1 seeks to contribute to government’s efforts to increase fiscal and financial fitness. The engagement of the Bank will be quite focused and selective, building on recent diagnostics (e.g. PEFA 2017) and national strategies (e.g. PFM Reform Strategy 2018-2022), and seeking to complement the work done by other development partners, such as the EU, the IMF and DFID. The focus will be on (a) controlling public sector arrears and improving debt management to reducing the debt risk of the country; (b) improving public investment management and procurement practices; (c) strengthen revenue administration, and (d) restoring ZESCO financial sustainability. The main support for this objective will be provided by the Public Financial Management Reform Program, an Energy Partial Credit Risk Guarantee, as well as the continued dialogue on macroeconomic issues and technical assistance to debt management. Pending progress on committing to a credible path towards greater debt sustainability (as reflected in the satisfactory implementation of an IMF financial program), a Development Policy Operation could magnify the development impact of PFM reforms, in encouraging pro-poor allocation of fiscal resources to agriculture and social protection, while mitigating debt sustainability risks through better debt management. IDA will also support the reduction of arrears that have accumulated at ZESCO through a refinancing guarantee that will support the mobilization of private sector financing and strengthen the resilience of the energy sector in this challenging macroeconomic context.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>Indicator 1: End-year stock of public expenditure arrears stabilizes⁶⁶ Baseline: 6% of GDP (2018) Target: 2% of GDP (2023)</p> <p>Indicator 2: ZESCO Debt Service Coverage Ratio improves⁶⁷ Baseline: 0.6 (2017)</p>	<p>Progress Indicator 1: Debt Management improves (Performance Indicator (PI) 13 of PEFA). Baseline: C (2017) Target: B (2023)</p>	<p>Ongoing: Trust Fund</p> <ul style="list-style-type: none"> • Public Financial Management Reform Program (P147343) <ul style="list-style-type: none"> ○ Reforms in Planning, Budgeting Processes (including output-based budgeting) and Public Investment Management ○ Integrated Financial Management Information Systems (IFMIS) and Treasury Single Account

⁶⁶ Public Financial Management Reform Program (PEFA indicators).

⁶⁷ Energy Partial Credit Risk Guarantee

<p>Target: > 1.0 (2022)</p>	<p>Progress Indicator 2: Improved Revenue administration for revenue mobilization (Performance Indicator (PI) 19 of PEFA). Baseline: C+ (2017) Target: B (2023)</p> <p>Progress Indicator 3: Improved Public Investment Management and investment decision-making (Performance Indicator (PI) 11 of PEFA) Baseline: D (2017) Target: B (2023).⁶⁸</p> <p>Progress Indicator 4: Implementation of Electronic Public Procurement in all Ministries, provinces and other spending agencies (MPSAs). Baseline: 6 (2017) Target: All MPSAs (2023)</p>	<ul style="list-style-type: none"> ○ Migration of Government Accounting to Accrual Accounting using IPSAS ○ Public Procurement (incl. Electronic Government Procurement) ○ Revenue Mobilization and Improved Tax Policy. ○ Strengthening institutional capacity of Auditor General and Internal Controls & Internal Audit. ○ Building professional accounting capacity (e.g. Chartered Accountants). <p>WB ASA incl. TFs</p> <ul style="list-style-type: none"> ● Macro-Fiscal FY15-18 (P157243) ● Macroeconomic Monitoring (IO 2029191) ● Poverty and Distributional Analysis (P160982) ● PEFA Assessment 2016 (P159815) ● Report on Observance of Standards and Codes Accounting and Auditing (P163152) ● Wage Bill Management TA (P156249) with DFID ● Financial Sector Assessment (FSAP) Update (P160003) ● Fostering Long-term savings IE (P158551) ● SADC Industrialization ASA (P161719) <p>Planned:</p> <p>IDA Operations</p> <ul style="list-style-type: none"> ● Energy Partial Credit Risk Guarantee ZESCO (P166099) ● Development Policy Operation (FY21) <p>ASA incl. TFs</p> <ul style="list-style-type: none"> ● Macro Fiscal FY19-21 (P168896) ● Macroeconomic Monitoring (IO 2029191) ● Program for Results Readiness Assessment (P167831)
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⁶⁸ Public Financial Management Reform Program (PEFA indicators).

Objective 3.2: Trade and infrastructure for economic integration and shared natural resources management with the broader region increases

Greater regional integration will contribute to diversify risks, strengthen cross-border natural resource management, foster economic development of lagging regions, and reign in domestic anticompetitive practices through greater foreign competition. Good progress is made towards regional integration through SADC and COMESA yet much remains to be done to implement the agreed protocols through physical investment and policy change at the national level.

WBG Response. The CPF will support the regional integration agenda through three channels: trade policy reforms, and infrastructure investments, particularly in energy and the management of natural resource shared with Zambian neighbors. As for trade, particularly for agriculture exports, the world bank will contribute to support government’s efforts to (i) identifying market failures and policy barriers that stifle trade and investment within specific regional value chains; and (ii) making trade rules less cumbersome, more predictable, and easier for all traders (women and small traders in particular) to navigate. Current engagements in this area include the Zambia IFC Investment Climate Program III, the Agribusiness and Trade Project (P156492), the Accelerated Program for Economic Integration (APEI) with the potential Nacala Corridor Regional Trade Project, the upcoming Great Lakes Trade Facilitation Project (GLTFP) (P155329). As for energy, the World Bank will continue to support investments in inter-connectivity infrastructure and the operationalization of the two regional power pools, the Southern Africa and the Eastern Africa Power Pool, in which Zambia aims not only to be well connected but wants to position herself as a future energy export hub. The Kafue-Muzuma-Victoria Falls Regional Transmission Line (P124351) and the Kariba Dam Rehabilitation Project (P146515) are part of this vision and already under implementation. Future engagement under this CPF will include the Regional Tanzania-Zambia Interconnector Project (P166099). As for natural resource management, the CPF will continue the dialogue on waterways and wildlife, building on past transboundary natural resource management support (e.g. Nyika Conservation Project). Future engagement under this CPF would include the Tanganyika Lake Environmental Management Project and a GEF engagement under the TRALARD Project (P164764) on transboundary wildlife management. IFC will explore mobilizing private sector financing in the provision of airport services in support of regional integration and tourism activities. On the IFC side, to strengthen institutions, IFC will be implementing a risk-based approach to border inspections and clearance in order to reduce time and cost of clearing goods at the border.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>Indicator 1: Power Transmission Capacity⁶⁹ Baseline: 230 KVA (2013) Target: 700 KVA (2019)</p> <p>Indicator 2: Number of people in the Kariba Dam area benefitting through risk reduction and avoided disaster⁷⁰. Baseline: 3,000,000 at risk from dam failure (2015) Target: 3,000,000 people at reduced risk from dam failure by 2023 and no longer at risk by 2025</p> <p>Indicator 3: User perception of the quality of services provided by border officials at target locations</p>	<p>Progress Indicator 1: New or upgraded regional transmission lines⁷³ Baseline: 0 km (2013) Target: 2,400 km (2021)</p>	<p>Ongoing: IDA Operations: <ul style="list-style-type: none"> • Agribusiness and Trade (P156492) • Regional: Kariba Dam Rehabilitation (P146515) MIGA Guarantees: <ul style="list-style-type: none"> • Hitachi Construction Machinery ASA: <ul style="list-style-type: none"> • SADC Industrialization ASA (P161719) • COMESA: Climate Resilience and Agriculture Planned: IDA Operations <ul style="list-style-type: none"> • Regional: Tanzania-Zambia Interconnector (P166099) </p>

⁶⁹ Kafue-Muzuma-Victoria Falls Regional Transmission Line

⁷⁰ Kariba Dam Rehabilitation

⁷³ Includes World Bank financed projects and co-financing/leveraging other financiers

<p>(Mokambo, Chembe, Kasumbalesa) disaggregated by gender and nationality.⁷¹ Baseline: 48% satisfaction of the quality of services (2017 estimate, final tbc) Target: 90% satisfaction of the quality of services (2023)</p> <p>Indicator 4: Trade facilitation reform and improved border management procedures to expedite the movement, release and clearance of goods result in private sector cost savings⁷². Baseline: \$0m (2017) Target: \$10m (2020)</p>	<p>Progress Indicator 2: Kariba Dam Emergency Preparedness Plan (EPP) adopted and operationalized ⁷⁴. Baseline: Existing EPP requires operating rule curve to be lowered by 3.5m (2015). Target: Updated EPP reflecting successful rehabilitation adopted and implementing operating rule curve (2025).</p> <p>Progress Indicator 3: Number of border officials and traders receiving training (Mokambo, Chembe, Kasumbalesa). Baseline: 0 (2018) Target: 200 border officials; 800 traders (of which 80% women) (2020)</p> <p>Progress Indicator 4: Number of National Quality Infrastructure Bills submitted to parliament⁷⁵. Baseline: 0 (2017) Target: 4 (2020)</p>	<ul style="list-style-type: none"> • Regional: Great Lakes Project Trade Facilitation (P155329) • Transforming Landscapes for Resilience and Development (TRALARD) (P164764) – GEF component on transboundary wildlife management. <p>IFC:</p> <ul style="list-style-type: none"> • IFC: Investment Climate Program III (601863)
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⁷¹ Great Lakes Trade Facilitation Project

⁷² IFC Investment Climate Program III

⁷⁴ Kariba Dam Rehabilitation

⁷⁵ Agribusiness and Trade

ANNEX 2: Zambia Completion and Learning Review Report CPS FY13-FY17

CAS Board Discussion: February 15, 2013

CAS Progress Report Board Discussion: July 30, 2015

Period Covered by the CAS: July 2015 through June 2016

Period Covered by the CLR: July 2015 to June 2017

Summary of Key Findings

1. **This Completion and Learning Review (CLR) assesses the World Bank Group's Country Partnership Strategy (CPS) for Zambia from 2013 to 2017.** The strategic objectives of the CPS, which were aligned to the Government's Sixth National Development Plan (SNDP), were to (a) reduce poverty and vulnerability of the poor, (b) improve competitiveness and infrastructure for growth and employment, and (c) improve governance and strengthen economic management. The CPS was grounded in the World Bank's Africa strategy and IFC and MIGA priorities, and CPS pillars and objectives were in broad alignment with the World Bank Group's goals of ending extreme poverty and promoting shared prosperity. The CPS emphasized inclusive growth, gender equality, and climate change, which were special themes under IDA 17, and combined contributions of the World Bank and IFC/MIGA. The PLR, completed in July 2015, made a few adjustments to the program and revised the results matrix to account for changing client demands and implementation hurdles amid a less favorable economic and country environment toward the end of the CPS implementation period. In addition, the PLR extended the closure of the CPS from FY16 to FY17 to align the next CPS to Zambia's political cycle.

2. **The program performance of the CPS is rated Moderately Unsatisfactory.** The first CPS strategic objective is rated as Moderately Unsatisfactory. The WBG achieved most results in health, malaria prevention, and climate change and made progress in irrigation, animal health, and agricultural extension, but not all CPS targets were achieved. The second strategic objective is rated as Moderately Unsatisfactory. The CPS provided support on transport and energy infrastructure, but implementation delays in both transport and energy projects resulted in missed CPS indicator targets. The World Bank and IFC provided TA and advisory services to improve the business environment and access to finance with mixed results. On the third strategic objective, rated Moderately Satisfactory, the World Bank made good headway, notably in improving public financial management and increasing citizen access to information. Overall, one outcome was achieved, two were mostly achieved and four were partially achieved, supporting the Moderately Unsatisfactory rating.

3. **The performance of the World Bank Group in designing and implementing the program is rated as fair.** The CPS was closely aligned to the Government's development challenges, and the World Bank excelled in leveraging IDA and TA effectively, cooperating within the WBG, incorporating cross-cutting concerns, and maintaining flexibility to address portfolio challenges. However, the WBG failed to accurately account for low country absorption capacity and the changes in the operating environment, which undermined portfolio performance and contributed to 58.0 percent of commitments at risk in 2016, the highest during the CPS implementation period. To varying degrees, CPS activities suffered from overly complicated designs, delays in project setup and effectiveness; late recruitment of project staff; insufficient skills in project management; and low institutional capacity in project monitoring, procurement, financial management, safeguard implementation and management. Delays in WBG clearances and lack of continuity of World Bank staff, for example, the frequent changes of Task Team Leaders for the transport and irrigation project impaired CPS performance. The CPS results matrix was updated at the PLR stage to reflect portfolio changes but suffered from overly ambitious project targets, measurement challenges, and shifting indicators in the volatile environment as evidenced by frequent project restructurings.

Development Outcomes

A. Country Context

4. **Zambia’s development was buoyed by economic tailwinds at the start of the CPS, but conditions and prospects dampened in later years due to falling growth, fiscal imbalances, lower copper prices, and policy uncertainties.** Between 2010 and 2014, annual GDP growth averaged above 7 percent, fueled by high copper prices and market liberalization efforts, and greater fiscal space to expand investment, partly because Zambia received debt relief under the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative in 2005, estimated at \$6.5 billion. Yet, growth in GDP fell to an estimated 2.9 percent in 2015 and 3.6 percent in 2016 amid falling copper prices, a weak harvest under the El Niño drought, and enduring domestic challenges, particularly power outages. The Government faced growing concerns about fiscal deficits, which rose from 5.5 percent in 2014 to 9.4 percent in 2015, and public debt, which increased from 25.5 percent of GDP in 2012 to 52.9 percent in 2015. Uncertainties about fiscal policies in mining, labor regulations, and impediments to doing business, such as excessive red tape, worsened the climate for investment and growth.

5. **Zambia continues to struggle with poverty, especially in rural areas.** Poverty incidence, as measured by the share of the population living under US\$1.90 per day, fell slightly from 60.4 percent in 2010 to 57.5 percent in 2015. However, high population growth and limited progress on reducing monetary poverty meant that the number of poor people increased from 7.2 million in 2010 to 8.4 million in 2015. Rural areas made up 92 percent of this increase. From 2010 to 2015, poverty in urban areas fell from 25.7 percent to 23.4 percent, but poverty in rural areas rose from 73.6 percent to 76.7 percent. Zambia’s poverty rate is above the average for Sub-Saharan Africa, which was 41 percent in 2013. Zambia has one of the most unequal distributions of income in Sub-Saharan Africa, with a Gini coefficient of 0.69. The benefits of GDP growth have accrued mainly to urban areas, such as the Copperbelt and Lusaka regions, given their higher concentrations of gainful economic activities. Factors that threaten to increase poverty include the Zambian kwacha depreciation, and the regional drought, which reduced agricultural production and increased food prices and negatively affected poor. However, over the last year, the kwacha appreciated.

B. Program Performance

6. **The CPF’s program performance was Moderately Unsatisfactory.** Two of the three strategic objectives are rated moderately unsatisfactory. One strategic objective was rated moderately satisfactory.

Table 1: Ratings of Strategic Objectives and CPS Outcomes

Strategic objective/indicators	Rating
Objective 1: Reducing poverty and the vulnerability of the poor	Moderately Unsatisfactory
CPS Outcome 1.1: Improved animal and crop productivity in selected areas	Partially Achieved
CPS Outcomes 1.2 Improved Access to Resources for Strengthening Household Resilience and Health in targeted areas	Mostly Achieved
Objective 2: Improving competitiveness and infrastructure for growth and employment:	Moderately Unsatisfactory
CPS Outcome 2.1 Improving key aspects of the regulatory environment for business	Partially Achieved
CPS Outcome 2.2 Selected infrastructure built and rehabilitated	Partially Achieved
CPS Outcomes 2.3 Improved access to finance for small enterprises	Mostly Achieved
Objective 3: Improving governance and strengthening economic management.	Moderately Satisfactory
CPS Outcome 3.1 Strengthened systems and processes for public sector performance	Partially Achieved
CPS Outcome 3.2 Citizen access to information increased	Achieved

Note: the PLR notes that new lending in FY16/17 will note feature results in the results matrix as results are expected only in the next CPS period.

Strategic Objective 1: Reducing poverty and the vulnerability of the poor-is rated Moderately Unsatisfactory.

CPS Outcome 1.1: Improved animal and crop productivity in selected areas

7. The outcome on improved animal and crop production was partly achieved because of overly ambitious targets and limited client capacity. Of two indicators under Outcome 1.1, one was not achieved and one was achieved. The outcome indicator on reduction in diseases (1.1.1) was not achieved because of complex targets, leading to frequent revision of targets by dropping or rewording. The FY12 Livestock Development and Animal Health Project (LDAHP) improved animal health, by increasing vaccinations against East Coast Fever (ECF), Foot and Mouth Disease (FMD), and Contagious Bovine Pleuropneumonia (CBPP), which helped increase the cattle population from 2.1 million in 2012 to 2.98 million in 2015. Yet, delays in project implementation and insufficient client capacity precipitated two project restructurings in 2015 and 2017 to moderate results and refocus activities. The project did not meet the indicator on CBPP prevalence rate, which was later dropped due to measurement challenges. However, the project increased districts cleared of CBPP from 0 in 2012 to 11 in 2017. The project did not meet the CPS indicator target for FMD outbreaks.

8. The indicator on making technologies to farmers and other end users (1.1.2) was achieved. The FY13 Agricultural Productivity Program for Southern Africa (APPSA) Project provided research and extension services to Zambia, Malawi, and Mozambique and increased the number of technologies available for farmers and end-users from 0 in 2013 to 113 in 2016—surpassing the CPS target of 25. The FY11 IDSP also sought to contribute to increase yields per hectare, although no corresponding indicator was included in the CPS. It has contributed thus far an updated national irrigation plan, rehabilitation of 115 km of roads, and coverage of 1,187 new ha under irrigation. However, due to delays in procurement and safeguards compliance, most irrigation schemes will not be completed until after 2018.

9. Delivery on this outcome have been mindful of gender and environmental priorities. The Livestock Development and Animal Health Project (LDAHP) and APPSA surpassed targets for female beneficiaries, but this target was not included in the results framework. The CPS also provided TA to enhance ICT services for women farmers and to improve integrated forest management and sustainable management practices in the Luangwa Valley. COMACO successfully demonstrated mitigation benefits, achieved through community engagement in REDD+ (Reducing Emissions from Deforestation and Forest Degradation, and foster conservation, sustainable management of forests, and enhancement of forest carbon stocks) and Sustainable Agriculture in the project area in Zambia's Eastern Province. Through this support, Zambia completed a validation and verification audit that combines reduced deforestation and the adaptation of sustainable, climate-smart agricultural practices in the landscape. The scale of Emissions reductions achieved through the verification under Verified Carbon Standard is 227,917 tons of carbon dioxide equivalent and a total of USD814,406.49 has been paid to COMACO and participating 9 chiefdoms and farmer cooperatives.

10. IFC and MIGA provided complementary support in agriculture, agribusiness and Manufacturing. IFC made an equity investment of US\$20 million in Agrivision Africa to help create local integrated grain cultivation and milling company. MIGA provided a complementary guarantee for Agrivision Africa's investment in wheat and maize mills (this guarantee was subsequently cancelled and a guarantee of US\$18.9 million to reinsure coverage of an agricultural fund and its investment in Silverlands Zambia Limited (SZL), which is purchasing farms to develop an integrated commercial farming unit. MIGA issued further guarantees to reinsure coverage of an investment in Silverlands Ranching Limited to help it acquire and develop a large cattle farm in the southern province, and to Liongate Venture fund for its investment in the Yalelo aquaculture project on Lake Kariba. IFC also provided a senior loan of US\$10 million and mobilized US\$10 million for Metalco Industries Company Limited, a local metal recycling company that manufactures copper cables and rods, lead-acid batteries, and aluminum sheets, pots, and pans. Due to

the severe environmental risks facing Metalco, IFC's engagement was made conditional on a World Bank mining environmental and remediation project moving forward. The investment helped the company to address occupational health and governance issues. The investment also allowed Metalco Industries Company Limited to grow through linkages with local SME suppliers; sustain and create jobs and works towards achieving a vital goal of the Government—to create value addition to Zambia's natural resources through the manufacturing sector.

11. IFC provided aUS\$25 million senior loans to First National Bank of Zambia to support lending to SMEs in agribusiness, telecom, tourism, and manufacturing. In 2015, IFC also supported the creation of 6,000 jobs of which 1,700 benefited women. In the same year, IFC reached 3,750 farmers, paid \$700,000 in taxes, and made purchases for domestic suppliers for \$82 million (Zambeef). Also, access to finance was boosted through the provision of over 11,000 Micro, Small and Medium Enterprises (MSMEs) loans for a value of nearly \$67 million.

CPS Outcome 1.2: Improved Access to Resources for Strengthening Household Resilience and Health in Targeted Areas

12. The outcome on improved access to resources was mostly achieved, as Zambia fulfilled or surpassed CPS targets for four of the five indicators. Out of five indicators, four have been achieved and one has not been achieved. The share of vulnerable councils, wards, and communities using improved tools and instruments to respond to climate change (indicator 1.2.2) increased from 0 percent in 2013 to 36 percent in September 2014—surpassing the CPS target of 30 percent. The FY13 Pilot Program for Climate Resilience (PPCR) Phase II Project made good headway in strengthening climate resilience and adaptation, particularly for communities in the Barotse sub-basin. The project introduced approaches and technologies and funded grants to support canal rehabilitation, solar powered boreholes, and fish ponds that provided extra income and clean water to poor communities. The project strengthened multisector coordination of Zambia's climate change program through establishment of an Interim Climate Change Secretariat and supported a national M&E system for tracking climate-related expenditure and investment across sectors. The project helped the Government leverage five new World Bank projects related to climate change, such as the Integrated Forest Landscape program and the Scaling-up Renewable Energy program. Nonetheless, the project's pace of implementation was slower than expected due to Government delays in setting up proposed institutional arrangements and bureaucracy in climate change planning.

13. The WBG contributed to the improvement of biodiversity management through FY11 Sustainable Management of the Nyika Transfrontier Area Management Project. Though not related to a CPS indicator, this project contributed to improved management of the biodiversity of the Zambia-Malawi Transfrontier Conservation Area, which features reserves, national parks, and game management areas. The project supported a Ministerial Committee to adopt planning instruments, strove to decrease illegal land use, and helped increase scores on the Projected Area Management Effectiveness Index—from 38 in 2010 to 50 in 2015 for the Nyika National Park (against an end-project value of 60 for 2017).

14. Children are now better protected from malaria (indicator 1.2.3). The FY08 Malaria Booster and Health-based Financing projects contributed to more children undergoing anti-malarial treatment, spraying of structures to prevent malaria, and an increase in children sleeping under insecticide treated bed nets from 40 percent in 2008 to 57 percent by 2013—surpassing the CPS target of 55 percent. They also supported childhood immunization, construction and renovation of 404 new health care facilities, and an increase in women delivering in facilities by a skilled birth attendant from 31 percent in 2010 to 72 percent in 2014—exceeding the CPS target of 36 percent.

15. Increasingly birth deliveries are being attended by skilled staff as intended under the CPS (indicators 1.2.4 and 1.2.5). An FY14 follow-on Health Services Improvement Project (HSIP) to strengthen health systems and maternal and child health in mining communities, high TB burden regions, high HIV/AIDS burden regions, transport corridors, and cross-border areas of the four target countries increased deliveries attended by skilled health providers from 27 percent in 2013 to 45 percent in 2015—meeting the last CPS target. Project beneficiaries grew from 800,000 in 2013 to 1.8 million in 2015, with female beneficiaries rising from 28 percent to 50 percent. Today, more children are undergoing monthly growth monitoring, and more health centers are offering integrated management of childhood illness. Despite these gains, the HSIP faced challenges: The introduction of a results-based approach with disbursement linked indicators took longer time to root in the MOH, slow progress on procurement, Government delays in recruiting project staff, inadequate coordination within MOH directorates, and lack of clarity on the flow of funds from the MOH to districts. The World Bank also provided advisory services and TA in health that proved effective in contributing to improved service delivery. These include a report on HIV/AIDS expenditure, an analysis of supply and demand for HIV/AIDS services at the district level, and an analysis comparing costs of HIV-related commodities.

16. Several projects to improve household resilience and welfare were approved in the CPS period, providing a sound platform for rapid delivery of results during the coming CPF. The FY15 Girls Education and Women’s Empowerment and Livelihoods (GEWEL) Project (P151451)—introduced as part of an enhanced focus on poverty programs—is funding activities to help 75,000 poor and vulnerable women in 51 districts to develop life and business skills and increase productivity and to support 14,000 adolescent girls in extremely poor households access secondary education. A regional Programmatic Analysis of Adolescent Girls in Zambia and Malawi informed this program and the HSIP and included a diagnostic report and recommendations on the welfare and opportunities of adolescent girls in areas such as education, reproductive health, and the labor market.

17. Limited progress has been made in improving water resource management and providing small water infrastructure (indicator 1.1.1). Most activities under the FY13 Water Resources Development Project are significantly behind schedule, with a number of activities yet to commence. The project’s outputs and results are impacted by poor subproject designs, inadequate safeguards, unrealistic time frames, and prohibitive costs, partly because of losses linked to the currency exchange rate. The project provided the Government with a draft road map for modernizing hydrometeorological (hydromet) services and the creation of a Water Resources Management Authority and a Department of Water. Project lessons include the need to take due account of the technical implementation capacity, the cross-ministerial collaboration, and improve citizen engagement.

18. The CPS provided targeted support through advisory work, South-South Knowledge Exchange (SSKE), and lending to help implement the National Social Protection Policy (NSSP). From FY13 to FY15, the CPS featured non-lending TA on the NSSP which included policy notes and a study tour to Chile on approaches for coordinating, implementing, and targeting SP programs; policy notes and advice on M&E and a single registry of beneficiaries; and a poverty mapping exercise to support targeting of programs to the ward level. An additional Tawas implemented on building the single registry and an integrated Management Information System (MIS) for beneficiaries and included assistance for the MIS and registry in the GEWEL (P151451). Lessons included the need to adopt a phased approach when introducing changes in targeting mechanisms and identifying champions to help coordinate a targeting approach when developing systems across sectors and users. The education sector public expenditure review (PER) identified challenges facing the education sector (e.g. teacher quality, textbook and classroom shortages

in high schools) that help to account for the consistently low learning outcomes and informed the development of an education project.

Strategic Objective 2. Improving competitiveness and infrastructure for growth and employment—Moderately Unsatisfactory

CPS Outcome 2.1: Improving key aspects of the regulatory environment for business

19. The outcome on improving key aspects of the regulatory environment in business was partly achieved because the performance on the three outcome indicators target was mixed; one indicator was achieved, the other was partly achieved and the third indicator not achieved. The Investment Climate program contributed to building of the capacity of Zambia’s new Business Regulation Review Agency, provided TA to develop a new Business Regulation Act, and supported the establishment of a one-stop shop for business registration in Lusaka, which helped reduce the days to provide business registration from three in 2012 to one in 2014—meeting the CPS target indicator 2.1.2. The program also supported application of principles of the World Trade Organization Trade Facilitation Agreement and helped the Zambia Revenue Authority to modernize trade procedures and reduce inspections. Another TA under this program contributed to the diversification of the economy and improve competitiveness in agriculture, telecoms, and construction. To complement this, IBRD provided a series of economic briefs, including three during the CPS, on international trade, financial inclusion, and mining, and policy notes on managing copper resources.

20. From a baseline of three reforms in 2011, Zambia made five additional reforms recognized by Doing Business. These include the introduction of online tax and VAT filing that reduced the number of visits to ZRA offices, a higher threshold for VAT registration that benefited SMEs, adoption of a compliance policy at ZRA that enabled reduction of inspection rates, and improvement in credit rating by the Credit Bureau. However, such progress does not officially meet the CPS indicator 2.1.1, which, in hindsight, erroneously measured achieved reforms per year. Zambia’s score on the Doing Business Distance to Frontier Index (DTI), which measures regulatory performance controlling for differences in annual surveys (0 = lowest performance; 100 = best performance) improved from 57.04 in 2011 60.54 in 2017.⁷⁶ Regarding indicator 2.1.3, Zambia’s score on the Logistics Performance Index (LPI) fell from 2.46 in 2014 to 2.43 in 2016—short of the CPS target of 3.0 by 2017. Despite this lower LPI score, Zambia’s ranking on the LPI compared with 160 countries rose from 123 in 2014 to 114 in 2016.

CPS Outcome 2.2: Selected infrastructure built and rehabilitated

21. The outcome on selected infrastructure built and rehabilitated was partly achieved. The indicator on decreasing in the average electricity interruption frequency per year (2.2.1) was partially achieved, which was also the case of the indicator on households with access to all seasoned road (2.1.2). The target to increase the rural population with access to reinstated river crossings (2.2.3) was not achieved.

22. The Bank helped Zambia address its pressing energy needs by improving power transmission and reducing power outages, but the targets set have not been met. The FY12 Kafue-Muzuma-Victoria Falls Regional Transmission Line project, helped to decrease power interruptions, increased number of

⁷⁶ For comparison, the DTI in 2017 for South Africa was 65.20, Namibia 58.82, and Botswana 65.55, though Zimbabwe reached only 47.10. The DTI for China was 64.28, Brazil 56.53, Republic of Korea 84.07, and the United States 82.45. Zambia’s Doing Business DTIs in specific dimensions rose in starting a business (81.8 to 84.95), paying taxes (73.65 to 80.16), trading across borders (20.38 to 46.99), and resolving insolvency (32.09 to 45.36). But DTIs fell in registering property (63.65 to 49), getting credit (87.5 to 75), enforcing contracts (57.53 to 49.89), and protecting minority investors (56.67 to 53.33). The DTI in getting electricity plummeted from 64.42 in 2013 to 49.86, reflecting problems with power shortages and outages, which are affecting growth. The DTI was static (numeric change of less than one) in dealing with construction permits, which reflects that the costs of submitting environmental briefs to environmental agencies increased over the CPS period, despite other reform efforts.

transmission lines constructed and rehabilitated, and upgraded substations. As of December 2016, 168 km of transmission line had been upgraded and works at the Kafue and Muzuma substations were ongoing. Consequently, the frequency of unplanned interruptions decreased from five to four by midterm review of the project in March/April 2017, not yet reaching the 3 unplanned outage interruptions, the target under the CPS. Full impact of the works will only come once the physical works are completed, given the high complementarity of the investments to be effective. The FY08 Increased Access to Electricity Services project (restructured in 2013 and extended into 2015) also sought to contribute to the reduction of annual power interruptions, although a corresponding target was not included in the CPS. Gains have been made, with interruptions declining in the areas of project influence from 50 in 2013 to 30 in 2015. In Kanyama and Livingstone, 65 km of transmission lines have been constructed and substations enhanced. The project also contributed to greater access to electricity in urban and rural areas through provision of 6,848 solar PV systems to households, including solar lanterns and solar home systems. A new project on Access to Electricity focusing on the peri-urban and rural communities was approved at the end of this CPS. The FY13 Lusaka Transmission and Rehabilitation Project aims to improve power transmission, upgrade substations, and reduce power outages, failed to contribute to the CPS due to procurement delays, and results are expected in the next CPS.

23. The FY09 Road Rehabilitation and Maintenance Program (RRMP) made modest contributions to CPS targets through improved access because of the construction of a new bridge in Kitwe (indicator 2.2.3), and improvements to community roads and river crossings in three districts (indicator 2.2.2). The Bank restructured RRMP in May 2014 to address delays in institutional capacity-building activities and higher-than-expected costs in the community roads component that led to the revision, addition, and dropping of some activities and the extension of the closing date to April 2016. The revision contributed to the increase of the share of the population with access to an all-season road which rose from 60 percent in 2014 to 83 percent in 2016 in three targeted districts, surpassing the revised project target. Yet, the original project and CPS target was 60 percent in five—not three—districts. Similarly, the project surpassed the revised project target of 72 km of roads benefitting from spot improvements in three districts, but the actual 96 km of improved roads fell short of the original CPS target of 120 km in five districts. The project did not achieve the original CPS target of 508,000 members of the rural population having access to reinstated river crossings. The project exceeded other targets, such as rehabilitating 22 small bridges, and decreasing annual road fatalities from 48 of every 100,000 registered vehicles in 2014 to 26 in 2016. Though not a CPS target, a TA under the Governance Improvement in the Roads Sector in Zambia Program supported an assessment of issues in the roads sector, strengthened agencies' auditing, trained CSOs and journalists on contract monitoring, and supported pilot programs of CSOs' monitoring contracts.

24. The Bank supported preparations to improve the Kariba Dam through the multidonor FY15 Kariba Dam Rehabilitation Project, which aims to protect against dam failure and ensure safe and reliable power for Zambia and Zimbabwe. The project made initial gains, including adoption of an Emergency Preparedness Plan, and preparation of design review reports for (a) reshaping the dam's plunge pool, which will prevent erosion of the dam's foundation and (b) refurbishing the dam's spillway that could jeopardize the spillway's function and power production. Ultimately, this project aims to reduce risks of dam failure and devastation for 3 million people in the Kariba Gorge and downstream.

25. IFC supported infrastructure and clean energy through the provision of financing and advisory services under the Scaling Solar program. The support helped the selection of two private firms (Neoen and Enel) that will finance, construct, and operate two solar PV projects with a total capacity of 76 MW. The Program attracted world-class developers and secured some of the lowest tariffs for solar PV in Sub-Saharan Africa. Selected projects under this program are expected to reduce 1,868 metric tons of greenhouse gas emissions through completion. MIGA provided a guarantee of up to US\$29.1 million to

Tata Power Company Limited to support the development, construction, and operation of a 120 MW hydropower station in Itezhi Tezhi.

CPS Outcome 2.3: Improved access to finance for small enterprises

26. Outcome 2.3 was only mostly achieved. One indicator was achieved and the other partially achieved. Access to loans by enterprises increased according to the World Economic Forum Global Competitiveness Index in line with CPS expectations. Zambia's score on the 'ease of access to loans' of the GCI rose from 2.4 in 2014/15 to 3.4 in 2016/17—surpassing the CPS target of 3.0 (indicator 2.3.1). The Doing Business 2018 Report, ranked Zambia 2nd Globally in the Doing Business "Getting Credit" indicator. However, the deteriorating macro conditions in the second half of the CPS increased *de facto* restrictions on credit as the BOZ tightened monetary policy and introduced interest rate caps. A Financial Sector Advisory Program to help expand financial markets and strengthen supervision of the Bank of Zambia (BoZ) helped to deliver a policy note on interest rate caps and shared international experiences in financial inclusion. A TA program in financial consumer protection delivered technical notes; financed workshops in transparency, complaints handling, and external dispute resolution; and helped reviewing of draft Zambian laws and regulations. Recommendations from the notes were incorporated into multiyear strategies, guidelines on consumer protection, and draft guidelines from the Securities and Exchange Commission. This TA program informed the new Financial Inclusion Support Framework project, which has carried forth work on developing facts statements for collective investment schemes and the legal and regulatory framework for financial consumer protection.

27. Regarding enactment and implementation of recommendations on financial regulation (indicator 2.3.2) targets were mostly achieved. Zambia drafted a new Insolvency Bill, enacted a Moveable Property (Securities Interests) Act, and laid the foundation for a Movable Property Registry System with access facilitated electronically via web, which will be implemented by the Patents and Companies Registration Agency (PACRA). In April 2016, the Government passed the Movable Property (Security Interest) Bill, which provides a comprehensive legal framework that facilitates lenders' acceptance of movable property as collateral to diversify the scope of property used as collateral and establish a collateral registry for creditors to register financing statements informing third parties of the security interest they have acquired in some assets. The Act will, in the long run, strengthen the credit markets and increase access to finance by providing for legal rights over the security interest in movable property that is pledged as collateral. However, these reforms fell short of the CPS target of two laws enacted or adopted and three entities implementing recommended changes. Therefore, the number of new regulations enacted was achieved and exceeded expectations (3 vs 2), but implementation of the new regulation fell short of the target. Delivery on this outcome was affected when in 2014 a line of credit operation for SMEs was dropped after the Government introduced an interest rate cap that created uncertainty for banks and microfinance institutions.

28. IFC provided investments and advisory services to support access to credit and contribute to local capital market development. IFC also provided Zambia Kwacha equivalent of US\$10.7 million to Bayport Zambia - a regulated non-bank financial institution providing payroll-based loans to individuals who previously had no access to credit. The Bayport investment used the proceeds of IFC's first Zambian Kwacha denominated "Zambezi" bond which IFC issued in September 2013 as the first non-resident issuer in the Zambian market. This innovation contributed to improving access to local currency funding solutions. IFC also provided US\$6 million to Zoono – a domestic remittance company and an innovative player in the financial access and inclusion space. In addition, an advisory project supported the Government to develop a legal framework for a modern system of financing secured by moveable assets, which include a Movable Property Registry System launched in mid-2017. The CPS supported a Let's Work Program—to assist the implementation of the Government Jobs Strategy.

Strategic Objective 3. Improving governance and strengthening economic management---Moderately Satisfactory

Outcome 3.1: Strengthened systems and processes for public sector performance

29. The outcome on strengthened systems and processes for public sector performance was partially achieved due to uneven progress on the CPS targets. Indicator 3.1.1 on improved Integrated Financial Management System (IFMIS) was mostly achieved, while the two indicators on monitoring and evaluation, and procurement were not achieved. The Public Finance Management Reform Program (PFMRP) supported the Government to efficiently and effectively use public resources. According to the 2016 PEFA assessment, there has been a satisfactory performance for almost all the Performance Indicators (PI) for policy-based fiscal strategy and budgeting, and external scrutiny and audit. However, there has been a relatively weak performance for almost all PIs for management of assets and liabilities, and predictability and control in budget execution. Budget reliability, transparency of public finances, and accounting & reporting have produced mixed results. From 2014 to 2016, the number of ministries, agencies, and spending agencies (MPSAs) using the IFMIS rose from 36 to 48—short of the CPS target of 50 by 2017. The Government rolled out a Treasury Single Account to 15 sites covering 75 percent of total expenditure.

30. Progress regarding Monitoring and Evaluation (M&E) and procurement audits has been more subdued. Pilots for improving M&E were commenced in two ministries, and more are planned, which is below the CPS target of pilots covering five sectors and six ministries (Indicator 3.1.2). A few ministries have carried out procurement audits but not enough to meet the CPS target of 33 percent, and 56 MPSAs have carried out capacity and risk assessments, falling short of the CPS target of 120. (Indicator 3.1.3).

31. The CPS provided analytical and TA programs to strengthen macroeconomic and fiscal management and poverty analysis. The World Bank produced biannual economic briefs analyzing the state of the national and regional economy, combined with special feature topics, such as mining, jobs, power, and public spending. A debt management TA enhanced the skills of MoF staff to conduct their own debt sustainability analysis and formulate debt strategies. A Statistics Trust Fund (Zambia Statistical Capacity Building [P151680]) helped the Government produce, for the first time, quarterly GDP and national accounts data (calculated via the expenditure side). Policy notes helped the Government design an economic recovery plan in 2016. The World Bank supported research on topics such as long-term growth and inflation and exchange rate dynamics, which informed the BOZ's analysis underpinning decisions on monetary policy. A TA program trained staff from Zambia's Statistical Capacity Office in poverty analysis and supported a poverty mapping exercise and the 2015 LCMS.

CPS Outcome 3.2 Citizen access to information increased

32. The outcome on citizen access to information was achieved. The CPS enhanced citizens' access to information in select areas, especially by empowering CSOs and journalists and ensuring transparency in mining under the EITI. With support from the EITI Implementation Post Compliance I Project, Zambia satisfied the sole CPS target: continued compliance with the EITI through regular publication of mining revenues, which are now available online. A complementary TA program supported CSOs from mining regions to engage in the EITI implementation process, which led to the development of a Civil Society Organization (CSO) regional network and CSO strategies and action plans. In addition, two TA programs trained journalists in reporting and investigation skills, leading to publication of new investigations, and supported community radio stations in three districts to engage listeners in public debate. These programs supported a political economy study and a debate and writing competition challenging students to broadcast and discuss findings of the WBG economic briefs series. Another TA to improve governance of

the mining sector, provided advice on a draft Mines and Minerals Act, and informed the development of the FY17 Mining and Environment Remediation and Improvement Project (MERIP).

33. However, global indexes suggest that progress in transparency and access to information has progressed, but slowly. The Ibrahim Index of African Governance on Zambia’s sub score on participation and human rights rose from 59.7 of 100 to 61.4 from 2013 to 2016, while its score on overall governance remained at 59.0. Zambia’s score on the Open Budget Index soared from 4 of 100 in 2012 to 39 in 2015, mainly because of publication of the executive budget and in year and annual reports, which surpassed Zimbabwe’s score (35), but trailed the global average (45) and South Africa’s score (86). Yet, the ranking in voice and accountability under the WBG’s Worldwide Governance Indicators fell slightly from 45.54 in 2013 to 44.83 in 2015, and the ranking in the World Press Index (WPI) plummeted from 72 of 177 countries in 2013 to 114 of 181 countries in 2016.

World Bank Group Performance

34. This section assesses the design and implementation of the CPF program. The overall rating of the World Bank performance in this CPS was **Fair**.

A. Design

35. The CPS proved sound and relevant to Zambia’s development priorities. Consultations with clients suggest that the Government and stakeholders remained supportive of the CPS’s broad themes throughout the CPS period, despite portfolio challenges that required refocusing and restructuring activities.

36. The CPS achieved a mixed record in adhering to lessons from the last WBG partnership and the CPS principles of engagement. The IEG Country Program Evaluation (CPE) FY04-13 reported that the Bank’s analytical work has been of high quality and appreciated by both the government and cooperating partners. CPE gave an example of a report on the social safety nets that spurred momentum for reform. But CPE observed that analyses in other reports had had a limited effect on improvement in policies or performance of public service delivery. The report recommended strengthening institutions at the local level and in providing flexible support, depending on country needs. CPE also urged the Bank to recognize the political pressures that the government faces to increase investment in human and especially physical capital and work with the government to suggest where such investments can have the highest payoff, and identify activities that can be carried out relatively quickly and provide returns within a reasonably short cycle. Lessons from the previous FY08–FY12 CAS were to leverage all WBG institutions and instruments equally to support Zambia’s development, pay attention to the political economy and realism of WBG interventions, maintain selectivity, and adopt an ‘incremental approach’ to WBG engagement where reforms are difficult (for example, energy). These lessons were enshrined in seven CPS Guiding Principles (box 1). The CPS made progress in more strategically using non-lending service and improving cooperation within the World Bank and with development partners. However, the World Bank could have taken better account of weaknesses in the political economy and deficiencies in client administrative and institutional capacity.

**Box 1. FY13-FY17 CPS
Principles of WBG Engagement**

- Reflect client priorities
- Build in flexibility
- Exercise selectivity
- Improving effectiveness to leverage IDA
- Incorporate cross-cutting elements
- Transition WBG from a primarily lending to a solutions institution
- Build on lessons from past CAS

37. The WBG assistance proved reflective of client priorities and flexible but could have been more assiduous in the choice of interventions. Clients confirmed the relevance of the CPS to Zambia's development aims, and the World Bank was flexible at the PLR stage and beyond in adjusting its assistance to account for changes to the political economy, capacity constraints, and portfolio challenges. The underperformance mostly due to delays in project implementation across the portfolio called for a new generation of project design that carries stronger government ownership. New national IDA projects in the latter part of the CPS are (i) embedded in national programs e.g. rural roads and secondary education or (ii) are leveraging Regional IDA allocations (4 new regional projects) and TF resources e.g. BioCarbon fund and GEF. This, however, resulted in strong increase in the number of projects in the portfolio calling for consolidations under the new CPF.

38. The CPS was generally successful in incorporating cross-cutting elements such as gender and climate change. Many World Bank projects included gender indicators, including the LDAHP, GEWEL, and HISP, which surpassed targets for female beneficiaries. IFC's work supported 1,700 jobs for women. The PPCR Phase II helped mainstream climate change tools in communities, and IFC's Scaling Solar program is expected to reduce greenhouse gases. The CPS also made efforts to cooperate at a regional level, including through the APPSA and the regional energy transmission project. However, the CPS Results Framework did not fully reflect these efforts.

39. The original CPS Results Framework was representative of the breadth of the WBG program, but it proved too ambitious and was undermined by quality issues and measurement challenges. The original matrix benefited from logical results chains, objectives and indicators matching the proposed WBG engagement, and quantifiable targets and baselines. However, project delays, weak client capacity, and shifting demand required restructuring and scaling down projects—and dropping, revising, and adding CPS indicators and milestones. Despite this update, the PLR matrix proved to still have some indicators and milestones misaligned with projects due to further project implementation delays.

40. The CPS strived to be selective, focusing on a limited number of outcomes and indicators. The number of indicators, seven, was manageable as were the number of indicators, 20. The implementation difficulties that the program experienced, suggest that selectivity criteria need to take into account more than just objective and indicators. Other factors that the experience of this CPS brings out as relevant for selectivity include: (a) the complexity of the projects, and (d) and the number of operations. These two factors place pressure on the implementation infrastructure and may end-up negating the benefits of constraining the number of objectives and their indicators.

41. The CPS was aligned with the twin goals. The CPS was taken to the Board (February 15, 2013), just before the twin goals were introduced (Apr 3, 2013.) Even so, the CPS design addressed concerns about poverty and inclusion. The first strategy objective centered on reducing poverty and the vulnerability of the poor did so directly. The focus on growth and employment under the second strategic objective, did so indirectly.

42. The World Bank was largely accurate in identifying the balance of risks, but risks associated with client capacity and project design could have been rated higher. The original CPS designed before application of the Systematic Operations Risk-Rating Tool (SORT), identified risks related to, among other things, administrative changes, weak governance, fiduciary controls, and external economic shocks. In hindsight, risks related to implementation capacity, political economy, and political disruptions could have been given more weight. The PLR rightly reassessed factors such as falling growth, lower copper process, and the El Niño drought which affected CPS implementation as substantial risks related to the political environment, macroeconomic conditions, and exogenous factors. However, risks related to fiduciary capacity, institutional capacity, and technical design of projects should have been upgraded from

substantial to high risks. The WBG has since taken steps to mitigate risks related to fiduciary and implementation capacity. Overall, the PLR's risk rating of Substantial was arguably the right rating.

43. Historically, Zambia is well-known for established mechanisms for ensuring donor coordination and alignment between different partners. The Sector Advisory Groups (SAGs) were established as consultative forums comprising representatives from key stakeholders active in a sector. The stakeholders involved in SAGs include the Government, cooperating partners (CPs), CSOs, and representatives of the private sector. The Government is now establishing Technical Working Groups (TWGs) and five Cluster Advisory Groups (CAGs) to assist in the implementation of its Seventh National Development Plan (7NDP). The CAGs will work in a very similar manner to the SAGs. The World Bank is co-lead for several sectors, including water and energy. The World Bank and several CPs are also co-financing several projects; for example, Kariba Dam (African Development Bank, EU and Sweden), Health Improvement (Health Results-Based Financing TF), and energy projects (European Investment Bank).

44. In terms of trade-offs between development impact and risk, the World Bank could have been more selective in choosing projects and designing components and subproject to improve the quality of implementation. There was a limited focus on portfolio quality as evidenced by weak collaboration and coordination between the World Bank and Government, resulting in a weak World Bank portfolio with very low disbursements. The situation improved towards the end of CPS implementation period.

B. Implementation

45. The implementation of the CPS was mixed, with strong implementation of non-lending products and effective cooperation within the WBG and with partners (especially on regional programs) but reflected weak portfolio indicators throughout the CPS implementation period. Though some lending projects followed the CPS timetable (for example, Water Resources Development Project and PPCR Phase II), others experienced delays in approval, effectiveness, and disbursement, which led to scaling down results, project restructuring, and extension of closing dates. By June 2017, four of the 15 active lending/RETf operations were 'problem' projects: The IDSP, LDAHP, HSIP and Lusaka transmission project. The IDA disbursement ratio averaging 14 percent from FY13 to 15 fell to 8.4 percent by FY16 and rose to 18.4 percent in FY17, while 51.9 percent of commitments were 'at risk' at the beginning of FY17.

46. The World Bank excelled in leveraging IDA and TA effectively. The total contribution from the World Bank Group (WBG) during the CPS implementation period was US\$1084.6 million. The national IDA commitments during the CPS period amounted to US\$686.1 million with an additional US\$182.0 million from regional programs and US\$61.1 million from Trust Fund (TF) resources. In addition, IFC contributed US\$136.0 million and MIGA provided US\$67.1 million in new guarantees. The contribution was supplemented by diverse knowledge and TA programs and smaller TFs. During the CPS implementation period, Zambia was the first country to implement the WBG Scaling Solar program that brought together a suite of WBG services and instruments under a single engagement aimed at creating viable markets for grid-connected solar PV power plants. Through a cascade approach, the Scaling Solar program crowded in private financing and public financing was used to provide guarantees. The World Bank leveraged IDA synergistically to fund three projects in the energy sector, including one with a regional focus, to reduce power outages stymieing growth. At midterm, the CMU capitalized on available resources in the envelope to make additional IDA investments in strategic areas such as tertiary education, regional growth, and Tuberculosis (TB) control.

47. Several factors contributed to weak portfolio performance, including weak safeguards implementation that affected delivery of results. Complicated designs and unrealistic time frames slowed projects or precipitated project revisions. Government departments delayed providing project

approvals, processing of safeguard documents and recruiting staff for Project Implementation Units (PIUs). Project staff lacked skills in program management and procurement, leading to problems in preparing bidding documents, weak application of procurement procedures, and even failed contracts. Projects such as the HISP, APSSA and LDAH experienced delays in the Government's transfer of funds to project accounts, which slowed implementation, disbursements and payment of suppliers. All projects, experienced delays in effectiveness due to very slow government processing and in average amount to about a year translating in an unsatisfactory start of projects that is hard to make up. Implementation weaknesses in turn call for deeper and more participatory project preparation, emphasizing client capacity, and better monitor and manage the portfolio by government authorities. On the World Bank side, lack of staff continuity (that is, changes in TTLs) and delays in WBG clearances slowed programs.

48. The increase in the number of projects towards the latter part of the CPS contributed to a poor performing portfolio. There was an increase of 60% in the number of projects and net commitments between FY16 and FY17, thus exacerbating implementation challenges on the client with already limited capacity. Without a concomitant increase in the supervision budget, the Bank did not have adequate capacity to support implementation as most task team leaders were based out of the country. The supervision budget was subsidized by other countries in the CMU and difficult to sustain over an extended period. The wide geographical spread of the portfolio added pressure on supervision and these factors negatively impacted portfolio quality. These challenges needed to be addressed early on. The Zambia portfolio has grown significantly from FY13. In FY13 the Zambia portfolio had 13 IDA projects (9 National and 4 regional) with a total net commitment amount of \$707m. As of January 31, 2018, the portfolio had grown to 21 IDA projects (15 national, 6 regional) with a net commitment of \$1,215m.

49. The WBG took steps to address these challenges, which recently started to improve portfolio performance. The WBG introduced regular portfolio review meetings with the MoF and meetings with line ministries to address sector bottlenecks. The WBG urged the Secretary of the Cabinet to include project indicators in permanent secretaries' annual performance contracts. The WBG trained authorities in portfolio management, disbursement monitoring, procurement, and M&E. On the WBG side, the country office improved monitoring of standard response time to requests and strengthened internal and external communications. The CMU worked to ensure staff continuity and requested that TTLs be more responsive to client requests, including restructuring projects to align to realities on the ground. The World Bank used its leadership in knowledge generation and dissemination and convening power to assist delivery of lending and knowledge products. The presence of Co-TTLs in the country office improved the World Bank's responsiveness. Such activities helped increase the disbursement ratio to 18.4 percent by June 2017, led by greater disbursement from the HISP and irrigation and sanitation projects.

50. The WBG made changes to the focus of the CPS at the PLR stage. The WBG restructured key projects, including livestock and irrigation projects. As noted, the PLR reoriented the CPF program to (a) sharpen the focus on inclusive growth and poverty with new lending; (b) use non-lending to contribute to managing macro risks and further the development agenda in other areas critical for poverty reduction; (c) take measures to step up collaboration within the WBG IFC/MIGA/IBRD cooperation in agriculture and energy sectors; and (d) scale up opportunities that allow landlocked Zambia to benefit from regional interventions in TB, Great Lakes Border Cohesion, and high education. Reflecting challenges and this new orientation, the PLR extended the CPS by one year through FY17 and modified the results matrix.⁷⁷

51. The PLR refocused the portfolio in ways reflective of the WBG corporate goals. The PLR introduced a renewed focus on inclusive growth and poverty, notably through the World Bank's

⁷⁷ At the PLR stage, many CPS outcomes were dropped, altered, or added to the results matrix. For example, CPS indicators linked to the irrigation project on yields for irrigated crops and new irrigation and drainage services were dropped due to project delays, and new indicators on health and climate change were added to reflect redesigned operations.

reengagement in social protection, and new investments in sanitation and remediation of mining areas, which pose health risks for the poor. The PLR gave greater priority to strategically using non-lending for poverty reduction and competitiveness, which was manifested in Bank TA in such areas as financial inclusion and financial consumer protection. Accordingly, the PLR adjusted indicators and outputs in the CPS results matrix but maintained links to the original CPS objectives and corporate goals.

52. The IEG assessed four lending projects in the CPS period, and its ratings mostly mirrored those of World Bank staff. The ratings of IEG on ‘Outcome’ and World Bank staff on ‘Bank Overall’ was the same for three projects: Moderately Satisfactory for the Agriculture Development Project, Moderately Satisfactory for the Improved Access to Electricity Project, and Moderately Unsatisfactory for the Public-Sector Management Project. For the Health RBF Project, IEG rated the outcome as Satisfactory, but staff rated ‘Bank Overall’ as Moderately Satisfactory. The IEG assessed Implementation Completion and Results Reports (ICRs) to be of satisfactory or higher quality, though overall M&E quality was inconsistent (that is, two Modest and two Substantial ratings).

53. The CPS effectively leveraged support across the WBG. The WBG supported complementary investments and TA in such areas as agriculture, agribusiness, the business climate, and infrastructure, including the groundbreaking IFC Scaling Solar program, and MIGA guarantees in hydropower, which will help Zambia diversify its energy mix toward clean energy. An IDA Guarantee and debt financing from the IFC leveraged private sector capital to address Zambia’s current power shortages by increasing the reliability and security of electricity supplies and putting Zambia on a path toward sustainable energy.

54. The CPS capitalized on strong cooperation between Zambia and the neighboring countries. For example, the CPS supported a regional project in agriculture research and extension and a regional analysis of adolescent girls in Zambia and Malawi. The WBG worked with partners to co-finance rehabilitation of the Kariba dam. The WBG and partners have held high-level dialogue on issues and policies for creating jobs.

55. The WBG leveraged its convening power and role as a ‘solutions bank’. The World Bank supported an SSKE with Uganda on CSOs’ engagement in monitoring contracts, which proved valuable to clients. The WBG supported an SSKE between Zambia and Zimbabwe on the Batoka Hydropower Electrification scheme, which helped bridge an impasse in dialogue over historical debt. The Bank increased its engagement with Parliament through presentation of briefs and reports which resulted into an increased understanding of the Bank work. Several ASA reports including Economic Briefs and PPP assessment report stimulated interest in Bank work, resulting in increased confidence as illustrated by the number of invitations the Bank receives to present to Parliament on various topical issues.

IFC and MIGA Partnerships

56. From 2013 to 2017, IFC investment commitments included long-term finance of US\$126.1 million.⁷⁸ IFC provided ten advisory engagements—seven of which are active. Activities of IFC focused on (a) the regulatory environment for business; (b) infrastructure development through investment in power and telecommunications; (c) capital markets development; (d) support to local industries, employment, and SMEs’ links across value chains; (e) diversification of the economy by increasing the competitiveness of agricultural and services sector; and (f) access to finance to underserved market segments. IFC’s advisory services enabled projects that would not have been possible in Zambia, such as the Scaling Solar program. Lessons from IFC’s work include the importance of understanding clients’ circumstances to offer appropriate solutions, closely assess and build client capacity to manage projects, undertake due diligence

⁷⁸ As of April 20, 2017.

and intensive project preparation when projects involve transfer of land, and develop standard conflict of interest procedures for transactions in which Advisory and Investment Teams are involved.

57. MIGA partnered with the Government to leverage its global role in promoting foreign direct investment through guarantees to investors and lenders against losses caused by noncommercial risks. From 2013 to 2016, MIGA issued guarantees to six projects in the agribusiness and energy sectors, totaling about US\$127 million in gross exposure. Some of the agribusiness projects were cancelled due to the investor's decision to self-insure.

Lessons Learned

58. The key lessons for the WBG to consider as it develops the next CPS period are as follows:

- **Close collaboration and coordination among stakeholders including the World Bank and the Government is critical to improving portfolio quality.** The Government and World Bank should continue to hold regular and systematic portfolio reviews with ministries and other key stakeholders to track portfolio performance and implement actions to address challenges. Such engagement should be guided by clear rules of engagement and an incentive framework as already embarked. Collaboration and coordination made a significant positive difference toward the end of CPF implementation and resulted in timely addressing of problems, identification of actions that have a positive impact on the portfolio and increase in disbursements.
- **Heeding attention to the burden that the number of operations and their design place on the implementing capacity of the country and the WBG.** During this CPS a good number of projects had to be redesigned and simplified to better fit implementation capacity. Also, as noted, the increase in the number of projects was a contributing factor to the implementation difficulties that put a high percentage of projects at risk. As the resources that are available to the country will continue to increase under IDA 18, two areas need special attention. First, minimize the burden of implementation by building on previous experiences, through for instance, Additional Financing. The use of PFR instruments, where adequate, can ease implementation. Second, it is important that the Government scale up support for implementation, including oversight and coordination.
- **WBG projects should be well reflected in and aligned with the Government budget programs.** A good alignment facilitates buy-in and joint tracking of implementation. Government improvements in implementing the capital budget will pull in implementation of the WBG program. This also calls for tightening the oversight on implementation not only for the WBG projects but for the national budget.
- **The Bank can be effective in strengthening institutions at the local level and in providing flexible support, depending on country needs to contribute to poverty reduction.** In the past, the Bank has been viewed as focusing exclusively on preventing waste and inefficiency and reducing costly and regressive subsidies. This notion created challenges for the Bank to position itself in support of growth and poverty reduction. 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. This calls for underpinning projects with analytics to understand specific circumstances and requirements of clients so that only appropriate and relevant solutions are offered, e.g. the education PER and the education project.
- **Incorporating accountability measures in project designs promotes good governance transparency and improved oversight during project/program implementation.** The CPS suggested that weak project governance and limited public participation in monitoring results undermined performance.

World Bank teams should consider integrating measures into projects to promote transparency, accountability, and public involvement, such as through audits and dissemination of project information. This lesson also proved valuable to IFC teams that were providing transaction advisory services where both Advisory and Investment Teams were involved in advising clients. Accountability measures help to set operating standards, roles, and responsibilities.

CLR Annex 1: CPS Results Matrix Evaluation

CPS Outcomes	Status at CPS Completion		Lessons and Suggestions for the New CPF World Bank Group Program
Strategic Objective 1: Reducing Poverty and the Vulnerability of the Poor			
Rating: Satisfactory			
<p>Outcome 1.1: Improved crop and animal productivity in selected areas</p> <p>Indicator 1.1.1 Reduction in diseases in the livestock project areas: Baseline (2012): CBPP prevalence in cattle %: 1 FMD outbreaks in cattle %: 1 Target (2017): CBPP in cattle %: 0.5 FMD in cattle %: 0</p> <p>Indicator 1.1.2 Number of technologies that are being made available to farmers and other end users Baseline (2013): 0 Target (2017): 25</p>	<p>Partly Achieved</p> <p>Not Achieved Due to technical measurement challenges, the LDAHP dropped the CBPP prevalence rate as an indicator and revised its FMD indicator to be the number of outbreaks (not percentage). The number of districts cleared of CBPP increased from 0 in 2012 to 11 in 2017, but an estimate for CBPP incidence is not available. FMD outbreaks remained at 1 in 2015; thus, this target remains unachieved.</p> <p>Achieved Number of technologies made available to farmers and other end-users rose from 0 in March 2013 to 113 in September 2016—already surpassing the project target of 93 by 2020.</p>	<p>Financing: <i>National IDA:</i></p> <ul style="list-style-type: none"> • Irrigation Development and Support (P102459) FY11 • Livestock Development and Animal Health (P122123) FY12 <p><i>Regional IDA:</i></p> <ul style="list-style-type: none"> • AFCC2/RI Agricultural Productivity Program for Southern Africa (APPSA) (P094183) <p><i>Trust Funds:</i></p> <ul style="list-style-type: none"> • ICT Enhanced Services for Women Farmers in Irrigated Agriculture (P151201) • Integrated Forest Landscapes Program TA (P153071) • COMACO Landscape Management (P144254) <p><i>MIGA (Ongoing):</i></p> <ul style="list-style-type: none"> • Silverlands Ranching (reinsurance for OPIC) • Silverlands Zambia Limited (reinsurance for OPIC) <p>Pipeline:</p> <ul style="list-style-type: none"> • IDA: Eastern Region Inclusive Growth • IFC: Agrivision investment <p>Knowledge:</p> <ul style="list-style-type: none"> • Linking Women and the Private Sector (P132953) 	<ul style="list-style-type: none"> • Improve M&E at the project level. Though constructing M&E frameworks for projects can be difficult amid constraints in data and local capacity, World Bank teams should ensure that their project Results Frameworks are clearly related to the PDO and project components and supported by realistic, monitorable, and clear outcomes and indicators. • The WB needs to improve on the selection and simulation of indicators; the World Bank should also improve on realism with targets going forward. Some of the projects had to be restructured to change the indicators, for example, the Irrigation and Livestock Project. • Incorporate measures to improve the accountability of projects. The CPS suggested that weak project governance and limited public participation in monitoring results undermined performance. WB teams should consider integrating measures into projects to promote transparency, accountability, and public participation, such as through audits and dissemination of project information.

CPS Outcomes	Status at CPS Completion		Lessons and Suggestions for the New CPF World Bank Group Program
<p>Outcome 1.2: Improved access to resources for strengthening household resilience and health in targeted areas</p> <p>Indicator 1.2.1 Direct project beneficiaries from small water resources infrastructure developments Baseline (2013): 0 Target (2017): 20,000</p> <p>Indicator 1.2.2 Vulnerable districts, wards, and communities use improved tools, information, and instruments to respond to climate change and variability Baseline (2013): 0% Target (2017): 30% of targeted councils, wards and community groups assessed</p> <p>Indicator: 1.2.3 Increase in 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% Target (2013): 55%</p>	<p>Mostly Achieved</p> <p>Not Achieved 6000 of 200000 direct beneficiaries reached as of 2017. 12 Water storage facilities in rural areas developed. The project has exceeded the target on water permits for compliance. So far 600 permits are being monitored of the planned 90 permits.</p> <p>Achieved By 2014, 36% of vulnerable districts, wards, and communities used improved tools and instruments to respond to climate change and variability.</p> <p>Achieved By 2013, 57% of children slept under an insecticide treated bed net (FY08 Malaria Booster ((P096131) and Health Based-financing project (P143632).</p>	<p>Financing: <i>National IDA:</i></p> <ul style="list-style-type: none"> • Malaria Booster FY08 (P096131) and Health Based-financing (P143632) • Irrigation Development and Support (P102459) FY11 • Water Resources Development (P114949) FY13 • Health Services Improvement (P145335) FY14 • Lusaka Sanitation (P149091) FY15 • Girls Education and Women’s Empowerment and Livelihood (P151451) FY15 • Lusaka Sanitation (P149091) FY16 • Mining and Environmental Remediation and Improvement Project (P154683) FY16 <p><i>Trust Funds:</i></p> <ul style="list-style-type: none"> • Extension of Kasanka Management System to Lavushi Manda National Park (P108882) • AFCC2/RI-Nyika Transfrontier Conservation Area (P108879) • HIV Efficiency Analyses and Technical Assistance for HIV Delivery Solutions (P151945) (Completed 2016) • Community RBF Impact Evaluation (P152482) • Health Services Results Based Financing (P145764) • PPIAF Improve Commercial Viability of the Lusaka Water & 	<ul style="list-style-type: none"> • The WB to improve on quality at entry. The Water Resources Project took many years before commencing actual implementation. • There is a need to focus on strengthening service delivery outside of Lusaka, in the remoter parts of Zambia. All service delivery and health-related indicators are a lot worse at this level than what is reflected at the aggregate level. Targeting WB support at the more remote regions should continue and provision of incentives for better service is key to achievement of results. • Many of the current health indicators can be improved by implementing cost-effective and relatively simple interventions related to reproductive, maternal, newborn and child health at the primary level of the health system (district level and below).

CPS Outcomes	Status at CPS Completion		Lessons and Suggestions for the New CPF World Bank Group Program
<p>Indicator: 1.2.4 Increase in the percentage of women delivering in facilities by a skilled birth attendant in RBF eligible districts (Improved maternal and child health outcomes in RBF intervention districts) Baseline (2010): 31% Target (2013): 36 %</p> <p>Indicator 1.2.5 Deliveries attended by skilled health providers Baseline (2014): 27% Target (2017): 45%</p>	<p>Achieved By 2013, 58.5% of women delivered in facilities, attended by a skilled birth attendant, in RBF-eligible districts. By 2014, this share reached 72% (FY08 Malaria Booster (P096131) and Health Based-financing project)</p> <p>Achieved By 2015, 45% of deliveries were attended by a skilled birth attendant (HISP).</p>	<p>Sewage Company- Technical Assistance to Development Bank of Zambia (P150056)</p> <ul style="list-style-type: none"> • Pilot Program for Climate Resilience (PPCR) Phase II (P127254) • COMACO Landscape Management (P144254) • Programmatic Analysis of Adolescent Girls in Zambia and Malawi (P152904) <p>Knowledge:</p> <ul style="list-style-type: none"> • HRBF Impact Evaluation (P130495) • Policy Dialogue on National Social Protection (P146858) 	
Strategic Objective 2: Improving Competitiveness and Infrastructure for Growth and Employment			
Rating: Moderately Unsatisfactory			
<p>Outcome 2.1: Improving key aspects of the regulatory environment for business.</p> <p>Indicator 2.1.1 Number of achieved reforms per year on ease of Doing Business e.g. priorities include trading across borders and construction permit Baseline (2011): 3 Target (2017): 6</p> <p>Indicator 2.1.2 Number of days to provide business registration Baseline (2012): 3 days</p>	<p>Partly Achieved</p> <p>Partly achieved There was some improvement in the business climate as evidenced by Zambia's improvement in the DB rankings during this time. The indicators were set to high; it was extremely ambitious to seek increases in the number of reforms per year.</p> <p>Achieved This CPS indicator measured reductions in the days to provide business registration linked to IFC</p>	<p>Financing:</p> <ul style="list-style-type: none"> • IFC: Investment Climate Program phase II <p>Pipeline</p> <ul style="list-style-type: none"> • IDA: The support for institutional reforms and capacity development from the likely budget support credits will contribute toward improving the enabling environment for private sector development. • IFC: Investment in manufacturing sector <p>Knowledge:</p> <ul style="list-style-type: none"> • Economic Briefs-International Trade (P148042) 	<ul style="list-style-type: none"> • Some indicators should measure the implementation of reforms. Many key reforms have been undertaken by the Government, resulting in improved ranking for Zambia when compared to other countries. • The bi-yearly Economic Briefs effectively stimulate public and parliamentary policy debates and have influenced government policy making.

CPS Outcomes	Status at CPS Completion		Lessons and Suggestions for the New CPF World Bank Group Program
<p>Target (2014): 1 day</p> <p>Indicator 2.1.3 Improvement in trade logistics performance (as measured by Logistics Performance Index) Baseline (2015): 2 (number) Target (2017): 3 (number)</p>	<p>support for a one-stop shop in Lusaka. The days for this one-stop shop to provide business registration fell to 1 by 2014.</p> <p>Not achieved Zambia's score on the LPI fell from 2.46 in 2014 to 2.43 in 2016. Despite this lower score, Zambia's ranking compared to 160 other countries rose from 123rd place to 114th place from 2014 to 2016. (Note: This indicator should have used baselines from 2014 and 2016, as the LPI site does not have data for 2015 and 2017.)</p>	<ul style="list-style-type: none"> • Fourth Economic Brief - Financial Inclusion (P149550) • Fifth Economic Brief-Mining (P151208) • Policy Notes on Managing Copper Resources (P151807) 	
<p>Outcome 2.2: Selected Infrastructure built and rehabilitated</p> <p>Indicator 2.2.1 Decrease in the average interruption frequency per year (SAIFI) in the project area Baseline (2013): 5.00 Target (2017): 3.00</p>	<p>Partly Achieved</p> <p>Partly Achieved Average interruption frequency per year has decreased to 4 from the baseline of 5 on the Kafue-Muzuma-Victoria Falls Regional Transmission Line Reinforcement Project as of March/April 2017. Under the FY08 Increased Access to Electricity project, which was extended into 2015, average power interruptions decreased, in the areas of influence, from a baseline of 50 per year in 2013 to 30 per year in 2015. This work was not captured in the results framework.</p>	<p>Financing:</p> <p><i>National IDA:</i></p> <ul style="list-style-type: none"> • Lusaka Transmission and Distribution Rehabilitation (P133184) FY13 • Water Resources Development (P114949) FY13 • Lusaka Sanitation (P149091) FY16 <p><i>Regional IDA projects:</i></p> <ul style="list-style-type: none"> • Kafue-Muzuma-Victoria Falls Regional Transmission Line Reinforcement (P124351) FY12 • Kariba Dam Rehabilitation (P146515) FY15 <p><i>MIGA (Ongoing):</i></p> <ul style="list-style-type: none"> • Itezhi Tezhi Hydropower • Hitachi Construction Machinery <p>Knowledge:</p> <p><i>Trust Funds:</i></p>	<ul style="list-style-type: none"> • Simplify and improve project designs. The performance of the CPS was impaired by complex project designs, which often engaged diverse stakeholders who lacked capacity to implement projects and coordinate activities. When possible, World Bank teams should simplify project designs, reduce components, and strengthen coordination mechanisms. Project designs should have realistic strategic objectives, and be consistent with allocated budgets, time, and client capacity. • Initiate the procurement process as part of project preparation. Teams should consider commencing the procurement process during

CPS Outcomes	Status at CPS Completion		Lessons and Suggestions for the New CPF World Bank Group Program
<p>Indicator 2.2.2 Households with access to an all-season road as percentage of total population in targeted 5 districts Baseline (2010): >5% Target (2016): >60%</p> <p>Indicator 2.2.3 Rural population (no.) with access to reinstated river crossings: Baseline (2010): 120,000 Target (2016): 508,000</p>	<p>Mostly Achieved Under the restructured project, the share of the population with access to all-season roads in three targeted districts increased from 60% in 2014 to 83% by end-2015. The target was met, but only for the three districts that remained with the supporting project when it was restructured.</p> <p>Not Achieved None so far because of delayed implementation which affected achievement of targets and change plans.</p>	<ul style="list-style-type: none"> • Increased Access to Electricity & ICT Services (P076320) • SREP Investment Plan (P153795) • Renewable Energy Resource Mapping and Geospatial Planning (P145271) • Governance improvement in the road sector in Zambia (P131231) • Peri-Urban Poor (Sanitation Improvement and Condominial Sewerage) 	<p>preparation stage to minimize implementation delays</p> <ul style="list-style-type: none"> • Use of retroactive financing to mitigate effects of delayed implementation commencement due to bureaucratic processes. There is a history of delayed effectiveness in Zambia which affects project implementation. Teams should consider the use of retroactive financing to mitigate the risk of delayed implementation due to delayed effectiveness. • Strengthen project preparation to improve quality at entry. Some WB-financed projects were not ready to be implemented at start-up. Some projects, especially in infrastructure, were approved without adequate designs and safeguards reports. In other cases, critical staff of PIUs, such as in procurement and M&E, were recruited late, leading to delays and restructuring. The Government and the WB should strengthen project preparation, including by establishing realistic project timetables and considering greater use of bridge financing and Project Preparation Advances (PPAs).

CPS Outcomes	Status at CPS Completion		Lessons and Suggestions for the New CPF World Bank Group Program
<p>Outcome 2.3: Improved Access to finance for small enterprises</p> <p>Indicator: 2.3.1 Improvement in ease of access to loan by enterprises (as measured by the World Economic Forum Global Competitiveness Index): 1–7 (best) Baseline (2015): 2.4 Target (2017): 3.0</p> <p>Indicator 2.3.2 Number of recommended laws/regulations/amendments/codes enacted, or government policies adopted and number of entities that implement recommended changes Baseline:(2014): 0 Target (2016):</p> <ul style="list-style-type: none"> • 2 laws/regulations/amendments/ codes enacted or adopted • 3 entities implement recommended changes 	<p>Mostly Achieved</p> <p>Achieved Zambia’s score on the ‘ease of access to loans’ subdimension of the GCI rose from 2.4 in 2014/15 to 3.4 in 2016/17, coming in at the 94th place among 138 countries.</p> <p>Mostly Achieved The target to enact two pieces of regulation was met and surpassed. A Moveable Property Act was enacted, and Insolvency Bill was drafted; two Regulations were enacted on the Movable Property Security Act. However, the target to implement recommended changes was only partially met. One entity has implemented recommended changes—Zambia’s PACRA.</p>	<p>Financing: <i>IFC:</i> ABZ LC Loan 2013</p> <p>Knowledge:</p> <ul style="list-style-type: none"> • <i>ASA:</i> Financial Sector Advisory (P151850) <p><i>Trust Funds:</i></p> <ul style="list-style-type: none"> • Financial Consumer Protection Technical Assistance (P150987) • Support for Development of MIS and Single Registry of Beneficiaries (P147659) • Let’s Work Program (P153568) • Financial Sector Advisory TA for Policy Dialogue • Launch and Implementation of Multi-Year Financial Inclusion Support Framework • Launch and Implementation of New FIRST Programmatic TA on risk-based supervision • Joint World Bank Group/IMF FSAP Update <p><i>IFC Advisory projects:</i></p> <ul style="list-style-type: none"> • Secured Transactions and Collateral Registry • MicroEnsure Zambia • AB Bank Zambia Advisory 	<ul style="list-style-type: none"> • Enhance partnerships at all levels of the project cycle. Working with various partners may contribute to resolution of capacity challenges. The World Bank should work with other partners in the sector to create synergies. • Interventions should link with Government priorities for better performance. • A good understanding of the political economy can improve project performance through the design of acceptable interventions. • Stakeholder management especially when it involves key Government ministries and departments. Need to assess management capacity of clients and where appropriate provide specific guidance and handholding as lack of management capacity can affect speedy project implementation. • Preparing a foundation for smooth project implementation. Using advisory services as a first mover has been crucial to enable projects that would not have been possible otherwise in Zambia –Scaling Solar, Metalco. Such projects helped structure the space for the private sector and raised Zambia’s private sector and environmental capacities

CPS Outcomes	Status at CPS Completion		Lessons and Suggestions for the New CPF World Bank Group Program
Strategic Objective 3: Improving Governance and Strengthening Economic Management			
Rating: Moderately Satisfactory			
<p>Outcome 3.1: Strengthened systems and processes for public sector performance</p> <p>Indicator 3.1.1 Improved coverage of integrated financial management system (IFMIS) Baseline (2012): 28 sites Target (2017): 50 sites</p> <p>Indicator 3.1.2 M&E Baseline (2012): M&E systems are weak and uncoordinated Target (2016): Pilot implementation to commence in 5 sectors spread over 6 ministries</p> <p>Indicator 3.1.3 Procurement reform Baseline (2010): 0 Target (2017): (i) Procurement audits carried out for at least 33% of MPSAs; (ii) Capacity and Risk Assessment carried out in 120 MPSAs and Risk Mitigation Action Plans implemented by 2017</p>	<p>Partially Achieved</p> <p>Mostly Achieved Coverage of the IFMIS increased from 28 MPSAs in 2012 to 48 in 2017.</p> <p>Not achieved Pilot implementation commenced in two ministries, with more pilots planned for 2017.</p> <p>Partially Achieved Procurement audits completed but not yet reaching the target of 33 percent. Fifty-six MPSAs carried out capacity and risk assessments, but little progress was made on implementing Risk Mitigation Action Plans.</p>	<p>Financing:</p> <ul style="list-style-type: none"> • IDA: Zambia Environmental Remediation and Improvement (P154683) FY16 <p>Trust Funds:</p> <ul style="list-style-type: none"> • Public Financial Management Reform Program Phase I (P147343) • Zambia Statistical Capacity Building (P151680) • Public Financial Management Reform Program (P132523) • Public Financial Management Reform Program MDTF, Externally Financed Output (EFO) <p>Knowledge:</p> <ul style="list-style-type: none"> • Mining Sector Governance Reform (P122732) • Public Sector Management (P133378) • Economic Briefs (P148042) • Support to Increase Accountability (P121142) • Mining Sector Governance Reform (P122732) • Support to demand for Good Governance in Zambia (P125474) • Wage Bill Management TA (P152324) • Poverty Statistical Capacity Building (P154499) 	<ul style="list-style-type: none"> • On a broad level, take due account of the political economy and local implementation capacity. The WB arguably underestimated the extent to which low client capacity to implement projects and political and macroeconomic changes could undermine the delivery of the CPS and performance. • Indicators should be refined and narrowed down to directly attributable outcomes. The development of IFMIS indicators did not take full cognizance of the capacity requirements at the local level. As a result, at the national and provincial level, they are using electronic systems, while at district level they are still using manual systems because of lack of equipment. • There is a need for introducing incentives to motivate action. Institutions should be rewarded positively for good behavior and negatively for nonperformance to motivate the system.

<p>Outcome 3.2: Citizen access to information increased Indicator 3.2.1 Transparency Baseline (2012): Zambia is now EITI-compliant Target (next validation due 2017): Maintain EITI-compliant status, including regular publication of mining revenues.</p>	<p>Achieved Achieved Zambia became EITI compliant in September 2012 and has since maintained compliance, including by publishing regular reconciliation reports on mining revenue (latest report covered FY16), and validation and assessment reports to ensure EITI principles are followed. The EITI Board decided on the 25th of October 2017 that Zambia has made meaningful progress in implementing the EITI Standard. Out of the twenty-one (21) EITI countries validated at the same time with Zambia only one achieved satisfactory progress. Complementary information shows that governance has improved. According to the Ibrahim Index of African Governance, Zambia’s score in overall governance between 2013 and 2016 remained static at about 59, while the score on participation and human rights rose from 59.7 to 61.4. Based on the World Bank Group’s Worldwide Governance Indicators, Zambia’s country ranking in voice and accountability dropped slightly from 45.54 in 2013 to 44.83 in 2015.</p>	<p>Financing:</p> <ul style="list-style-type: none"> • <i>Trust Fund:</i> EITI Implementation Post Compliance I (P131881) <p>Knowledge:</p> <ul style="list-style-type: none"> • Support to Increase Accountability (P121142) • Support to demand for good governance (P125474) • Supporting CSOs’ Participation in EITI Zambia (P132556) • Fifth Economic Brief - Mining (P151208) • Policy Notes on Managing Copper Resources (P151807) • EITI Implementation (Regional Mandate) (P102422) 	<ul style="list-style-type: none"> • Implementation of activities that are core priority to the Government results in ownership and good performance. The mining TA provided an instrument through which to follow through EITI implementation requirements has been lauded for improving accountability in the mining sector.
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CLR Annex 2: Planned Versus Actual Lending Deliveries

(Italics signifies part of revised CPS plan in PLR)

CPS Program Fiscal Year		Planned (US\$ millions)	Comments	Actual (US\$ millions)
Projects Approved Before CPS Period				
FY08	Increased Access to Electricity Services	53 IDA, 18 GEF	Closed in June 2015	43.2 IDA, 12.7 GEF
FY10	Road Rehabilitation and Maintenance Phase II	75 IDA	Closed in April 2016	75 IDA
FY11	Irrigation Development and Support Project	115 IDA	Closure expected in 2018	115 IDA
FY12	Livestock Development and Animal Health	50 IDA	Closure expected in 2018	50 IDA
Projects Approved During CPS Period				
FY13	Water Resources Development	50 IDA	Approved per CPS plan	50 IDA
	Lusaka Transmission and Distribution Rehabilitation.	100 IDA	Approved per CPS plan	105 IDA
	Pilot Program for Climate Resilience (PPCR) Phase II	33 TF	Approved per CPS plan	36 Strategic Climate Fund (5 Grant/31 Credit)
	Agriculture Productivity Program for Southern Africa (Regional project)	10 National IDA	Approved per CPS plan	30 IDA
FY14	Public Financial Management Reform, Phase II	30 PFMRP	Approved per CPS plan	30 TF
	Health Services Improvement Project	40 (25 IDA, 15 TFs)	Approved one year earlier than expected	52 IDA, 15 TF
	Access to Finance for SMEs/Budget Support	30	Dropped due to policy change	n.a.
FY15	Lusaka Sanitation Project	<i>65 IDA</i>	Approved per revised plan in CPSPR	<i>65 IDA</i>
	Girls Education and Women's Empowerment and Livelihood Project	<i>65 IDA</i>	Approved per revised plan in CPSPR	<i>65 IDA</i>
	Kariba Dam Rehabilitation	25	Approved per revised plan in CPSPR	<i>75 IDA</i>
	Budget Support	30	Remains under consideration was increased to 200	0
	Zambia COMACO Landscape Management	0	New pilot project and approved	1.33 (Carbon Fund)
FY16	Environmental Remediation in the Mining sector	<i>50 IDA</i>	Moved to FY17	65.6 IDA
	Eastern Region Inclusive Growth	<i>65 IDA</i>	Dropped	0
	Southern Africa Tuberculosis and Health Systems Support	10 IDA	Approved per revised plan in CPSPR	<i>45 IDA</i>

CPS Program Fiscal Year		Planned (US\$ millions)	Comments	Actual (US\$ millions)
	Africa Higher Education Centers/Great Lakes Cohesion of Border Communities	10 IDA	Approved one year earlier than expected in revised plan	12 IDA
FY17	Environmental Remediation in the Mining sector	50 IDA	Approved per revised plan in CPSPR	65.6 IDA
	Agribusiness and Trade	50 IDA	Approved, same as Trade and Competitiveness	40 IDA
	Regional: Displaced Persons and Border Communities	n.a.	Approved in FY 15	20m IDA
	Guarantee for Scaling Solar	50 IDA Guarantee	Phase 1 approved in FY16	50 IDA Guarantee
	Access to Finance from SMEs		Dropped	0
	Integrated Forest Landscape Project (GEF)		Approved per revised plan in CPSPR	12.2 IDA 8 Biocarbon TA TF 8.05 GEF
	Improved Rural Connectivity Project-Scale-up Facility under IDA 17	n.a.	New project approved in FY 16	200 IDA Scale-Up Facility (SUF)
	BioCarbon Fund Emissions Reduction Purchase Agreement	47 from Carbon Fund as Carbon Offset	Approved per revised plan in CPSPR	
	Electricity Service Access Project	24 IDA	Approved May 2017	26.5 IDA
	Education Sector Enhancement Project	50 IDA	Moved to FY18	60 IDA
Overall Support FY13–17				1084 IDA, TF

Note: US\$10 million National IDA, US\$20 million Regional IDA.

CLR Annex 2: Non-lending Deliveries, FY13–17

Activity by Fiscal Year (from Original CPS)		Actual
FY13	Support to Increase Accountability in Zambia (P121142)	<i>Approved FY13, delivered FY16</i>
	ZM Agriculture Policy Note (P128735)	<i>Approved FY13, delivered FY15</i>
	Improving the quality of national learning assessment system (P116817)	<i>Approved FY10, delivered FY14</i>
	Nutrition Institution Capacity Building	<i>[Dropped?]</i>
	Health Results Based Financing Impact Evaluation (P130495)	<i>Approved FY12, delivered FY16</i>
	Linking Women to Private Sector (P132953)	<i>Approved FY13, delivered FY15</i>
	Peri-Urban Sanitation Improvement (P132003)	<i>Approved FY13, delivered FY16</i>
	Debt Management Reform Plan (P143469)	<i>Approved FY13, delivered FY14</i>
	Mining Local Content Program (P145855)	<i>Approved FY13, delivered FY15</i>
	Zambia Economic Update-Trade (P149551)	<i>Delivered</i>
	Diagnostic Trade Integration Study (P132612)	<i>Approved FY13, delivered FY15</i>
	Governance Improvement in the Road Sector (P131231)	<i>Approved FY13, delivered FY15</i>
	Risk-based Supervision (P127312)	<i>Approved FY13, delivered FY15</i>
	Regulation and Supervision Framework for Micro-Insurance (P128213)	<i>Approved FY13, delivered FY15</i>
	TA for Mining Sector Governance Reform (P122732)	<i>Approved FY13, delivered FY15</i>
	Governance Improvement in the Roads Sector (P131231)	<i>Approved FY13, delivered FY16</i>
	Institutional Assessment of the Road Development Agency	<i>Approved FY13, delivered FY16</i>
	Guidance Note on Asset Disclosure	
	GPF Snapshots	
	Supporting CSOs' participation in EITI Zambia	<i>Approved FY13, delivered FY15</i>
	Policy Dialogue on National Social Protection (P146858)	<i>Approved FY14, delivered FY15</i>
	Decentralization Policy Support (P148973)	<i>Approved FY14, delivered FY15</i>
	How can Human Capital be Built in Zambia: Learning from International Experience	<i>Approved FY14, delivered FY15</i>
	RBF Impact Evaluation	<i>Approved FY12, delivered FY16</i>
	Renewable Energy Resource Mapping and Geospatial Planning: Zambia (P145271)	<i>Approved FY14, delivery FY19</i>
	EITI Initiative – Supporting CSOs' participation (P132556)	<i>Approved FY14, delivered FY15</i>
	TA on Strengthening Service Delivery	<i>Approved FY14, delivered FY16</i>
	TA for National M&E System	<i>[Dropped?]</i>
	Political Economy Analysis on the demand for good governance (P125474) [likely same as "Support for Demand for Good Governance" (P153569)]	<i>Approved FY13, delivered FY15</i>
	Education Sector PER (P149455)	<i>Approved FY14, delivered FY16</i>
FY15	Consumer Protection and Financial Literacy Diagnostic (P150987)	<i>Approved FY15, delivered FY16</i>
	Let's Work Program in Zambia (P153568)	<i>Approved FY15, delivered FY18</i>
	Programmatic Poverty Analysis (P148030)	<i>Approved FY15, delivered FY16</i>
	HIV Efficiency Analyses and Technical Assistance for HIV (P151945)	<i>Approved FY15, delivered FY16</i>
	Zambia Financial Sector Advisory (P151850)	<i>Approved FY15, delivered FY16</i>
	Zambia Wage Bill Management (Review of Pay Policy) TA (P152324)	<i>Approved FY15, delivered FY15</i>
	Zambia Economic Update (Bi-annual) (P157243)	<i>Delivered</i>
	Poverty Statistical Capacity Building (P154499)	<i>Approved FY15, delivered FY15</i>

	Financial Sector Assessment Program (FSAP) Update	<i>Approved FY15, delivered FY18</i>
	Zambezi River Basin Support Program (P133380, RE)	<i>Approved FY15, delivered FY16</i>
	Programmatic Analysis of Adolescent Girls in Zambia and Malawi (P152904)	<i>Approved FY15, delivered FY16</i>
	Poverty Targeting Analytical Work (P154498)	<i>Approved FY15, delivered FY15</i>
	TA for e-Government (P147343)	<i>Approved FY14, delivered FY19</i>
	Let's Work Program (P153568)	<i>Approved FY15, delivered FY17</i>
FY16	Just-in-time Notes	
	Land Policy	
	Productive Use of Electricity by MSEs in Urban and Peri-urban (P159610)	<i>Approved FY16, delivered FY18</i>
	Zambia Wage Bill Management TA (P156249)	<i>Approved FY16, delivered FY18</i>
	ICT Enhanced Services for Women Farmers in Irrigated Agriculture (P151201)	<i>Approved FY16, delivered FY18</i>
	Zambia Economic Update-Financial Inclusion (P149550)	<i>Approved FY16, delivered FY16</i>
	Poverty Estimation Support LCMS 2015 (P157859)	<i>Approved FY16, delivered FY16</i>
	Medium Term Debt Management Strategy (MTDS) (P158840)	<i>Approved FY16, delivered FY16</i>
	Zambia Financial Inclusion Country Support Program (P156680)	<i>Approved FY16, delivered FY19</i>
	Zambia Integrated Forest Landscapes Program TA (P153071)	<i>Approved FY16, delivered FY18</i>
	Zambia: NFIS and M&E (P157777)	<i>Approved FY16, delivered FY19</i>
	Zambia: Diversified Financial Services for Individuals and Enterprises (P157793)	<i>Approved FY16, delivered FY19</i>
	Zambia CPFL (P157791)	<i>Approved FY16, delivered FY19</i>
	TA (GPOBA W1) – Evaluation and Recommendation for scale up of connection subsidy program in Rural and Peri-Urban Zambia (P163122)	<i>Approved FY16, delivered FY18</i>
	Legal Framework for Investment Climate Reform	<i>Approved FY16, delivered FY19</i>
	Zambia: Financial Infrastructures (P157790)	<i>Approved FY16, delivered FY19</i>
	Adolescent girls in Zambia & Malawi (P155659)	<i>Approved FY16, delivered FY16</i>
	Financial Infrastructures (P157790)	<i>Approved FY16, delivered FY19</i>
	Zambia Macro-Fiscal ASA (P157243)	<i>Approved FY16, delivered FY18</i>
	ICT Sector Gap Analysis for Zambia (P157332)	<i>Approved FY16, delivered FY17</i>
FY17	Zambia FSAP Update (P160003)	<i>Approved FY17, delivered FY17</i>
	Zambia PEFA Assessment 2016 (P159815)	<i>Approved FY17, delivered FY18</i>
	Poverty and Distributional Analysis (P160982)	<i>Approved FY17, delivered FY17</i>
	Fostering Long-term savings IE (P158551)	<i>Approved FY17, delivered FY18</i>
	PPIAF Improve Commercial Viability of the Lusaka Water & Sewage (P150056)	<i>Approved FY17, delivered FY17</i>
	Zambia Health Sector Public Expenditure Review (P162287)	<i>Approved FY17, delivered FY17</i>
	Increasing agricultural growth and resilience through better risk management in Zambia (P159533)	<i>Approved FY17, delivered FY18</i>
	Developing an Innovative Payment Platform for the Social Protection System in Zambia (P163380)	<i>Approved FY16, delivered FY19</i>
	Zambia Report on Observance of Standards and Codes Accounting and Auditing (P163152)	<i>Approved FY17, delivered FY18</i>
	Strengthening Water and Sanitation Service Delivery in Zambia (P155789)	<i>Approved FY17, delivered FY18</i>

ANNEX 3: Selected Indicators of Bank Portfolio Performance

Data as of	FY11	FY12	FY13	FY14	FY15	FY16	FY17	@ Jun 30
PORTFOLIO AND DISBURSEMENTS								
Active Projects #	9	8	9	10	10	9	14	15
Net Commitments Amt \$m	519.85	507.70	613.64	571.10	634.50	555.00	912.15	977.15
Total Disbursements \$m	191.99	168.11	150.93	116.35	137.09	111.17	196.18	278.17
Total Undisbursed Balance \$m	341.99	340.27	420.25	435.18	466.52	420.47	678.34	628.85
Disbursements in FY \$m	32.38	31.55	41.43	66.23	59.36	38.79	85.02	128.43
Disbursement Ratio for IPF only %	17.1	9.8	13.5	14.6	15.1	8.4	20.4	18.4
IBRD/IDA Disb Ratio	17.0	9.8	13.5	13.3	14.4	8.1	18.4	17.4
Slow Disbursements %	11.1	0.0	0.0	0.0	0.0	11.1	7.1	6.7
PORTFOLIO RISKINESS								
Actual Problem Project #	1	0	0	1	0	4	4	3
Problem Project %	11.1	0.0	0.0	10.0	0.0	44.4	28.6	20.0
Potential Problem Project #	1	0	2	0	0	0	0	2
Projects At Risk #	2	0	2	1	0	4	4	5
Projects At Risk %	22.2	0.0	22.2	10.0	0.0	44.4	28.6	33.3
Commitments At Risk \$m	118.15	.00	165.00	50.00	.00	322.00	320.00	480.60
Commitments at Risk %	22.7	0.0	26.9	8.8	0.0	58.0	35.1	49.2
Proactivity %		100.0			100.0		50.0	75
IEG RATINGS (FY11 - FY16)								
# of Exits	3	2	2	2	1			
No. of Projects Evaluated by IEG	3	2	2	2	1			
IEG MS+ Outcome Sat %	33.3	50.0	50.0	100.0	0.0			
ICR Quality Sat %	50.0	0.0	100.0	0.0	0.0			
Net Disconnect %	0.0	0.0	0.0	0.0	0.0	0.0		
Bank Perf. MS+ @ Entry (%)	0.0	100.0	100.0	50.0	0.0			
Bank Perf. MS+ @ SPN (%)	33.3	100.0	50.0	100.0	0.0			
M&E Quality %	0.0	100.0	0.0	100.0	0.0			
Borrower Overall Performance % Sat	33.3	50.0	50.0	100.0	0.0			

ANNEX 4: IDA Operations Portfolio, TFs and ASA

i. IDA Operations Portfolio including Regional IDA and large TFs (as of end FY18)

Project ID	Project Name	Board Approval Date	Closing Date	Net Commitment (\$m)	Total Undisbursed (\$m)
Agriculture					
P102459	Irrigation Development and Support	04/07/2011	12/15/2018	115.00	34.00
P161490	Integrated Forest Landscape	05/04/2017	08/31/2022	17.00	17.12
P094183	Regional: Agricultural Productivity Program for Southern Africa	3/14/2013	31/01/2020	30.00	5.00
Energy and Extractives					
P133184	Lusaka Transmission & Distribution Rehabilitation	05/30/2013	02/19/2021	105.00	63.06
P162760	Electricity Service Access	06/27/2017	08/31/2022	26.50	26.92
P157943 P163958	Guarantees for Scaling Solar	02/16/2017	12/31/2019	3.7	N/A
Transport					
P159330	Improved Rural Connectivity (IDA Scale-Up Facility)	05/04/2017	12/31/2025	200.00	185.28
Water					
P114949	Water Resources Development	04/25/2013	11/30/2018	50.00	21.17
P149091	Lusaka Sanitation	05/22/2015	12/31/2020	65.00	46.61
P146515	Kariba Dam Rehabilitation	12/9/2014	2/28/2025	75.00	69.56
Health, Nutrition and Population					
P145335	Health Services Improvement	03/21/2014	06/30/2019	52.00	24.46
P155658	Regional: Southern Africa TB & Health Systems Support	5/26/2016	12/31/2021	45.00	29.40
Social, Urban, Rural and Resilience					
P127254	Strengthening Climate Resilience (TF)	05/09/2013	12/31/2019	36.00	12.94
P165442	Strengthening Climate Resilience AF	06/18/2018	06/30/2022	14.60	14.60
P154683	Mining and Environmental Remediation	12/16/2016	06/30/2022	65.60	62.32
P157521	Integrated Forest Landscape (GEF)	05/04/2017	08/31/2022	8.05	8.05
Social Protection and Labor					
P151451	Girls Education and Women's Empowerment	05/22/2015	09/30/2020	65.00	43.19
Education					
P158570	Education Enhancement	08/29/2017	10/31/2022	60.00	54.09
P151847	Regional: Africa Higher Education Centers of Excellence	5/26/2016	12/31/2022	12.00	10.30
Trade & Competitiveness					
P156492	Agribusiness and Trade	12/16/2016	06/30/2022	40.00	36.28
Governance					
P147343	Public Financial Management Reform Program Phase1 (TF)	05/06/2014	12/31/2018	22.00	00.00

ii. Advisory and Analytical Services for FY18-FY20 and Beyond

More even territorial development: opportunities and jobs for the rural poor	Public Services and Social protection for job participation	Institutions for Resilience
FY18		
<ul style="list-style-type: none"> • Strengthening Water and Sanitation Service Delivery (P155789) (TF) • Evaluation and Recommendation for Scale up of Connection Subsidy Program in Rural and Peri-Urban (P163122) (TF) • ICT Enhanced Services for Women Farmers in Irrigated Agriculture (P151201) (TF) • Integrated Forest Landscapes Program TA (P153071) (TF) • Production Diversification in Agriculture for Resilience & Nutrition (P162185) • Increasing Agricultural Growth & Resilience through better Risk Management (P159533) (TF) 	<ul style="list-style-type: none"> • Zambia Enterprise Skills Study (P165237) (BB) • Let's Work Program in Zambia (P153568) (TF) 	<ul style="list-style-type: none"> • Zambia PEFA Assessment 2016 (P159815) (TF) • Report on Observance of Standards and Codes Accounting and Auditing (P163152) (TF) • Financial Sector Update (P160003)
<ul style="list-style-type: none"> • Poverty Monitoring and Analysis (P165468) (BB) <ul style="list-style-type: none"> ✓ Technical Assistance to Central Statistical Office in the overall design of the 2018 LCMS ✓ Beneficiary Monitoring System and Program Placement in poor areas 		
FY19		
<ul style="list-style-type: none"> • Climate Smart Agriculture Investment Plan (P165210) (TF) • Forest Sector Analysis (P164723) (TF) • Productive Use of Electricity by MSEs in Urban and Peri-urban (P159610) (TF) 	<ul style="list-style-type: none"> • Fostering Long-term Savings Independent Evaluation (P158551) (TF) • Zambia Health Sector Public Expenditure Review (P162287) (TF) • Developing an Innovative Payment Platform for the Social Protection System (P163380) (TF) 	<ul style="list-style-type: none"> • Wage Bill Management TA (P156249) (TF) • NFIS & M&E (P157777) (TF) • Macro-Fiscal (P157243) (BB) <ul style="list-style-type: none"> ✓ Economic Briefs (Semi-annually) ✓ Policy Notes and TA ✓ Debt & Debt Management TA ✓ Balancing Spending from Subsidies ✓ Fiscal Space & National Development Plan Financing ✓ Briefing Requests from Parliament ✓ Structural Transformation Policy Note (P165802) ✓ Inflation and Exchange Rate Dynamics • Financial Infrastructures (P157790) (TF) • Consumer Protection & Financial Literacy (P157791) (TF) • Diversified Financial Services for Individuals and Enterprises (P157793) (TF) • Debt Management Performance Assessment (DeMPA) and Reform Plan(P167096) • Assessment of Zambia Procurement System (P165972) (TF) • SADC Industrialization ASA (P161719)
<ul style="list-style-type: none"> • Poverty Monitoring and Analysis (P165468) (BB) <ul style="list-style-type: none"> ✓ Assessment of drivers of inequality ✓ Agricultural constraints and poverty reduction ✓ Technical Assistance to Central Statistics Office to ensure sound implementation of 2018 LCMS ✓ On demand policy advice and support to government and development partners. 		
FY20 and Beyond		
<ul style="list-style-type: none"> • Poverty Monitoring and Analysis (P165468) (BB) – Delivery of all subtasks • Renewable Energy Resource Mapping and Geospatial Planning (P145271) (TF) • Wealth Accounting and the Valuation of Ecosystem Services (P163150) (TF) 		<ul style="list-style-type: none"> • Insolvency and Secured Transactions Reform to Promote Micro, Small and Medium Enterprises (MSMEs) Access to Credit and Financial Inclusion (P165590) (TF) • Financial Inclusion Country Support Program (P156680) (TF)

ANNEX 5: Statement of IFC's Held and Disbursed Portfolio

Active Investment Portfolio (US\$ m)

Client	Product	Industry Group Sector	Committed Portfolio	Outstanding Portfolio
Access Holding Group	Equity	Financial Markets	1.3	1.3
Bayport Zambia	Loan	Financial Markets	3.0	3.0
Century Pack	Equity	Manufacturing	0.0	0.0
Chayton Africa	Equity	Agribusiness & Forestry	20.0	20.0
DBZ	Equity	Financial Markets	0.0	0.0
Ethanol Zambia	Equity	Manufacturing	0.0	0.0
Metalco	Loan	Manufacturing	10.0	0.0
Mpongwe	Equity	Agribusiness & Forestry	0.1	0.0
Neoen	Loan & RM	Infrastructure	16.3	1.5
Ngonye Power Company Limited	Loan & RM	Infrastructure	11.5	0.0
Woodside	Loan	Tourism, Retail, Construction & Real Estates	4.5	3.0
Zambeef	Loan	Agribusiness & Forestry	13.8	13.8
Zoona	Equity	Other CTT Sectors	6.0	6.0
Total			86.5	48.6

Active Advisory Portfolio (US\$ m)

Project Name	Primary Business Line Name	Total Funds Managed by IFC (US\$ m)
Zambia Investment Climate Program III	Trade and Competitiveness	3.3
Zambia Solar Round 2	Cross-Cutting Advisory solutions	2.3
DFS Zoona Zambia	Financial Institutions Group	1.0
Zambia DESCO	Infrastructure & Natural Resources	0.9
Zambia Secured Transactions and Collateral Registry	Finance and Markets	0.8
Access Bank Zambia Limited	Financial Institutions Group	0.8
Metalco GVLI	Cross-Cutting Advisory solutions	0.1
Total		9.2

ANNEX 6: MIGA's Outstanding Guarantee Exposure

Effective Date	Expiration Date	Investor Name (Guarantee Holder)	Investor Country	Business Sector	Project Name	Maximum (\$USD)
03/31/2011	03/30/2031	Hitachi Construction Machinery Africa Pty. Ltd	South Africa	Manufacturing	Hitachi Construction Machinery Zambia Reman Factory Project	12,150,000
03/31/2011	03/30/2031	Hitachi Construction Machinery Co., Ltd.,	Japan	Manufacturing	Hitachi Construction Machinery Zambia Reman Factory Project	1,350,000
03/12/2013	03/12/2023	Oakfield Sustainable Development Fund I SPC	United Kingdom	Agribusiness	Yalelo	2,884,500
02/27/2015	01/26/2023	Overseas Private Investment Corporation	United States	Agribusiness	Silverlands Ranching	11,850,906
04/13/2017	01/26/2023	Overseas Private Investment Corporation	United States	Agribusiness	Silverlands Zambia Limited	13,363,846
11/22/2016	05/23/2031	The Tata Power Company Limited	India	Infrastructure	Itezhi Tezhi Hydro Power	29,061,000
Total						70,660,252

ANNEX 7: Climate Co-Benefits

Project ID	Board Approval	Closing Date	Project Name	PDO	% Climate Co-Benefits	Total IDA/IBRD Commitment (\$M)	Total IDA/IBRD Climate Co-Benefits (\$M)
P167736	9/19/2019	Pipeline	Economic Diversification for Jobs in agriculture (P167736)	To promote agricultural diversification and agricultural market opportunities in rural Zambia	High potential (but not assessed)	100	
P165736	7/26/2018	Pipeline	ZM-Guarantee for Scaling Solar (Round 2) (P165736)	To increase solar electricity generation capacity and diversify electricity generation resources in Zambia.	High potential (but not assessed)	15	
P164764	3/18/2019	Pipeline	Transforming landscapes for resilience and development in Zambia (P164764)	To improve natural resource management in the northern region of Zambia to support sustainable livelihoods, and in the event of an eligible crisis or emergency, to provide immediate and effective response to the eligible crisis or emergency.	95%	75	71.3
P167466	3/28/2019	Pipeline	Power Sector Financial Recovery Guarantee Project (P167466)	The Project development objective (PDO) is to enhance Zambia power sector financial and operational viability.	Potential (not yet assessed)	300	
P158570	8/29/2017	10/31/2022 (Active)	Zambia Education Enhancement Project (P158570)	The project development objective is to improve the quality of teaching and learning in mathematics and science in targeted primary & secondary schools and to increase equitable access to secondary education.	4%	60	2.3
P163958	12/20/2017	12/31/2019 (Active)	Second Scaling Solar Guarantee (P163958)	To increase solar electricity generation capacity and diversify electricity generation resources in Zambia.	100%	2.8	2.8
P154683	12/16/2016	6/30/2022	Mining and Environmental Remediation & Improvement (P154683)	To reduce environmental health risks to the local population in critically polluted mining areas in Chingola, Kabwe, Kitwe and Mufulira municipalities, including lead exposure in Kabwe municipality	4%	65.6	2.9
P157943	2/16/2017	12/31/2019 (Active)	Zambia Scaling Solar Energy Guarantee Project (P157943)	To increase solar electricity generation capacity and diversify electricity generation resources in Zambia.	100%	3.5	3.5
P159330	5/4/2017	12/31/2025 (Active)	Zambia: Improved Rural Connectivity Project (P159330)	The objectives of the Project are to: (i) improve the Recipient's rural road accessibility for communities in selected areas; (ii) strengthen institutional capacity for sustainable management of rural roads; and (iii) respond promptly and effectively to an Eligible Crisis or Emergency.	6%	200	12

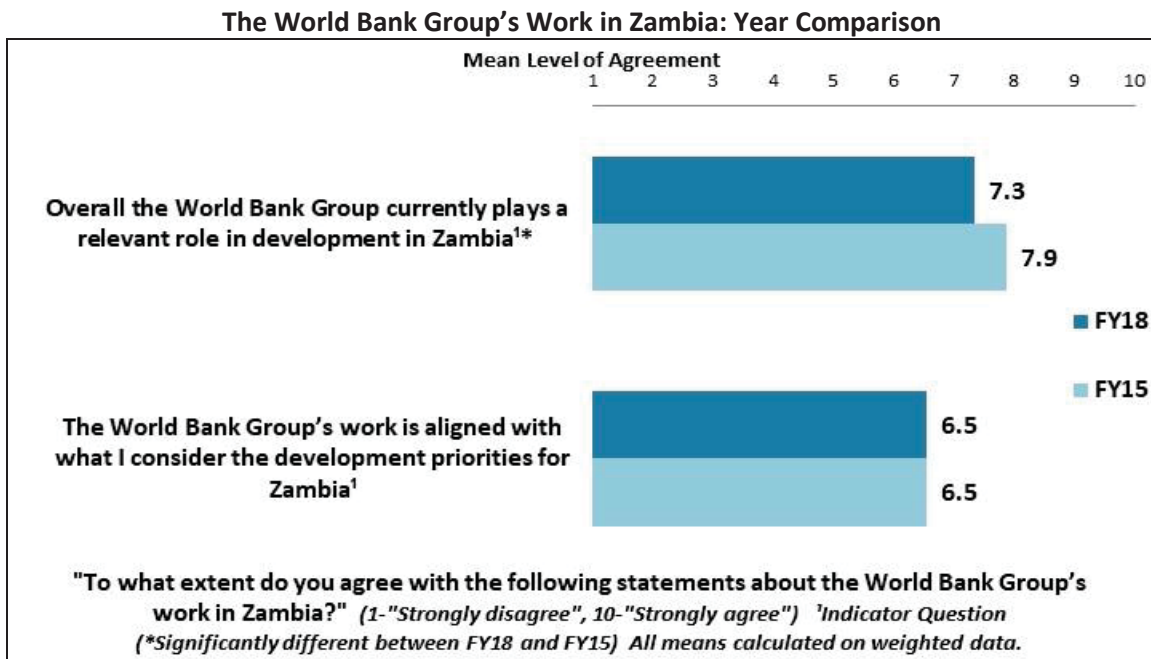
P161490	5/4/2017	8/31/2022 (Active)	Zambia Integrated Forest Landscape Project (P161490)	To improve landscape management and increase environmental and economic benefits for targeted rural communities in the Eastern Province & to improve the Recipient's capacity to respond promptly and effectively to an Eligible Crisis or Emergency.	49%	17	8.3
P162760	6/27/2017	8/31/2022 (Active)	Electricity Service Access Project (P162760)	The project development objective is to increase electricity access in Zambia's targeted rural areas.	27%	26.5	7.2
P102459	4/7/2011	12/15/2018 (Active)	Irrigation Development and Support Project (P102459)	The project development objective is to increase yields per hectare and volume of products marketed by smallholders benefitting from investments in irrigation in selected sites served by the project.	64%	115	73
P114949	4/25/2013	11/30/2018 (Active)	Zambia Water Resources Development Project (P114949)	The Project Development Objective is to support the implementation of an integrated framework for development and management of water resources in Zambia. The Project Development Objective Level Results Indicators are: a. Improved accuracy of hydrological forecasts; b. Water storage established in rural communities; c. Water resources infrastructure investments under preparation; & d. Water permits monitored for compliance.	100%	50	50
P133184	5/30/2013	2/19/2021 (Active)	Lusaka Transmission and Distribution Rehabilitation Project (P133184)	The objectives of the Project are to increase the capacity and improve the reliability of the electricity transmission system in the Lusaka area.	100%	105	105
P126349	5/3/2012	12/31/2012 (Closed)	Zambia Third Poverty Reduction Support Credit (P126349)	This PRSC operation supports two objectives: a) Preserve macroeconomic stability and improve public sector performance, and b) Support broad-based growth by improving the efficiency in the energy sector and improving business environment	17%	30	5.1
P121325	9/22/2010	6/30/2015 (Closed)	AF for Zambia Increased Access to Electricity Services Project (P121325)	The objective of this project is to increase access to electricity services and improve efficiency and quality of the electricity distribution system in targeted areas.	100%	20	20

ANNEX 8: 2018 Client Survey

Summary of Overall Findings

- The WBG is widely and consistently viewed as a long-term and ‘all weather’ partner.
- The survey confirms that relationships between the WBG and Zambia are strong and that the institution’s financial resources are considered the greatest value it brings to Zambia.
- Economic growth continues to be a top development priority and stakeholders believe the WBG should emphasize on areas they consider paramount which are agriculture and rural development, followed by education, governance, jobs and private sector development.
- Stakeholder also consider water and health including anti-corruption as top development priorities for Zambia’s poverty reduction agenda.
- The WBG is viewed as effective and staff preparedness is viewed positively.

In December 2017, the World Bank Country Office in Zambia conducted a client survey which has revealed that perceptions of relevance for the World Bank in Zambia remain quite positive at 7.3 on a ten-point scale. A total of 506 stakeholders participated in the survey with a response rate of 89%. Overall the World Bank is considered to play a relevant role in the development agenda of Zambia, as illustrated in the figure below.



Additional Findings

- The Country Survey data suggest that the level of overall optimism amongst opinion leaders in Zambia has diminished significantly (83% were optimistic in FY15 vs. 55% today).
- More than a third of respondents said that anti-corruption is a key factor in poverty reduction. This was not the case in FY15.
- Overall views of the WBG remain consistent with FY15 Country Survey findings.
- The WBG is viewed as effective and staff preparedness is viewed positively.

- Perceptions of relevance have gone down since FY15 but are still quite positive at 7.3 on a ten-point scale.
- The WBG's financial resources are still considered the greatest value it brings to the country (but it has come down to 41% from 49%), followed by capacity development, policy advice, and technical assistance.
- When it comes to the WBG's perceived weaknesses, the survey results suggest no strong feelings in this direction.
- Rather, around one fifth of respondents point to complex processes and procedures (as reported in FY15), with approximately the same %age of respondents pointing to the Bank Group's lack of willingness to criticize the government, the Bank Group too influenced by developed countries, and inadequate public disclosure.
- Relationships are quite strong in Zambia. One of the highest ratings in the survey relates to the WBG as a long-term partner, followed by how the Bank Group collaborates with government, its straightforwardness, the respectful way it treats stakeholders and the way it collaborates with donors/partners. One area to consider is diminished ratings related to
- The way the Bank collaborates with private sector (5.8 on a ten-point scale, down from 6.7 in FY15) and the lower ratings for how it collaborates with civil society/NGOs.
- Growing the private sector is a critical part of WBG strategy. Their support is crucial. The survey data suggests that when considering whom the Bank Group should collaborate more with, beneficiaries, followed by private sector are identified.

ANNEX 9: Summary of CPF Consultations

COOPERATING PARTNERS: *Overall, Cooperating Partners appreciated the proposed focus areas especially on agriculture but emphasized the need to embed building of institutions in all focus areas.*

Macroeconomic Environment

- The macro situation is considered increasingly fragile and worrisome with the high levels of debt and the CPF should note this clearly.

Building Institutions

- Building Institutions should be embedded in all focus areas as having weak institutions is the major challenge that Zambia faces.
- For instance, capacity building at MNDP and Central Statistics Office would enhance accountability.
- Fiscal fitness and policies are critical to the overall development of the country.

Agriculture

- More focus is need on agriculture especially on migrating small farmers from subsistence farming while developing initiatives that will address the issues of financing & collateral for all SMEs.
- Linkages between SMEs to markets is key and should be emphasized.
- Cooperatives have usually worked well in supporting the SME agenda, the team should work the with the ministry of Trade, Commerce and Industry to ensure Cooperatives are used.

Maximizing Finance for Development

- The cooperating partner group supported this approach and the EU confirmed using a similar method in mobilizing private sector resources.

Human Development

- Better focus on access to health care and education (especially skills development) services is needed.
- Other CPs already highly engaged in this area (e.g. USA), the CPF needs to be more selective.

Refugees

- The issue of refugees is becoming an increasingly important challenge for Zambia and the country needs help in addressing this challenge.

Spatial Alignment

- Well supported by the CPs with the reason that it focusses on areas that are very poor.
- However, partnerships with other CPs has to be emphasized so that the whole country is well covered and no areas are left behind.

Implementation

- Implementation challenges should be addressed quickly to ensure better delivery of programs.

CIVIL SOCIETY: Overall, Civil Society organizations found the CPF focus areas and the storyline appropriate. However, they reiterated the need to do more on information sharing on Bank-funded projects for accountability, and better targeting to reach the poor of the poorest.

Agriculture

- The Bank should put more effort on unlocking agriculture to become a business especially through Micro, Small and Medium Enterprises (MSMEs).
- Post-harvest handling (storage & marketing) should be supported especially for women farmers.
- Micro, Small and Medium Enterprises (MSMEs) should be strengthened for a sustainable and job creating economy; key to this is having sustainable agricultural policies.

Building Institutions

- Political governance should be well addressed as it highly influences economic governance.
- Transparency is still a challenge; For instance, the Financial Bill and the Health Insurance Bill have not been published for the public to understand before they are enacted as law.
- Enhance Civil Society interaction between government and civil society to improve alternative voice.

Gender

- The Bank should help in addressing land policies that hinder women from owning land.
- More focus should be put on women across the first two focus areas.

Human Development

- The Bank should consider supporting special education, e.g. the visually disabled.
- More emphasis is needed on making education more accessible especially to the poor of the poorest.

Spatial Alignment

- Better rural poor targeting in the selected areas is critical.
- Strong accountability measures need to be put in place to ensure that the Government funds programs in the areas outside the Bank's selected areas.
- Some CSOs were also of the view that the Bank should look at contributing meaningfully to sectors that are critical and not sparsely distribute resources to too many sectors. Do meaningful investment by supporting projects in specific provinces on rotational basis as opposed to supporting the entire country.

Implementation

- The Bank should do more on information sharing with the public on its program in Zambia to ensure accountability.
- Need for more consultations with the citizenry especially by the government should be emphasized in implementation of projects for better beneficiary targeting.

PRIVATE SECTOR: Overall, the Private Sector appreciated the CPF focus areas and the storyline, however, they reiterated the need to do more in building institutions to ensure policy consistency, and an enabling business environment.

Building Institutions

- Policy inconsistency is still a challenge as it is usually characterized by extreme swings from one end to the other: The Bank should help with a professionally driven civil service to ensure this challenge is addressed.

- More investments in governance is critical.
- There is need for better management of policies especially in the Mining sector to ensure benefits accrue to Zambia. Nonetheless, the EITI initiative was applauded as a good initiative in the mining sector.

Business Development

- Skills development still a challenge for the private sector. The Bank should support skills development to promote business development.
- The Mining sector should do more business with local SMEs. This linkage is key to the success of the economy.
- More investment is need in ICTs as well as railway system.
- Access to finance is still a challenge especially for SMEs.
- The Local Content Strategy must be supported to promote inclusive and sustainable growth through increased use of locally-available goods and services in development sectors.
- Statistics on the cost of creating one job in Zambia should be made available for better planning with respect to job creation.

Human Development

- Population growth should be well addressed in the CPF.

LUAPULA PROVINCE: *Overall, the Provincial Minister and his technical team warmly welcomed engagement over the CPF with its focus areas and spatial alignment “Twangale Circles”. They applauded the Bank’s consultations especially at the provincial level. They stated that the priority sectors for the province, that is, agriculture (including livestock and fisheries), energy, forestry, water, tourism, education and trade are well aligned with the CPF. However, they advocated for more investment in the province as it still remains one of the poorest provinces in Zambia.*

Provincial Sector Priorities

- Agriculture (including livestock and fisheries), energy, forestry, water, tourism, education and trade are the key priority sectors for the province.
- Despite the province being one of the poorest in Zambia, it has a high potential for development. For instance, the province has the longest boarder line with the Democratic Republic of Congo which provides an opportunity for trade, it also has 11 waterfalls, 3 great lakes and 7 traditional ceremonies which are a potential for tourism, agriculture (fisheries) and energy.
- Further, a boarding school for girls especially is high on the priorities as many girls have been falling out of school because of travelling long distances to and from school and not having enough time to study because they are required to carry out house chores after school. However, the GEWEL project was praised as doing a great job so far.
- The team advocated for more investments in the province in these selected sectors to ensure poverty alleviation.

Spatial Alignment “Twangale Circles”

- The alignment was well supported by the team, nonetheless, it was emphasized that the province be a priority as it still remains the poorest in the country. They requested close attention to ensure its implementation in the selection of project sites.

Refugees

- The province has been receiving a number of refugees especially from the Democratic Republic of Congo. Many CPs have been concerned about this refugee influx which is estimated at 16, 000, however, very little attention has been paid to the more than 800,000

Luapula residents who are living in poverty. Thus, the province requested that all CPs pay as much attention to fighting poverty in the province as helping the refugees.

Statistics and social investments

- The province requested the Bank to assist in the provision of micro level statistics for better decision making at Ward level. However, the Bank was commended for the macro level statistics.
- The Zambia Social Investment Fund (ZAMSIF) project which closed in 2005, was highly praised as having been a success, the team requested for similar projects going forward.

ANNEX 10: Map of Zambia

