

Department for International Development

The Department for International Development (DFID) is the UK Government department responsible for promoting sustainable development and reducing poverty. The central focus of the Government's policy, based on the 1997 and 2000 White Papers on International Development, is a commitment to the internationally agreed Millennium Development Goals, to be achieved by 2015. These seek to:

- Eradicate extreme poverty and hunger
- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria and other diseases
- Ensure environmental sustainability
- Develop a global partnership for development

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WHAT ARE COUNTRY ASSISTANCE PLANS?

Country Assistance Plans set out how we aim to contribute to the achievement of the Millennium Development Goals in various countries. Country Assistance Plans start from the basis of our partner country's poverty reduction strategy and set out in detail how we will work as part of the international development effort to support a country's strategy for reducing poverty. They include a framework for annual assessment of our performance in implementing the plan. Major reviews of Country Assistance Plans are expected to be undertaken every three to four years.

Zambia: Country Assistance Plan 2004/05 – 2006/07

Contents	Page
Summary	2
Part 1: The context	3
A The challenge	3
B Risks	10
C Lessons	11
Part 2: UK assistance plan 2004/05 – 2006/07	12
D The UK development partnership	12
E Programme resources	18
Part 3: Annual Plan*	
F Key milestones and harmonisation targets for Zambia, 2004	
G Change impact monitoring tables	
Annexes*	
Annex 1 Progress towards, and PRSP strategies to address MDGs in Zambia	19
Annex 2 CAP preparation process	
Annex 3 Portfolio performance	
Annex 4 Support from other parts of DFID	

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Summary

1. Once a middle-income country, Zambia has suffered decades of decline, rising poverty, increasing HIV/AIDS, and worsening social outcomes. It is now one of the poorest and most unequal countries in the world. Recent growth, and progress in education, health and on combating HIV/AIDS suggests Zambia is reversing its decline. However an analysis of the political economy identifies constraints that limit the prospects of rapid progress.
2. DFID supports the Government of Zambia's 2002 Poverty Reduction Strategy. It is well formulated and provides a sound framework for making progress towards the Millennium Development Goals (MDGs). It focuses on the challenges of improving governance, increasing and broadening growth, and improving social and other public services. Work to strengthen poverty reduction strategies that address constraints to poverty reduction (e.g. HIV/AIDS, food security) continues.
3. However, implementation of the Poverty Reduction Strategy Paper (PRSP) to date has been patchy. Public expenditure does not clearly reflect PRSP priorities. Donor aid remains poorly aligned, and delivered mainly through projects. The Monterrey ideal of predictable budget support behind the PRSP depends on donors having more confidence that the Government is addressing fiduciary risks more effectively.
4. Political and public sector management problems have led to poor expenditure decisions and slow progress on reforms needed to improve the environment for growth. While recent economic performance has improved, positive trends are now threatened by fiscal weakness. Our analysis identifies a number of significant risks to the PRSP process – political and economic. Such risks raise the possibility of some very different scenarios during the period of the Country Assistance Plan (CAP), covering a continuum from high levels of reform and growth to an economic contraction.
5. In order to address constraints and mitigate risks, the UK will work with Government and the wider donor and diplomatic community to build support for key reforms, to understand and address political constraints more effectively, and improve public sector capacity and the enabling environment for growth. If the PRSP process is to succeed these key problems have to be addressed, and on that basis additional resources found for implementation.
6. Our Country Assistance Plan therefore prioritises improving governance, supporting reforms to improve service delivery, and promoting the enabling environment for growth. While faster growth is essential for poverty reduction, we believe it will not be sufficient to pull many of the isolated rural poor out of poverty; nor may it address key risks such as chronic food insecurity and HIV/AIDS. Addressing these vulnerabilities will be another of our key objectives. The precise balance of our efforts, aid instruments and disbursements will depend to a significant extent on the different scenarios that we outline in our Plan.
7. Across all our objectives we will work in partnership with the Government, Zambian civil society, and the international community. We will support efforts to promote better political and policy dialogue between the Government of Zambia and the international community, for example through the UK Presidencies of the European Union and the G8 (Group of eight leading industrialised nations) in 2005. Alongside multilateral and bilateral donors we will promote harmonisation and better alignment to the PRSP. We hope to increase the amount of our aid channelled through multi-donor budget support arrangements, as and when conditions allow.

Part 1 – The context

A The challenge

Reversing decades of decline and rising poverty

8. Per capita income in Zambia fell from \$752 in 1965 to \$351 in 2002. Rising poverty was caused by dramatic economic decline between the mid 1970s to mid 1990s. This was precipitated by a drastic fall in copper prices, and prolonged by heavy external borrowing. Human development indicators worsened in tandem. Primary enrolment fell from the 1980s till the end of the 1990s. Infant mortality by the mid 1990s was 20% higher than in 1980. Maternal mortality, malaria and HIV/AIDS rates are now some of the highest in the world. One in six Zambian children do not reach their fifth birthday.
9. There have been important signs of economic improvements in recent years. These show progress is possible. The structural adjustment that followed the collapse of the one-party state in 1991 has made Zambia one of the most liberalised and open economies in the region. Economic decline has been reversed, and modest growth has re-emerged. Such growth averaged 3% per annum between 1996 and 2003. The extent of Zambia's turn around since 1995 has been masked by continued volatility in copper and maize production. Annual growth across all other sectors has averaged 6% and been consistently positive. This reversal of past economic decline is significant, though still below the 7-8% annual growth rates required to make a major impact on poverty.
10. More recently, there have been signs of progress in some education and health indicators, as a result of continuing social sector reforms. HIV prevalence appears to have stabilised. Such social progress is more tentative than the economic turnaround, but gives cause for optimism about what can be achieved in Zambia during the coming years. The challenge now facing Zambia is to turn the recent 'reversal of decline' into real progress in reducing poverty.
11. The prospects of progress depend in large part on Zambia's political economy. Analysis of 'drivers of change' shows that corruption and patron-client politics have put a brake on reforms in the past, and may continue to do so in the future. Political patrimonialism,

poor public sector management, and other factors such as the rise of HIV/AIDS, have combined to undermine state effectiveness significantly. Political leaders face resistance to the further reforms required to complete the fiscal stabilisation and public sector restructuring needed to release resources for poverty programmes. Such resistance is due to popular perceptions of structural adjustment and privatisation in the 1990s as a period of 'much pain for little gain' – perceptions that may reflect faults in the speed and sequencing of reforms. These observations mean that any assistance to Zambia will need to take political constraints into account when deciding on how to support the Government's poverty reduction strategies.

Poverty characteristics, inequalities of opportunity and increasing vulnerability

12. While only 33% of Zambians were below the national poverty line in the mid-1970s, the proportion rose to 73% by 1998 (the last available statistics). This masks an 83% level of poverty in rural areas (some 5.2 million people) and a 56% (and rising) level of urban poverty (some 2 million people).
13. The poor are not homogenous: locality, gender, age, education and livelihood opportunities vary. Poverty in rural areas is compounded by poor connectivity and access to public services and markets in what is a huge, sparsely populated countryside. Those living in remote areas tend to practice subsistence agriculture. Here income and production levels are low; food insecurity and poverty rates are extremely high. Those living along the line of road and rail are more likely to be connected to markets and able to exploit commercial opportunities. Livelihood opportunities for those living in urban areas have become more limited with falling formal and informal employment opportunities. Rising unemployment and income fluctuations, combined with seasonal food inflation, hit the urban poor particularly hard.
14. Social analysis shows some worrying trends. The extended family system, the most important social safety net available to the poor, is under strain having to care for growing numbers of children orphaned by HIV/AIDS and the chronically sick. One in five households are

female-headed, and they tend to be much poorer than male-headed households. Female participation in the workforce has risen, but in marginal and low-income occupations. Violence against women is reportedly increasing. The numbers of 'granny-' and child-headed households are increasing with children as young as 11 years old having to survive through piecework, street vending and other marginal activities. Fears are increasing that family breakdowns are resulting in inter-generational loss of knowledge, and anti-social behaviours.

15. Three key dimensions of poverty trends in Zambia combine to suggest increasing vulnerability, namely: growing unemployment, increasing food insecurity, and the impact of the HIV/AIDS pandemic (see Box 1).

The 2002 Poverty Reduction Strategy

16. Zambia's PRSP was finalised in May 2002. Its main goals are sustained growth and employment generation through:
- Economic development (particularly agricultural diversification, mining, tourism and manufacturing);

- Infrastructure improvement (roads, communications and energy);
- Social sector development (health, education and nutrition);
- Cross-cutting initiatives to address HIV/AIDS, environmental and gender issues; and
- Better macro-economic management, public sector reform, and more effective governance.

17. The international community welcomed the PRSP. Formulation was country driven, with wide civil society participation. Consensus emerged about the key causes of poverty, and priorities were reflected in cautious yet realistic financial allocations (\$1.2 billion mainly for capital expenditures over the three year period). The World Bank/IMF welcomed these features, the proposed macro-economic framework, and the priorities put on growth, governance and anti-corruption.

18. An assessment of the PRSP confirms that it generally contains sound strategies for making progress towards the MDGs (see Annex 1). Sector strategic plans in health and education are particularly strong – for promoting

Box 1 Increasing vulnerabilities: unemployment, food insecurity and HIV/AIDS

Negative or low growth until the mid 1990s led to **rising unemployment** and urban poverty. Formal sector employment fell dramatically because of the decline of copper and related industries over this period. Informal sector growth was insufficient to provide new livelihoods to compensate. These employment trends have made the urban poor more vulnerable to income fluctuations, seasonal food price rises and ill-health, including HIV/AIDS.

Chronic **food insecurity** is evident in the high rates of malnutrition. During the last 12 years there have been three food crises, the last in 2002-03. The immediate causes of such crises are climate related, but vulnerability has increased due to other factors: agricultural liberalisation in the 1990s dismantled the co-operatives and removed regular subsidies that provided a safety net; private markets have failed to replace the State in many areas; and the decline in agricultural extension services removed an important check on livestock diseases, and livestock numbers have fallen sharply.

The HIV/AIDS epidemic is compounding these fundamental economic problems. Zambia has one of the highest HIV/AIDS rates in the world. While overall HIV prevalence *appears* to have stabilised at 16% of adults, rates are twice as high in urban (23%) versus rural (11%) areas. There are encouraging signs of behaviour change, but these are yet to be reflected in a sustained reduction in prevalence. The scale and nature of the epidemic is dramatic. As of 2004, it is estimated that nearly one million Zambians are HIV-positive, and there will be over 100,000 new AIDS cases by the end of the year. Impacts on poverty and vulnerability are also profound. HIV/AIDS pushes well-off people into poverty, and those already poor into extreme poverty and destitution. AIDS-related illnesses are rising resulting in higher household medical burdens. Coping mechanisms are stretched to the limit. Child poverty is increasing. By 2001, there were 572,000 orphans due to AIDS. The loss of parents makes children, particularly girls, more vulnerable to abuse, and the numbers of street children are rising. Dependency ratios in urban areas have increased as households absorb orphans. Such households are less able to invest in child education or health, and cope with shocks.

universal primary education, gender equity, reducing child and maternal mortality, and combating malaria and other diseases. The National HIV/AIDS Strategic Framework provides a good basis for addressing the epidemic, though concerns remain about the weak mainstreaming of anti-HIV/AIDS initiatives across PRSP themes and components. The PRSP is weaker in relation to the MDG for ensuring environmental sustainability. Concerns have been raised by some Zambian stakeholders about the lack of priority given to expanding access to safe water, particularly in rural areas. More efforts are needed to address gender inequalities arising from cultural practices and attitudes, and the discrimination faced by women in accessing public services, economic assets and political representation. There are also grounds for debate about the PRSP's strategies for addressing the MDG for eradicating poverty and hunger. While the growth focus of the PRSP is an essential precondition for improving incomes, it is less clear whether sufficient strategies are included to address hunger and malnutrition, and the issue of vulnerability could have been given more emphasis.

19. Zambia has real prospects for reducing poverty across the dimensions of human development captured by the MDGs. The PRSP captures Zambia's main challenges well. These include:

- **Achieving faster and more broad-based economic growth** to reverse rising poverty by achieving full macro-economic stabilisation, removing the barriers to private enterprise and creating income-earning opportunities through wage and self-employment, and promoting agricultural commercialisation in market-connected rural and urban areas.
- **Reversing past declines in social services** by investing in health, education and other public provision. More attention needs to be given to tackling inequalities of access faced by women, girls and vulnerable children, and disadvantaged areas.
- **Extending infrastructure** including transport, communications and power facilities, especially

to those living in outlying areas, where market opportunities and access to health, education and other public services are limited.

- **Reducing key vulnerabilities, particularly HIV/AIDS & food insecurity**, by strengthening Government, civil society and private sector responses to HIV/AIDS; extending agricultural support to farmers and social protection initiatives for vulnerable groups such as female headed households.

20. None of these challenges can be met without **improved governance and macro-economic management**. These are essential to improve state effectiveness, to provide a more enabling environment for the private sector, and to use donor aid more effectively. Without improved governance, progress in implementing the PRSP will be constrained.

PRSP implementation to date

21. PRSP financing and implementation to date has been patchy. Expectations of donor project support have generally been met. Balance of payments support in 2002 was also significant, though dried up in 2003 in the absence of an IMF Poverty Reduction Growth Facility (PRGF). The benefits of generally high levels of donor support have been reduced by continued high transaction costs associated with project aid, and fiscal problems that have constrained more pro-poor public expenditure. These problems are compounded by chronic weaknesses in public expenditure management. A system of monthly cash releases favours sectors with strong cost drivers – such as administrative and foreign exchange commitments – and allows unplanned expenditures on defence, security services and parastatal liabilities. Periodic cuts therefore often fall on variable non-wage recurrent expenditures, tending to damage service delivery in areas such as health and education.

22. More fundamentally, the budget is not linked to the PRSP, and is incapable of providing a clear picture or basis for coordinating domestic and external resources, recurrent and capital spending and pro-poor allocations. There is no comprehensive system for identifying the poverty impact of expenditures across the budget. A PRSP

Annual Review was recently circulated, but provides an ad hoc account of activities rather than an assessment of performance and outcome data that exists. We have therefore reviewed implementation against the main challenges outlined above, and considered some continuing constraints that need to be addressed.

Macro-economic growth and management

23. The country met many of the benchmarks of its last IMF Poverty Reduction and Growth Facility (PRGF), which ended in March 2003; and many key macro-economic indicators suggest progress. Growth rose to 4.3% in 2003 and continues to be broad based. Inflation has been falling: from 27% at the end of 2002 to 17% at the end of 2003. Commercial lending rates have fallen from over 43% to 36-38%. Improved copper prices and continued strong agricultural export performance combined with reduced food and capital imports have helped maintain the foreign reserves position.
24. These positive economic trends are under threat from structural and politically driven fiscal problems. The Government overspent its 2003 ceiling for domestically financed expenditures by 19%, equivalent to 3.7% of Gross Domestic Product (GDP). The public sector wage bill has risen dramatically to 8.5% of GDP, compared to 5.3% in 2000, as a result of a deal with unions in early 2003. Further unbudgeted expenditures caused domestic borrowing to reach 5% of GDP in 2003, against a target of 1.55%.
25. Problems of economic stabilisation, domestic and international debt, and public financial management persist. State interventionism still crowds out the private sector in some areas, and extensive barriers to business remain, including over-regulation. The Government could do more to develop its long-term vision for future growth. It could also do more to map out its trade strategy both within the region – in the context of potentially conflicting agreements with the Southern Africa Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA) – and externally with the EU and WTO (World Trade Organisation) Round.

Governance and state effectiveness

26. Progress on pro-poor reforms in the last two years has been mixed. Positive steps include the launching of a 'zero-tolerance' campaign against grand corruption, a Free Primary Education policy, and continued health reforms. The Government is taking steps to review the Constitution, though this process is attracting criticism. New gender, land and electoral reform policies appear to be making slow progress. More difficult public sector reforms have been delayed, and poor expenditure decisions have undermined agreement with the IMF on a successor PRGF.
27. Assessments of broader governance issues reveal several positive aspects. World Bank governance indicators for 1996-2002 rate Zambia significantly above the average for sub-Saharan countries in respect of voice and accountability, political stability and rule of law. An independent media is critical and Parliamentary debate is vigorous. The judiciary is more independent than most other sub-Saharan countries. Rights of associations are upheld, illustrated by well-developed trade unions and a growing civil society. Issue-based civil society organisations have become better organised, and are increasingly seeking to hold Government to account as their influence has grown over the last decade.
28. Zambia fares less well in comparison with others in relation to corruption and government effectiveness. Partly because of vested interests, a Public Sector Reform Programme, running since 1993, has made little progress in pay reforms and right-sizing the civil service to improve the delivery of pro-poor services. Public financial management (PFM) is chronically weak. Fiduciary risks are high, particularly in procurement. The Government has made some progress but oversight by the Auditor General and Parliamentary committees is limited. The legislative framework for PFM needs reform. The lack of a coherent PRSP monitoring system limits information on performance outside a few ministries such as health and education. Good reporting to Cabinet or Parliament is not yet happening.

Health and education: areas of success

29. Despite concerns about state effectiveness, particularly the performance of central government institutions,

PRSP implementation in the social sectors has shown progress. Health and Education Ministries have developed National Strategic Plans, backed by well-harmonised multi-donor sector programmes. Budgeting, management and delivery systems are being strengthened. There is a focus on addressing disadvantaged areas and groups, and real effort to mainstream HIV/AIDS prevention and mitigation. Political commitment for further reforms, and effective leadership, are strong in both sectors.

30. After declining enrolment in the 1990s, sector reforms, and the announcement of a Free Primary Education Policy by the newly elected Government in 2002, have contributed to an increased gross enrolment rate from 83% in 2000, to 92% in 2003. School literacy rates are rising dramatically due to a highly successful mother-tongue Primary Reading Programme. Progression between grades has also improved. However, retention and completion particularly for girls remain challenges. Pupil-teacher ratios remain poor in rural areas, and barriers to access continue. The quality of education needs improvement.
31. In health, per capita public expenditure has risen from \$10 in 2000 to \$17 in 2003 due to substantial donor support (though this is still 50% of the amount required for a 'minimally functioning' basic health system). Previous declines in outcomes appear to have been halted, and some reversed according to a mid-term review in late 2003. Examples include immunisation, contraceptive use, and antenatal coverage. Infant and under-five mortality have dropped marginally. However, maternal mortality remains distressingly high – itself an indicator of concerns about whether health improvements to date have benefited men more than women.
32. These signs of progress in health and education, but continuing resource gaps in both sectors, suggest the potential for effective use of additional resources in the coming years.

Constraints on growth and creating employment

33. The limited progress made in tackling significant macro-economic problems undermines the effectiveness of what are, in the PRSP, broadly market-based policies

in terms of private sector investment and growth. Bringing down the cost of credit is particularly important if investment is to rise. Other constraints that need addressing include poor infrastructure, high transport costs, corruption, administrative barriers, and the impact of HIV/AIDS.

34. Improving the enabling environment for private sector activity is particularly important for promoting the PRSP objective of diversification. In the past Zambia has been too dependent on copper, both for economic output generally, and foreign exchange reserves in particular. While copper is likely to remain a key export in the future, it is unlikely to provide a major source of growth, and is less likely to provide employment and incomes for more than a small minority of the Zambian workforce.
35. As prioritised in the PRSP, the main potential for broad-based employment and income generation is through agricultural diversification. On the one hand, clearer enabling provisions and trading opportunities need to be put in place for export-led growth of the commercial sector. We estimate this has the potential to benefit over 40% of Zambia's poor farmers through out-grower schemes, and many urban dwellers through export-orientated value chains. On the other hand, more carefully targeted interventions and services need to be developed in outlying areas, where most people are marginal and 'sub-subsistence' smallholders. Approximately 60% of the rural poor live in these areas, without effective access to markets.

Extending infrastructure

36. Better roads are key to connectivity and better access to markets and services. A recent review of a multi-donor sector investment programme (ROADSIP) concluded that key road network quality targets have generally been reached. There has been notable progress on policy, legislative and institutional reforms. Feeder road improvements and maintenance funding remain areas of poor performance. Provincial expenditure tracking surveys reveal significant leakage of funds. A second phase of the SIP is in the final stages of development.
37. Access to electricity remains almost exclusively urban. Extending distribution is a huge challenge, but is

potentially viable if Zambia can use its water resources to generate surplus power and export it to neighbouring countries. The main progress in this sector over the last two years has been the improved financial viability of the state electricity company (ZESCO), due to tariff adjustments and better collection.

38. Water supply improvements remain constrained by poor policies, confusion caused by over-lapping roles and competition between State bodies, and a lack of effective donor co-ordination. Some progress has been made in devolving authority to local government and commercialisation of local utilities in urban areas of the country, where coverage of safe water is now high at 88%. Investments in safe rural water supply and coverage are low. Local government resources are very limited, and their technical capacity is weak. The plethora of area-based donor projects means that institutional capacity and coverage is very uneven, and sustainability is doubtful.

Addressing key vulnerabilities: food security

39. Recent experience has been dominated by the 2002-03 food crisis. In partnership with NGOs, the UN agencies and other donors, the Government responded well. Renewed fertiliser and seed subsidies succeeded in boosting production in the 2003 harvest. Although high levels of acute malnutrition were averted, chronic malnutrition remains a problem. Half of children under five are stunted.
40. Growing numbers of people have to deal with food insecurity every day. PRSP strategies to improve social safety nets and coping mechanisms are needed, alongside investments that could get markets going. More needs to be done to strengthen the institutions – Government, non-governmental organisations (NGOs) and private sector – that can support such social protection strategies.

Addressing key vulnerabilities: HIV/AIDS

41. The present Government has shown stronger commitment to addressing HIV/AIDS. National AIDS Council (NAC) staffing and legislation have been put in place, and the multi-sectoral response strengthened. More Government leadership is providing a better

environment for combating the disease, though stigma remains a major barrier to prevention and care.

42. However, funding gaps remain – particularly if health systems are to be strengthened to provide the basis for effective care (e.g. the use of anti-retroviral therapies). Further institutional strengthening across the public and civil society sectors is needed to absorb the substantial funds available from the international community for prevention, mitigation, and treatment and care programmes. Leaders at all levels could do more to emulate countries such as Uganda in raising the profile of prevention and mitigation strategies.

Donor alignment to the PRSP process and harmonisation

43. All donors express a commitment to PRSP principles, but the plethora of projects supported by over 40 donors active in Zambia mean they are less well aligned behind the PRSP than they should be – particularly in terms of aid instruments, and the provision of flexible and predictable funding. Figure 1 below provides details of donor support to the five broad categories of PRSP components.
44. More momentum for improving donor alignment to the PRSP is emerging. A Harmonisation in Practice (HIP) agreement between the Government and seven bilateral donors (including the UK) was signed in March 2003. An Action Plan is promoting various mechanisms to improve policy coherence and aid management. The World Bank is working with the UN family and bilateral donors to incorporate these plans for better co-ordination and policy dialogue.
45. Despite recent progress, there remain thorny questions about how fast donors are prepared to move towards improved funding of the PRSP through sector or general budget support. Fiduciary risks are high, and more progress in public financial management (PFM) will be needed to establish a budgeting and expenditure system, and PRSP monitoring, that gives donors the confidence to channel more of their aid through the Government's budget. Broader agreement amongst many donors about the conditions for budget support has emerged from recent work led by the World Bank,

the European Commission and the DFID-Chaired 'Quality of Government Expenditure Working Group'. In particular, the European Commission has approved a performance-based approach to macro-economic financing once a new PRGF is in place, and PFM reforms are agreed. This approach provides a potential vehicle for other bilateral donors to join in the future.

46. Potentially differing judgements by donors about the appropriateness of budget support, and the use of other aid instruments, highlight the importance of developing a common performance assessment framework for measuring progress. Consultations for this Country

Assistance Plan, and those by the World Bank and other donors regarding their own country strategies, confirmed an increased commitment amongst co-operating partners to such a common approach. Interest is growing in using the Comprehensive Development Framework to identify opportunities for better alignment to the PRSP, and a more explicit 'division of labour' amongst the international community. Agreeing common outcome and other progress indicators against which to track PRSP progress, and the idea of joint country assistance planning, are possible future steps for further harmonisation.

Figure 1: Existing support from co-operating partners to the PRSP

PRSP Components	Commitments of funding and technical assistance (<i>Examples Only</i>)	Funding levels & harmonisation
Economic development (agriculture, mining, tourism, manufacturing)	European Commission, World Bank and USAID working across different sectors. Agriculture prioritised by a range of UN and bilateral agencies (e.g. Sweden, Norway, Netherlands, Finland, USAID), but lacking a widely agreed policy framework, involving a range of projects, and therefore less co-ordinated donor activity than in the case of social sector investment programmes. Early work to strengthen public-private partnerships is being supported by the World Bank, USAID, Sweden, Netherlands and DFID.	Significant project funding available, but poorly co-ordinated, often outside of Government, & difficult to predict.
Infrastructure improvement (roads, communications and energy)	European Commission, World Bank, Japan, Norway and Denmark. A road sector investment programme well established, including new investment and financing mechanisms for maintenance. Major energy sector reform underway with support of the World Bank. Community based infrastructure promoted by social fund & micro-project initiatives (World Bank and EC).	High levels of funding, well co-ordinated in some areas (e.g. roads), or dominated by one donor (e.g. energy).
Social sectors (health & education)	Multi-donor health and education sector-wide approaches (SWAps), in which major pooled finance comes from a group of bilateral donors (including DFID) and sub-projects financed by other donors within a well co-ordinated plan. The Global Health Fund (and potentially the Education Fast Track Initiative) will provide significant finance in coming years.	High levels of funding, well harmonised, and predictable sector budget support.
Cross-cutting initiatives to address HIV/AIDS, environmental and gender issues	Several large scale HIV/AIDS programmes coming on stream or planned (including by USAID, the World Bank, the Global Fund and DFID), complemented by a large number of smaller-scale projects. Nearly all donors provide some support, though some play key roles over and above finance levels (e.g. UNAIDS). Support to environment dominated by Nordic donors. Major investments in water sector by Japan, Germany, Ireland, World Bank, European Commission, Denmark and Norway. Gender support by UN agencies and Netherlands.	Good co-ordination around HIV/AIDS. Gender and environment support much smaller scale. Some scope for better co-ordination, alignment and predictability of funding.
Better macro-economic management, public sector reform, and more effective governance	A range of existing public sector reform projects by various donors, with specific support to key institutions, for example: Cabinet Office (e.g. World Bank and DFID), Ministry of Finance (e.g. European Commission, DFID, and Japan), the judiciary (e.g. Denmark), parliament (e.g. a number of bilateral donors), and decentralisation (e.g. UNDP, Japan, Ireland, Germany). Bilateral donors working with the European Commission and World Bank to agree a joint donor approach to supporting Government proposals for key reforms, such as public financial management, PRSP monitoring and public sector restructuring and pay reforms. Civil society and human rights receive substantial support from Nordic and other donors.	Patchy – present aid delivery fragmented and poorly co-ordinated across governance issues. However, prospects for joint donor approaches are good in the light of recent Government reform proposals.

B Risks

47. PRSP implementation during the period of the CAP will be significantly undermined if the Government does not get back on track with the IMF in 2004. The country needs a new IMF PRGF to cover debt obligations, to keep on track towards achieving HIPC Completion, and provide the necessary (though not sufficient) conditions for increased donor support to the PRSP. Failure to get back on track could cause an economic downturn, to the detriment of public spending, private investment, and poor people.
48. In the medium term political stability and good expenditure management will be extremely important preconditions for PRSP success. Key reforms in public expenditure management and civil service structure are needed to increase the effectiveness of PRSP implementation – though may face popular and trades union resistance. A number of other factors could undermine poverty outcomes, including the spread of HIV/AIDS and climatic factors. Our analysis of possible risks and their potential impact is summarised in Figure 2.

49. Our analysis of short-term and other risks leads us to conclude that i) Zambia faces much uncertainty, and some very different possible scenarios during the next few years; ii) and because of the significant potential impact and high probability of some risks, we need to help address these, and to persuade Government and other donors to do likewise. Avoiding and mitigating risks will be necessary to sustain confidence in the PRSP process, and to enable faster progress towards the MDGs.

Figure 2: Summary matrix on impact and probability of risks to the PRS process:

	Probability:		
Impact:	Low	Medium	High
Medium	External conflict Worsening terms of trade	Popular & public sector resistance to reforms Reduced business & investment confidence	Failure to reform the central civil service Climatic shocks
High		IMF default and fiscal crisis Failure to reform PFM systems Spread of HIV/AIDS	Poor expenditure patterns Political instability – generally, and in the run-up to the 2006 elections

C Lessons

50. Our 1999 Country Strategy Paper (CSP) had four impact areas: governance, health and education, livelihoods and HIV/AIDS. DFID's bilateral programme in Zambia was over £52 million in 2000-01, £39 million in 2001-02, and £38 million in 2002-03. A significant proportion of these figures up to 2001-02 were large grants linked to mine privatisation, and in 2002-03 humanitarian assistance. Despite a decline in resource transfer over the CSP period and these 'one-off' disbursements, the underlying programme has increased from £11 million to its current level of £30 million – including a growing commitment to social sector SWAps.
51. Success has been achieved in developing sector-wide programmes in health and education. Gains have emerged from using sector strategic plans as the basis for joint donor support and systems reforms – now resulting in improvements in outcomes. Social sector approaches have also led to more of a focus on harmonisation and aid effectiveness by the international community.
52. Many of our projects have been successful against their objectives according to reviews. Some are examples of significant impact – such as the Primary Reading Programme, and our support to Zambia's Revenue Authority. All have involved long-term capacity building. They show that project interventions can make a difference and address institutional weaknesses, as long as political and wider stakeholder support exists and technical assistance is flexible and sequenced appropriately. This means being in for the 'long-haul' and accepting change is often incremental.
53. However, some of our projects have been less effective and sustainable. For example, we have struggled to develop livelihoods and micro-finance projects. We have made little progress on broader civil service reform. These examples provide lessons about how poor policy, politics, and 'disabling environments' can undermine progress.
54. Our successes illustrate the importance of building on positive change processes involving a combination of political champions, good policies, and sufficient capacity and enthusiasm to make progress. Conversely, our less effective projects suggest the importance of working to improve the enabling environment for poverty reduction, by addressing factors such as political constraints, incoherent policies, and legal, regulatory or capacity problems.
55. In addition to our past experience, our analysis of the political economy and future risks suggests some key problems in Zambia that constrain poverty reduction, and need addressing. These problems include: i) inadequate consensus about, and commitment to deliver fundamental structural reforms; ii) frequent political instability and 'perverse pressures' on policy making and decision taking; iii) weak public institutions; and iv) increasing vulnerability of the poor to key risks such as food insecurity and HIV/AIDS that are making poverty reduction more difficult. These have important implications for our new CAP objectives, and ways of working, if we are to support the PRSP process more effectively.

D The UK development partnership

56. DFID's central objective is to support the implementation of the Government of the Republic of Zambia's PRSP. But given the implementation weaknesses and various risks outlined in Part 1, a single definitive strategy is difficult to map out. Instead we will continually review the implications of our analysis, take mitigating actions to address risks, and seek to address the key problems that have affected our work to date.

Putting key lessons into practice

57. The importance of **building consensus for structural reforms** suggests we need to prioritise:

- Working closely with the World Bank, IMF, EC, UN and the wider diplomatic community in developing common donor perspectives, and in particular promoting better co-ordination on macro-economic policy and public sector management;
- Using our diplomatic resources (both the UK's and other donors') effectively to explain our concerns to Government, and understand their constraints and options – the UK Presidencies of the EU and G8 in 2005 will provide important local opportunities to contribute to political and development dialogue;
- Engaging more in domestic dialogue on reforms with the different stakeholders affected, including more targeted press and public relations work.

58. The significance of **politics, and 'perverse pressures' on policy making and decision taking** suggests that we should consider:

- Being more realistic about the pace and sequencing of reforms – and avoid defining unachievable or inflexible benchmarks to judge progress; and to assess shocks carefully as they arise;
- Developing a deeper analysis of specific reforms – building on our drivers of change analysis to date to understand constraints and develop more credible proposals;
- Identifying and exploiting more quickly periods of relative political stability if progress towards the MDGs is to be made – realising that risks of crises

will remain high over the period of the CAP.

59. Problems arising from **weak institutions and public sector systems** imply that we should prioritise:

- Improving formal accountability systems across Government, such as public financial management and PRSP monitoring, but also increasing civil society capacity and voice to demand better governance;
- Building more capacity within central government, such as the Ministry of Finance and Cabinet Office; and engaging in long-term public sector reforms of pay and right-sizing to improve the sustainability of pro-poor services – however difficult this may be;
- More joint donor approaches, pooled funding and harmonised procedures for our support to the public sector, to reduce transaction costs for Government and enable more effective use of aid.

60. We also need to do much more than before in strengthening our response to vulnerability as well as poverty. Our analysis suggests that faster growth will be essential; real scope for pro-poor growth in commercial agriculture exists; but that the enabling environment is as important as investment in public goods and services. However, growth alone will not be sufficient to pull many Zambians out of poverty, because of severe constraints on market-led growth across much of the countryside. Growth alone will not be sufficient to solve the chronic problems of food insecurity, HIV/AIDS, and exogenous shocks which affect the majority of Zambians, and vulnerable groups such as female-headed households disproportionately. We need to do more, alongside others, to establish preventative strategies and mitigation measures, including more emphasis on social protection and diversification support to marginal farmers and vulnerable groups, both rural and urban.

Summary of objectives

61. These key lessons about priorities determine our objectives for 2004/05-2006/07:

1. Improving governance, public sector management, and PRSP implementation.

2. Promoting more effective and equitable service delivery to the poor, through Government health and education programmes.
 3. Improving the enabling environment for pro-poor private sector growth, particularly in agriculture.
 4. Reducing the vulnerability of the poor to key risks, including food insecurity and HIV/AIDS.
 5. Improving aid management and effectiveness in Zambia.
62. These objectives differ somewhat from our last CSP. While we retain an emphasis on improving governance and social sector outcomes, our priorities on enabling private sector growth, reducing vulnerabilities, and improving aid effectiveness are a shift from past objectives. Together, the objectives seek to contribute to achieving the MDGs by strengthening the PRSP process in Zambia.
63. Our objectives will directly support progress towards the first six MDGs, and contribute to putting in place the necessary preconditions and systems required to make progress towards the other two MDGs. For example, our governance, social sector, private sector and vulnerability objectives (CAP objectives 1 to 4) will directly target MDGs on eradicating poverty and hunger, achieving universal primary education, promoting gender equity, reducing child and maternal mortality, and combating HIV/AIDS, malaria and other killer diseases.
64. We recognise the importance of the environmental and safe water MDG to the poor, and particularly women in the case of safe water and access to environmental resources. Other donors are already taking a lead and are making substantial new commitments to these areas, and this division of donor effort is in line with Zambia's Harmonisation in Practice Agreement to which the UK is a signatory. Our main contribution to achieving progress towards this MDG will be in addressing what we believe are some of the key underlying constraints. Our focus in CAP objective 1 on central reforms of public financial management and PRSP monitoring are prerequisites for building local government capacity to make sustainable investments in rural water supply. They will also create the conditions for higher levels of sector or general budgetary support to the PRSP, which will significantly increase the resources available to Government water and environment programmes in Zambia. In line with DFID's Water Action Plan, alongside other donors we will continue to support policy dialogue about progress towards water and sanitation targets. We will do this through the design of Zambia's second generation PRSP in 2004-05 and Annual PRSP reviews. Our emphasis on addressing the constraints to economic growth (CAP objectives 1 and 3) will also contribute to improving rural incomes so as to make water and sanitation provision affordable and sustainable in the long term.
65. Our objectives will seek to strengthen the PRSP process by joint donor approaches to supporting improvements in Government implementation and monitoring capacity, at both the centre (eg. the Ministry of Finance) and in key line ministries and agencies (eg. Education, Health, and the National AIDS Council). We will also promote more coherent policies through dialogue with the Government and other donors in key areas: for example, for better macro-economic management and private sector led growth; and in order to address the increasing vulnerability of the poor to key risks, which threaten to undermine recent emerging poverty reduction gains.

How we will achieve our objectives

66. How we will achieve our new objectives is summarised in the paragraphs below. More details are provided in an Annual Plan, which outlines the changes to which we wish to contribute, the supporting initiatives we will promote (policy dialogue, projects and programmes, and partnerships), and annual indicators against which to monitor our performance and progress towards broader outcomes.
67. Improving governance, public sector management, and PRSP implementation (CAP objective 1) will entail policy dialogue on macro-economic policy and key reforms – particularly with the Cabinet Office, and the Ministry of Finance and National Planning. Priority will be placed on designing joint donor support to improving Public Financial Management and PRSP monitoring systems, with potential to provide the conditions for general budget support in the future. Our main partners

will include the World Bank, European Commission, and a number of other major bilateral agencies. We will continue to support institutional strengthening projects in the public sector where past success justifies continued effort. Examples include projects supporting Payroll & Establishment Control, the Zambia Revenue Authority, and the Anti-Corruption Commission. We will continue to support civil society involvement in policy dialogue. Key examples include the umbrella organisation Civil Society for Poverty Reduction in PRSP monitoring; and organisations such as the Economic Association of Zambia, and the Catholic Commission for Justice, Development and Peace in tax policy debates.

68. We will also consider support to broader public sector reforms if credible proposals and sufficient consensus amongst key stakeholders can be developed, and resources are available. Our priority for such additional work will be for public sector pay reforms and re-structuring, where such reforms help improve the quality of pro-poor services. We expect to play a lesser role in supporting the Government's new and broad decentralisation policy, because other donors are leading in this area (eg. the UNDP, Ireland, Germany), and we anticipate that credible implementation plans will take several years to develop. While we are focusing on economic and public sector governance issues we recognise the importance of the democratic governance agenda. The UK will continue to support collective donor dialogue on human rights and other issues central to Zambia's continuing democratic development, such as electoral reforms.
69. Promoting more effective and equitable service delivery to the poor, through Government health and education programmes (CAP objective 2) will mean continuing our major financial and policy contributions to the multi-donor SWAps in these areas. Regarding the health- and education-related MDGs we believe real progress has been made, and the prospects of further significant progress are good (see Annex 1). Depending on different scenarios and needs, we see potential for scaling up sector budget support. We will place particular emphasis on strengthening approaches to addressing gender and equity in these sectors, to increase the poverty impact of systems and improve the

quality of services. Technical assistance to address key institutional weaknesses will be provided, for example to enable better de-concentrated service provision, and to further strengthen planning and monitoring systems. We will continue to encourage advocacy by civil society on issues such as gender equity in education, and the Churches' contributions to better service provision in both sectors.

70. Improving the enabling environment for pro-poor private sector growth, particularly in agriculture (CAP objective 3) will involve a shift away from past activities. Our micro-finance projects are being phased out, but new work on financial markets will begin, starting with policy dialogue with the Bank of Zambia. We are developing a new umbrella programme to support private sector development, including agricultural commercialisation, bearing in mind the activities of others in this area (eg. USAID, the World Bank and the European Commission). Our focus will be on capacity building for civil society and business membership organisations to demand more consistent and effective enabling policies. We will build on the recent IFC-DFID 'administrative barriers to business' study to strengthen our policy dialogue with the Government and private sector; and if requested will continue to support the President's Zambia International Business Advisory Council. We will also encourage increased trade and investment opportunities, including technical assistance co-ordinated with other donors under Zambia's Integrated Framework Action Matrix. Support to Zambia's trade performance in the Southern Africa Development Community (SADC) region will also be possible through DFID's Regional Trade Facilitation Project, run out of DFID South Africa.
71. Our analysis of poverty in Part 1 highlights that private sector growth and export-led agricultural commercialisation will be essential for pro-poor employment and income generation. However, the analysis also highlighted that only perhaps 40% of small farmers are sufficiently connected to markets and have sufficient assets to exploit commercial opportunities. We therefore see our fourth CAP objective as complementary to our third CAP objective, in addressing the needs of the larger categories of marginal and 'sub-subsistence' farmers, and other vulnerable groups.

72. Reducing the vulnerability of the poor to key risks (CAP objective 4) will focus particularly on combating food insecurity and HIV/AIDS. Policy dialogue and support will aim to improve key policies and institutions that enable the poor to better manage risks in these and related areas. We will work alongside Government, the World Bank and civil society to strengthen the ways in which vulnerabilities, including gender inequalities, are addressed in the PRSP process, starting with a Poverty and Vulnerability Assessment in 2004. We will seek to support the development of the Government's proposed Social Protection Strategy, and investigate new social protection approaches, alongside other key donors, such as Germany and the World Bank. We will consider expanding our existing portfolio of food security projects liaising closely with UN agencies (eg. on crop and nutritional surveillance systems). We may consider other initiatives to address key vulnerabilities (eg. malaria) and address barriers to accessing social services. We will ensure that the new Multi-Sectoral HIV/AIDS Programme provides effective support to Government, civil society and private sector stakeholders in line with other major financiers. We will also consider a new umbrella mechanism to address a range of key vulnerabilities, and channel additional support to empower civil society, through the leading NGO CARE.
73. Our efforts to improve aid management and effectiveness in Zambia (CAP objective 5) will be focused around the Harmonisation In Practice (HIP) process agreed with other bilateral donors, and will include policy dialogue through the HIP Reference Groups and other agreed co-ordination fora, to take forward the HIP Action Plan agreed in March 2003. We also support the broadening of this initiative: to integrate HIP working groups with wider donor co-ordination proposals being developed by the Government and the World Bank; and to encourage the participation of other donors in harmonisation activities. The Government's proposal for a new Aid Policy will help achieve both these objectives. We will also participate in the Government's revived PRSP Sector Advisory Groups to improve monitoring and future alignment of support to PRSP priorities, and to support the Government as it considers what should follow the present PRSP after 2004.
74. Under our CAP objective 5 we will develop a new knowledge sharing strategy to improve our lesson learning, and our ability to advocate appropriate reforms with different stakeholders. DFID will work together with the Foreign and Commonwealth Office, both in London and Lusaka, to implement UK policies to Zambia. The UK will use its diplomatic resources to build consensus for reforms, amongst donors, and where appropriate with domestic stakeholders. Priorities for the UK's Presidencies of the EU and G8 in 2005 are likely to include: encouraging the Government to 'stay on track', donor alignment to the PRSP and harmonisation, improving prospects for business and investment, HIV/AIDS and MDGs for child mortality, education and gender. The UK will also encourage Zambia to sign up to the New Partnership for Africa's Development (NEPAD) Peer Review Mechanism, and to support enhanced peace keeping capabilities in Africa.

Promoting aid effectiveness principles

75. Despite the HIP agreement, there is still some way to go in Zambia before the principles of the Monterrey Consensus can be put into practice. In particular, present aid delivery is in contrast to the ideal of a framework of well-aligned and harmonised multi-donor assistance to the PRSP – an ideal best put into practice by providing forms of budget support. We still aspire to this vision, and note the broad hierarchy of effective aid instruments needed to improve the impact of the PRSP process (see Box 2).

Box 2: Hierarchy of actual and potential aid instruments in the Zambian context

- General budget support alongside others, to improve the predictability and scale of PRSP funding, to reduce the distortion of priorities and transaction costs created by multiple aid projects, and to encourage the development of more robust performance systems that improve the accountability of the Government to domestic rather than donor stakeholders.
- Multi-donor sector investment programmes – particularly in the social sectors – to build systems, improve resource allocation to basic services and enhance the quality of such services for poor people.
- Multi-donor pooled funding projects – to mobilise additional finance for technical assistance and/or direct services, to reduce transaction costs of multi-donor procedures, and to ensure common vision on reforms that are important for sustained Government-donor relations.
- Co-funded or stand-alone technical assistance and direct delivery projects where they are in line with Government and other stakeholder priorities, the benefits outweigh transaction costs, and innovation benefits, or more effective delivery of outcomes are likely to result.

76. Aid instruments other than general budget support (GBS) dominate donor assistance in Zambia. Over recent years, multi-donor sector-wide approaches, sector investment programmes, and pooled technical assistance funding have grown slowly at the expense of standalone projects. Not all donors are comfortable with all aspects of the harmonisation approach – the US and Japan are major funders who retain standalone projects as their main form of assistance. So in practice, a mix of aid instruments is likely to remain appropriate for DFID over the three years of the CAP. However, the precise mix of aid instruments in relation to different objectives will be heavily dependent on different scenarios.

Different scenarios and our potential responses

77. Three scenarios could affect DFID's assistance to Zambia in the coming years. These have been developed in discussion with the IMF, and the World Bank during the development of their new Country Assistance Strategy (CAS). However, we emphasise slightly different definitions to the CAS, and our potential responses differ somewhat because of our different types of operations. In practice, distinctions between scenarios will be blurred, and programme shifts between them will be evolutionary rather than immediate.
78. In the short term, much will depend on the Government controlling the fiscal situation, achieving a new IMF PRGF mid-2004, and reaching Heavily Indebted Poor Countries (HIPC) Completion Point six months later. These milestones are a foundation for the UK to move

towards additional sector or general budgetary support. Without this foundation, projects would remain our main aid delivery approach. If fiscal problems create risks to domestic financing by the Government we might act to ring-fence our existing support to SWAps. In an economic contraction scenario, we would consider increasing our support to initiatives needed to keep basic commodities flowing (e.g. drugs) and address any related economic vulnerabilities (e.g. food security).

79. Once fiscal management, PRGF and HIPC milestones have been achieved, we envisage at least two further scenarios with important implications for UK assistance. The first is a 'base case' in which previous slow progress in central government reform continues. This scenario envisages only some progress on improving PRSP implementation, largely in the social sectors. DFID general budget support would be delayed until fiduciary risk and fiscal management was judged conducive (see high case below). Projects, sector investment programmes and SWAps will remain our main aid instruments across our objectives. However, if policies and performance in the social sectors continue to improve, irrespective of central government reforms, we anticipate a gradual rise in health and education spending from 2005/06. Depending on Government plans, we will also consider supporting new social protection investments from 2006/07, most likely as part of a joint donor sector investment approach. The justification for increased sector investment funding

in our 'base case' scenario will depend on a number of criteria, summarised in the box below.

80. A high case scenario would be defined by a number of features. Most important will be improved fiscal management, and significant steps towards improving the performance of central government, and PRSP implementation more broadly. Such steps could include an effective action plan being put in place to improve public financial management, initiatives to strengthen PRSP monitoring, and indications of political

commitment to other public sector reforms. In a high case scenario, general budgetary support by multilateral and bilateral donors would help ensure more predictable and increased financing to the Government-led PRSP process. Possible triggers to define a high case scenario that would give rise to DFID general budget support in tandem with other donors, are outlined in the box below. Under this scenario, there may be a gradual switching of support away from SWAp financing to general budget support over the period up to 2006/07.

Box 3: Base case scenario: additional sector budget support to health and education?

Justification for increased SBS starts from the depth of poverty and scale of need, and potential donor short-falls in the level of social sector aid flows in relation to these needs and absorptive capacity. Increased SBS would rely on being able to demonstrate:

- i) continued implementation progress and appropriateness of strategic plans, in terms of delivering better outcomes for poor people and making progress towards the MDGs;
- ii) the potential for increasing the capacity of delivery systems and institutions by extending their scope, improving further the effectiveness of funds, and reducing further the transaction costs of delivering aid; and
- iii) that providing such support would avoid undermining other efforts to strengthen central government systems (e.g. PFM).

We would also seek to ensure that any such funding remains on-budget, channelled through separate joint donor accounts to mitigate fiduciary risks, is additional to existing Government and donor commitments, and is likely to be more effective and efficient than through stand-alone projects.

Box 4: High case scenario and triggers for general budget support:

- New PRGF agreed with IMF, and sufficient progress on HIPC Decision Point benchmarks to justify expectation of Completion ('assurance on macro-economic framework').
- A positive judgement about sufficient political support for macro-economic reform and PRSP implementation.
- A positive judgement that pro-poor and development benefits will outweigh the fiduciary risk. This judgement will be largely based on an assessment of Government Action Plans for public financial management reforms (PEMFAR) and PRSP monitoring improvements.
- A common performance assessment framework exists for joint donor budget support.

E Programme resources

81. DFID's present aid projections for Zambia are £30 million for 2004/05, and £35 million for 2005/06. Under a 'high case' scenario we anticipate a growing programme from £30 million to £40 million to the end of the CAP period (2006/07). Under a 'base case' scenario we anticipate a maximum framework of £35 million per annum – unless new social protection initiatives justify significant new funding. In either of these cases, if Zambia makes real progress with its reforms, applications to DFID's Africa Performance Fund for resources over and above these amounts may be possible.
82. In the event of a 'downturn' our expenditure could decline if public sector projects, or the SWAps, make less progress than intended. In principle, funding could be switched to support humanitarian and social protection needs.

ANNEX 1

Progress towards, and PRSP strategies to address MDGs in Zambia

MDGs	Indicators ¹	Trends			Prospects of Reaching MDG / Direction of travel?	Existing PRSP Strategies?	Existing actions [More attention needed]	CAP Obj's MAIN [LINKS TO]
		1990–1995	1996–2000	2001–2002				
1. Eradicate extreme poverty and hunger								
Halve between 1990 and 2015 the proportion of people living on less than one dollar a day	% Below national poverty line ² – Rural – Urban	71 88 47	73 83 56		POOR / Recent trends uncertain	FAIR to GOOD Growth focus (agriculture, mining, tourism, manufacturing)	Dialogue & actions to improve macro-economic environment. Removing barriers to business (eg. agriculture; informal sector) Investment in market infrastructure & connectivity (EC, WB, Japan)	CAP 1 & 3 [CAP 4]
Halve between 1990 and 2015 the proportion of people who suffer from hunger	% <5 Stunted ³ % Child malnutrition % Population below min level of dietary consumption ⁴	39 25 45	47 24	28 50	POOR / More needs to be done	POOR Limited initiatives & weak surveillance systems	Small farmers' subsidies; school feeding programmes; investment connectivity. [Strengthen vulnerability monitoring & social protection initiatives (UN, bilaterals)] [Strengthen health sector response, eg. neonatal nutrition].	CAP 4
2. Achieve universal primary education								
Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary school	% Net enrolment ⁵ % Reaching Grade 5 ⁶ % Progression (Grades 7 to 8) ⁷ % Formal employees who are women ⁸ % Youth literacy (15–24 yr olds) ⁹	69 78 35 25 81	68 84 42 22 85	72 49 89	FAIR / Real progress & positive trends	GOOD National Strategic Plan, strong gender & equity focus, including resource allocation and focus on quality, retention & completion	Multi-donor SWAp, backed by MOU, Annual Plans & Budgets, strengthened MIS. [Address 'barriers to access' faced by girls] [Social protection support to increase access]	CAP 2 [CAP 1 & 4]
3. Promote gender equality & empower women								
Eliminate gender disparity in primary and secondary education, preferably by 2005, and to all levels of education no later than 2015	Net primary enrolment (F/M ratio) ¹⁰ Net secondary enrolment (F/M ratio) % Young literate females/males ¹¹ % Women MPs	0.97 0.74 88 6.7	0.97 0.88 92	0.98 0.88 95 11.9	FAIR / Some progress, including at secondary level	GOOD National Education Sector Plan (as above), with plans to increase focus on secondary education in future.	SWAp as above. Gender mainstreamed in PRSP. [Further policy dialogue on level of secondary education investment; 'barriers to access' faced by girls at secondary level remain acute.] [Further mainstreaming of gender issues in public sector reform.]	CAP 2 [CAP 1 & 4]

MDGs	Indicators ¹	Trends			Prospects of Reaching MDG / Direction of travel?	Existing PRSP Strategies?	Existing actions [More attention needed]	CAP Obj's MAIN [LINKS TO]
		1990–1995	1996–2000	2001–2002				
4. Reduce child mortality								
Reduce by two thirds, between 1990 and 2015, the under-five mortality rate	<5 Mortality rate (per 1,000) ¹²	191	197	168	POOR / Some service delivery progress & trends now positive	FAIR to GOOD National Health Sector Strategic Plan – to strengthen systems & services.	Multi-donor SWAp, backed by MOU, Annual Plans & Budgets, strengthened MIS. [Additional emphasis on food security & nutrition, particularly for under 5s] [Safer water, particularly in rural areas] [Reduced maternal mortality will reduce neonatal deaths].	CAP 2 [CAP 1 & 4]
	Infant (<1) mortality (per 1,000) ¹³	107	109	95				
	% Measles Immunisation (<1 yr) ¹⁴	75.8	70.2	85.0				
5. Improve maternal health								
Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio	Maternal mortality per 100,000 live births ¹⁵		649	729	POOR / Trends still negative	GOOD National Health Sector Strategic Plan – to strengthen systems & services.	SWAp as above. Investment in connectivity. [Address human resource constraints in health system (eg. nurses, midwives); more investment in Emergency Obstetric Care; equitable access, especially for young women.]	CAP 2 [CAP 1 & 4]
	% Births attended by skilled staff ¹⁶	51	47	43				
6. Combat HIV/AIDS, malaria, and other diseases								
Have halted by 2015 and begun to reverse the spread of HIV/AIDS	% Prevalence of HIV in pregnant women ¹⁷	20	19	19	FAIR / Some progress in behaviour change; prevalence stable.	GOOD National HIV/AIDS strategy stresses multi-sectoral response; building health systems. NAC roles clarified	NAC institutional strengthening. Multi-donor commitments (UK, USAID, WB & Global Fund main providers) – all donors providing some support – both pooled and project instruments. [Further mainstreaming needed.] [Clarification of ARV policy]	CAP 2 & 4 [CAP 1]
	% Adult HIV prevalence ¹⁸	n/a	n/a	16				
	% Using condoms ¹⁹	1.8	3.5	3.8				
	% Women using any contraception ²⁰	15	26	34				
	No ('000s) of children orphaned by AIDS ²¹	241		572				
Have halted by 2015 and begun to reverse the incidence of malaria and other diseases	Incidence of malaria (per 1,000 people) ²²	313	331	377	FAIR / ITN & DOTS coverage set to increase; new malaria drug policy.	GOOD National Health Sector Strategic Plan – to strengthen service delivery systems & public health	SWAp as above. Public health interventions being accelerated. [Further investment needed in specific gaps (eg. ITNs, drug availability)]	CAP 2 & 4 [CAP 1]
	Malarial death rate (per 1,000 cases)	51	2	7				
	% <5s sleeping with ITNs ²³	367	512	n/a				
	Incidence of TB (per 100,000 people) ²⁴	n/a		68				
	TB death rate % TB cases under DOTS ²⁵	n/a						

MDGs	Indicators ¹	Trends		Prospects of Reaching MDG / Direction of travel?	Existing PRSP Strategies?	Existing actions [More attention needed]	CAP Obj's MAIN [LINKS TO]
		1990–1995	1996–2000				
7. Ensure environmental sustainability							
–Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources	Forest as % of total area ²⁶	54		42	FAIR Environmental resource loss not excessive. National Environment & Forestry Action Plans exist, but implementation patchy.	Sweden, Norway, Finland providing support to Action Plans. Copperbelt Environment Project (WB). [Sustainable livelihoods & diversification]	CAP 4 [CAP 1]
	Nationally protected areas as % of total area	8.6		61			
	GDP per unit of energy use	1.1		1.2	FAIR Government is prioritising agricultural, power and tourism resources.		
	CO2 emissions (mt pc)	0.3		0.3			
–Halve by 2015 the proportion of people without sustainable access to safe drinking water	% Population with access to improved water source ²⁷	48		51	POOR Data on sector very poor. Regulatory environment poor; institutional roles & responsibilities unclear or weak.	Government PRP projects include significant water focus; project investments by Germany, Ireland, Japan, EC; Denmark considering further project investments. [Policy and institutional remits need strengthening – as does donor co-ordination]	[CAP 1]
	% Access to improved sanitation	17		15			

Sources of MDG trend data

- 1 Note amendments in some indicators due to availability of trend data; national definitions in sources cited sometimes differ from internationally comparative data for which trend data not available.
- 2 Living Conditions Monitoring Surveys, 1991, 1998, World Bank and Zambia Central Statistical Office
- 3 Zambia and Demographic Health Surveys, 2001-02, 1995-96, 1991-92. 'Stunting' is weight for height, 'malnourished' is weight for age.
- 4 From World Bank's website www.developmentgoals.org, 1990 and 2001 figures.
- 5 Educational Management Information System, Ministry of Education
- 6 UNDP 2003 Zambia Human Development Report, figures for 1991 and 1999.
- 7 Examination Council of Zambia, cited in Ministry of Education Strategic Plan 2003-07 – Education in Zambia 2002 Situation Analysis
- 8 UNDP 2003 Zambia Human Development Report, figures for 1991 and 1998.
- 9 From World Bank's website www.developmentgoals.org, 1990, 1995 and 2002 figures.
- 10 Averages agreed with Senior Research Office in Examinations Council, based on figures from Ministry of Education Bulletins, and EMIS for 2001-02
- 11 From World Bank's website www.developmentgoals.org, 1990, 1995 and 2002 figures (for 15-24 year olds).
- 12 Zambia and Demographic Health Surveys (ZDHS), 2001-02, 1995-96, 1991-92
- 13 ZDHS, 2001-02, 1995-96, 1991-92
- 14 ZDHS for 1991-92 and 1995-96 figures; 2001 figures from the Zambia EPI Cluster Survey Report, Central Board of Health April 2001.
- 15 ZDHS, 2001-02, 1995-96
- 16 ZDHS, 2001-02, 1995-96, 1991-92
- 17 Data is from Antenatal care sentinel surveillance sites, for 1994, 1998, and 2002. The 1994 figure applies to women between 15 and 39 years, while the data for 1998 and 2002 is for 15-44 year olds.
- 18 ZDHS, 2001-02, 1995-96, 1991-92
- 19 ZDHS, 2001-02, 1995-96, 1991-92 (female respondents)
- 20 ZDHS, 2001-02, 1995-96, 1991-92 (% of married women between 15-49 years)
- 21 Figure from 1995 and 2001. Children on the Brink, 2002, USAID, UNAIDS and UNICEF.
- 22 Figures for 1994 and 1991 from Malaria Situation Analysis 2001; and those for 2002 taken from the Annual Health Statistics Bulletin for 2002, Central Board of Health, March 2003.
- 23 ZDHS, 2001-02.
- 24 Figures are for 1995 and 2000, National Tuberculosis Review, 2-18 August 2000
- 25 National Strategic Health Plan 2001-05 Mid-Term Review, November 2003 (draft)
- 26 All environmental indicators from World Bank's website www.developmentgoals.org, 1990, and 2001 figures – sources for these figures are unclear, and the forestry trend is controversial. According to the UNDP's Zambia MDG Report 2003 (draft), which cites 1992 and 2002 figures, forestry cover remained stable (at 60%) over the period, as did 'protected areas' (at nearly 40%).
- 27 Water & sanitation estimates taken from UNDP's Zambia MDG Report 2003 (draft), which cites 1992 and 2002 figures, though sources unclear. The World Bank's website www.developmentgoals.org, shows an increase in safe water coverage from 52% to 64%, and improved sanitation from 63% to 78% (both sets of figures for the 1990 – 2002), though again sources are unclear, and these trends and levels are patently wrong.