



## ZAMBIA CAS COMPLETION REPORT REVIEW<sup>1</sup>

*Progress toward attaining the main objectives of the FY00-03 CAS program—removing constraints to growth, improving governance, and increasing access by the poor to basic services (para. 4)—fell short of expectations and is judged unsatisfactory. Particularly noteworthy are Zambia's worsening fiscal performance, shortfalls in advancing privatization, unsatisfactory progress toward reducing poverty, worsening governance, and delays in getting an effective HIV/AIDS campaign underway (paras. 1, 9, 10, 15, 17, 18). During the review period, the Government has displayed a low level of commitment to meaningful structural reform, and made scant progress toward implementing its Poverty Reduction Strategy Program. IDA relied excessively on quick-disbursing credits, not justified by the Client's policy and implementation performance (paras. 22, 23).*

*IDA's assistance program lent on the basis of a Base Case scenario, even though Client performance started and ended the CAS implementation period in the Low Case. Nearly half the lending for the period took place during the first year, and was inappropriately weighted toward quick-disbursing adjustment lending (para. 5). Most of the planned and added ESW was produced, albeit with delays. It was generally of high quality, but inadequately disseminated (para. 7). The CAS Completion Report (CCR) provides a broad assessment of the assistance program, but adopts an unduly cautious tone in weighing its overall results. The CCR's lessons, while unobjectionable, could have gone further in underlining what adjustments IDA needs to make in fashioning and implementing the forthcoming CAS. It is also unfortunate the CCR was not prepared sooner, so as to benefit the designers of the new strategy (para. 24).*

*This OED review recommends that IDA (para. 26): lend beyond a minimal program only if preceded by a few concrete reforms, buttressed by agreed performance indicators; resort to adjustment lending only after a track record of reform implementation has been established; improve project design and supervision to take into account Zambia's weak institutional capacity; and extend the efforts begun under the Emergency Drought Recovery Project to enhance long-term food security mechanisms.*

1. Zambia's nominal GNP per capita declined by half from 1980 to 2002. An HIV/AIDS pandemic, natural disasters, falling copper prices and, especially, government mismanagement of the economy and state assets contributed to this dismal performance. A new regime in 1991 moved from socialist to market-oriented policies, which brought more stability and some growth. Inflation declined from 110 percent per year during 1990-1995 to 22 percent in 2002. Starting in the late 1990s, real per capita GDP turned

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<sup>1</sup> The Zambia CAS Completion Report (CCR) is a self-evaluation of the results of the FY2000-03 CAS. OED's Review of this CCR is an intermediate product, less than a CAE, more than an ICR Review. It incorporates material from the CCR itself, as well as from Project Status Reports, OED and QAG studies and evaluations, and AAA performed by the Region. OED uses this material to draw evaluative judgments intended to independently validate key CCR findings.

modestly positive. However, deteriorating policies, particularly in fiscal management, prevented achievement of even faster, more sustainable growth. After cutting the public sector deficit (excluding grants) to 5.3 percent of GDP in 1997, deficits steadily increased to 14 percent of GDP in 2002. While external aid and debt relief filled part of this gap, the remainder was covered by higher recourse to internal financing. Rising real interest rates now threaten to choke off private sector development. As the CCR notes, Zambia ranks very low (163<sup>rd</sup>) on the UN scale of human development. Nearly three-quarters of its population is mired in poverty.

2. IDA supported the reforms of the early 1990s, which the FY00 CAS sought to revive and deepen. An important CAS achievement was Zambia's success in reaching the Enhanced HIPC decision point, which reduced real debt service obligations by over 60 percent. Zambia's PRSP, the policy framework justifying debt relief, was fully consistent with the CAS objectives. But little progress has been made toward making the PRSP reforms operational, raising doubts about the depth of the Government's commitment.

3. A recent OED Country Assistance Evaluation (CAE)<sup>2</sup> covered a period, which overlapped with this CAS, from 1996-2001. It concluded that the privatization and public reform aspects of the assistance strategies prevailing during that period had been substantially relevant, but not the high levels of adjustment lending to finance unsustainable debt, nor the delayed response to HIV/AIDS. Implementation had also been troubled. The CAE recommended *inter alia* that IDA revise Zambia's debt sustainability analysis based on realistic assumptions and outline the implications for enhanced HIPC debt relief; adopt a results-based approach to adjustment lending; scale up the response to HIV/AIDS; maintain its emphasis on public sector management and governance; and improve the effectiveness of support for sector-wide approach projects (SWAPS).

### **Government Objectives, CAS Objectives, Overview of Implementation**

4. The FY00–03 CAS<sup>3</sup> was preceded by government-led consultations with civil society and external donors. Three strategic objectives were identified:

- *Remove constraints to growth* through improved macroeconomic management, privatization, diversification away from copper, and expansion of infrastructure;
- *Improve governance* in budgetary management and the delivery of public services;
- *Increase the access of the poor to basic services* by intensifying the focus on HIV/AIDS prevention, improving basic health and education, increasing social

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<sup>2</sup> *Zambia Country Assistance Evaluation*, September 2002 (Report No. 2002-0075).

<sup>3</sup> The CAS was originally intended to cover the period FY00-02, but was extended by 18 months to December 2003. No progress report was presented to the Board.

projects in remote areas, raising assistance to women and orphans, and implementing a new gender policy.

5. Table 1 links the projects in the lending program to these strategic areas. One planned project was dropped and two were added. Actual lending was about a third larger than planned, averaging US\$125 million per year. This rate was compatible with the CAS *base case* scenario, and was heavily front-loaded.<sup>4</sup> Given Zambia's actual performance, closer to the *low* case scenario, such lending was not justified.

**Table 1: CAS-Proposed versus Actual Commitments (US\$ million)**

<i>From CAS/Additional</i>			<i>Planned</i> US\$ <sup>3/</sup>		<i>Actual</i> US\$	<i>Purpose</i> <sup>1/</sup>		
FY00	Fiscal Sustainability Credit I	CAS	90.0	Actual	172.5	a/		
	Public Service Capacity	CAS	25.0	Actual	28.0		b/	c/
	Mine Township Services	CAS	25.0	Actual	37.7	a/	b/	
FY01	Railways Restructuring Project	CAS	20.0	Actual	27.0	a/		
	Social Investment Fund	CAS	45.0	Actual	64.7			c/
	Economic Reform	CAS	90.0	Dropped		a/	b/	
	Technical Education Vocational and Entrepreneurship Training (TEVET)	CAS	..	Advanced from FY02	25.0			c/
	Regional Trade Facilitation	Add.	..	Actual	15.0	a/		
FY02	TEVET	CAS	20.0	Approved in FY01				
	HIV/AIDS	CAS	20.0	Delayed until FY03				
	Copperbelt Environment	CAS	40.0	Delayed until FY03				
FY03	HIV/AIDS 2/	CAS	..	Original FY02	42.0			c/
	Copperbelt Environment	CAS	..	Original FY02	40.0	a/		
	Emergency Drought Recovery	Add	..		50.0			
<b>TOTAL</b>			<b>375.0</b>		<b>501.9</b>			

1/ In support of pillar a/ removing constraints to growth, b/ governance, or c/ increasing access to basic services.

2/ Grant.

3/ The “..” indication signifies that the loan amount was displayed elsewhere, in the fiscal year for which it was originally scheduled; or is omitted because the operation was not planned as part of the CAS, but added later.

Source: Draft 1999 CAS Completion Report, Table 2, and OED assessments.

6. About half of the net project commitments that were closed and evaluated during FY99-04 had unsatisfactory outcomes (Annex Table 2). Only one TA project, representing 2 percent of commitments, produced a substantial institutional development impact, and only 14 percent of commitments were considered likely to be sustainable. Although many of these projects were approved prior to the FY00 CAS, the low ratings raise broad concerns about the effectiveness of IDA's program. Moreover, two of the rated projects, representing two-thirds of the commitments, were approved in FY99-00. Of the 13 active projects, two are at risk (16 percent of commitments, Annex Table 4).

7. Most of the planned and added AAA was delivered, with some delays. As noted in the CCR, QAG considered the public expenditure review to be “best practice.” The CAE rated the impact of AAA during FY96-01 *moderately satisfactory*: substantially relevant and of satisfactory quality, but only modestly effective due to inadequate dissemination, insufficient attention to the implications of key findings, and insufficient incorporation of

<sup>4</sup> Nearly half the lending commitments—US\$238 million—were delivered during the first year of the program.



findings into subsequent CASs.<sup>5</sup> These weaknesses are acknowledged in the CCR. An important additional consideration is that the Government was often unreceptive to the sound advice AAA had to offer.

## **CAS Implementation by Objectives**

### ***Objective I: Removing Constraints to Growth***

8. The bulk of IDA's activity was directed toward this objective, including six of eleven proposed loans, eleven of fifteen AAA studies, WBI courses, workshops on global economic and business trends, and support for poverty reduction strategy through the PRSP. Relevance was substantial, but efficacy has been modest.

9. *Improving macroeconomic management.* After more than a decade of IDA support, Zambia has been unable to meaningfully improve budgetary execution or expenditure control. Sporadic achievements under the Fiscal Sustainability Credit (FSC) were not sustained. Cash releases remain erratic, domestic arrears continue to accumulate, frequent expenditure overruns have kept domestic debt and interest rates high, and wages and salaries remain disproportionate to expenditures on operations and maintenance. Zambia fell out of compliance with its PRGF commitments in CY2003, postponing HIPC completion and jeopardizing the viability of the country's external position. IDA has just completed a Public Expenditure Management and Financial Accountability Review, which provides a roadmap for improving public sector management.

10. *Privatization.* As the CCR notes, by the end of 2002, 254 of 280 state-owned enterprises had been privatized. But, none of these included Zambia's largest enterprises. To further these efforts, IDA provided technical and financial support through two credits. In March 2000, after five years of costly delay, the ZCCM (copper mines) sale was finalized, but the buyer withdrew in January 2002. IDA helped the Government negotiate exit terms that preserved commercially viable mine production and find a new investor. A letter of intent was signed in May 2003, but the future of ZCCM remains uncertain. The experience created a backlash of public opinion, which blamed privatization for growing unemployment. The newly-elected Government announced in 2002 that it would "commercialize," rather than privatize, the remaining public utilities and some state-owned financial institutions. At present, commercialization of the power company awaits resolution of key issues, such as the freedom of the company's board and the regulatory agency from political interference. Meanwhile, the state oil company was placed in liquidation after an unsuccessful restructuring. A railway concessioning agreement was signed in February 2003, and a concessionaire installed in September 2003. Discussions on the concessioning of a pipeline jointly owned with Tanzania stalled, after the Government decided to discontinue its support for privatization. Overall, privatization results proved disappointing, relative to the high hopes prevailing in early CY2000, when the CAS was approved.

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<sup>5</sup> CAE, p. 13, paras. 2.17-2.18.



11. *Economic diversification.* The FY2000 CAS made positive contributions to diversification, mainly through two vehicles. The Enterprise Development Project, whose origin predates the CAS, provided US\$60 million in matching grants and lines of credit for 192 mostly-agricultural projects. And a Regional Trade Facilitation Project, not planned under the CAS, but added in FY01, created an insurance facility to assist private sector growth. On the other hand, an Agricultural Sector Investment Program (ASIP) intended to support liberalized agricultural policies, better service delivery to farmers, direct investment at the village level, and enhanced rural finance had little success, hampered by policy reversals and inadequate donor support. Studies of critically-important rural finance problem were not done. An FY03 Competitiveness and Diversification Study concluded that, after experiencing rapid growth during the early and mid 1990s, growth of non-traditional exports has leveled off, hampered by difficulties in managing exchange rate risk, non-tariff barriers abroad, high intermediate input costs, the high cost of finance, and unreliable infrastructure and transport services. A Financial Sector Assessment revealed that virtually all state-owned financial institutions are currently insolvent.

12. *Infrastructure development.* Some improvements in railway, power and road infrastructure were achieved during this period. Five credits, started prior to FY00 CAS formulation, supported infrastructure development. The key results for two of them (Railways Restructuring and Power Rehabilitation) were covered above (para. 10). As the CCR notes, the Urban Restructuring and Water Supply and Mine Township Service projects have provided more reliable and safe water and sewerage services to over half Zambia's urban population, although the decentralized and commercialized utilities that were created have yet to attain operational or financial viability. The National Road Sector Investment Program (ROADSIP) has also produced some encouraging results. Targets for the road network were achieved, except for feeder roads, and innovative approaches introduced. Financing of new roads remained at or above target, but maintenance continued to be seriously deficient. ROADSIP recommendations led to the establishment of a Road Fund Agency, a Road Development Agency, and a Road Transport and Safety Agency. Institutional reforms in this sector appear to be on track.

13. Real growth picked up during the FY00-03 period, but this reflected in part improvements in copper prices after 2001, and in climatic conditions for agriculture. Zambia's development prospects will remain guarded, so long as the Government is unwilling or unable to deliver policy reform on a more consistent basis, Zambia's vulnerability to external financial difficulties is not further reduced, and the economy does not develop viable, diversified sources of growth. In sum, while IDA had some success in assisting the Government to remove constraints on growth, results fell short of CAS objectives.

## ***Objective II: Improving Governance***

14. Since independence in 1964, Zambia has been devoid from civil strife. Since one-party rule ended in 1991, Zambia has conducted three peaceful elections, freely

permits representation of opposition parties in Parliament, enjoys an assortment of active NGOs and civic groups, and, to a large extent, respects freedom of the press. Relative to other Sub-Saharan African (SSA) countries, Zambia scores above-average on voice and accountability, political stability, and rule of law; average on regulatory quality; and below-average on control of corruption and governmental effectiveness.<sup>6</sup> Zambia also ranks better than average on each of the components of the cost of doing business (bankruptcy, contract enforcement, regulation of entry and regulation of labor markets).<sup>7</sup>

15. During most of the CAS period, the level of corruption increased. The CCR observes, that, "...the Bank was perceived by many civil society organizations, and even other donors, to have turned a blind eye to what was going on."<sup>8</sup> The new administration has made the fight against corruption a priority. A Task Force on Corruption is investigating cases of suspected corruption, including that of the former President. A number of senior officials have been dismissed, and the assets of some former officials confiscated. Five thousand individuals have been excised from government payrolls in a clean-up exercise.

16. Two credits and two analytical pieces included in the FY00 CAS had a modest to negligible impact on the governance objective. As noted above (para. 9), the FSC had little lasting effect. The Public Service Capacity-Building Project (PSCAP) and the associated AAA focused on improving budgetary management, predictability, and resource allocation, but progress has been slow. Budgets still focus on inputs, rather than outputs, and have a short-term horizon.<sup>9</sup> There is little connection to the priorities established in the PRSP. Budgetary outcomes vary widely from both the budget and the estimates approved by Parliament, and arrears continue to accumulate. Inefficiencies and inconsistencies in the application of procurement regulations have led to wastage and corruption. The watchdog institutions for public accountability remain weak. The civil service is oversized and de-motivated, and the wage bill (which increased from 5.5 percent of GDP in 2000 to 8 percent in 2002) crowds out operating and maintenance expenditures.

### ***Objective III: Improving the Delivery of Basic Services and Increasing Direct Poverty Interventions***

17. Although information on social indicators is incomplete for the period 2000-03, existing data suggest that social well being, with few exceptions, continued its secular decline. For example, although literacy increased from 77.3 percent in 1999 to nearly 80 percent in 2002, declining enrollments during the 1990s left the 20-25 year-old cohort

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<sup>6</sup> Kaufman, Kraay, and Mastruzzi, *Governance Matters III*, World Bank, 2003.

<sup>7</sup> Zambia's ranking in the index of world economic freedom has also improved consistently, moving from 109 in 1990 to 42 in 2001 among the 123 countries ranked (Gwartney, James and R. Lawson, *Economic Freedom of the World: 2003 Annual Report*, The Fraser Institute, Canada, p. 11).

<sup>8</sup> *CAS Completion Report (CCR)*, para. 34.

<sup>9</sup> The medium-term expenditure framework supported by PSCAP was started in 2003, but did not materially influence the composition of the 2004 budget.

with less schooling, on average, than the 40-45 year-old cohort. Rates of immunization and life expectancy have decreased, and infant and child mortality rates remain high.<sup>10</sup> Stunting has increased by nearly 10 percentage points during the 1990s and affects nearly half of all children 5 years of age or younger. The poor continued to lack not only income, but also access to basic services. The welfare state on which the poor once relied has largely disappeared, and no formal social safety net has taken its place. The FY00 CAS supported initiatives in several areas.

18. *HIV/AIDS.* The CAS envisioned increased support for HIV/AIDS prevention through a Multi-Country AIDS Program. However, project start-up was delayed until FY03, not only because of Client delays in passing the requisite authorizing legislation, but also because of changes in IDA safeguard procedures, which added the requirement of an environmental assessment, and delays in converting funding from a loan to a grant basis. Hence, start-up came too late to produce any impact during the CAS implementation period. An HIV/AIDS component was also included in an FY00 education project; its impact has not yet been assessed. According to preliminary estimates, the rate of HIV infection increased during the CAS implementation period, from 19 percent in 1998 to 20 percent in 2002, suggesting that the CAS interventions have not yet generated any discernible impact in slowing the rate of new infections, which is a key performance indicator.

19. *Improving basic health.* In 1999 IDA extended the closing date of the Health Sector Support Project (HSSP), its lead instrument for supporting health reforms and lowering infant and maternal mortality. Unfortunately, the HSSP remained a problem project throughout the CAS implementation period, and was closed in June 2002 with minimal funds disbursed.

20. *Improving basic education.* Since 1999, the Basic Education Sub-Sector Investment Program (BESSIP), financed by IDA through a SWAP, and by 11 other donors, contributed to a reversal of Zambia's declining school enrollments. Enrollments grew by 2 percent per year during 2000-01, and then by 7 percent in 2002, when the Government announced its free primary education policy. Improvements in educational quality have been modest, however. Still, this is one of the only social areas where progress has been satisfactory.

21. *Targeting interventions to vulnerable groups.* The limitations of social safety net programs in low-income, slow-growing countries with widespread poverty are evident, but do not negate the usefulness or feasibility of interventions to alleviate short-term suffering and promote long-run human development. The CAE noted that IDA has not supported direct targeting of poor households or individuals in Zambia,<sup>11</sup> and the CCR acknowledges that the lack of a safety net program was a gaping hole in IDA's assistance strategy. In this regard, the Emergency Drought Recovery Loan approved in FY03

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<sup>10</sup> World Bank SIMA database, January 15, 2004.

<sup>11</sup> CAE, pp. 10-11, para. 2.10-2.12.

makes a constructive start toward establishing improved mechanisms for long-term food security.

### **Overall OED Assessment**

22. The FY00 CAS had relevant objectives, appropriately focused on Zambia's key development constraints. But implementation was hampered by low borrower commitment to implement reform, as illustrated by the lack of progress in implementing not only the CAS, but also the associated PRSP. IDA should not have provided the volume of quick-disbursing credits it did, a volume larger than Zambia's policy performance merited. The extensive AAA was generally of high quality, but was inadequately disseminated and discussed. Unduly cumbersome IDA procedures, such as a change in safeguard procedures which added the requirement to perform an environmental assessment of the HIV/AIDS project, added to implementation delays. The evaluability of the CAS would also have been enhanced by use of more precisely-defined triggers, a point noted in the CCR.

23. Overall, the development outcome of the FY00 CAS is rated *unsatisfactory*, on the grounds that progress toward all three CAS objectives fell well short of even Base Case expectations. Sustainability is rated *unlikely*, in light of the evidence that the Client's low level of commitment to policy reforms stretches back to the mid-1990s.

### **Assessment of the CAS Completion Report**

24. The CCR provides a broad assessment of some of the major features of the FY00-03 assistance program, but adopts an unduly cautious tone in weighing overall results. Given the magnitude of program failures, the CCR's lessons, while unobjectionable, could have gone further, particularly with respect to the adjustments IDA should make while fashioning and implementing the forthcoming CAS. Additional OED suggestions in this regard are listed below. Moreover, it is unfortunate the CCR was not prepared well before the CAS, so that more of these lessons could have been taken into account.

### **Findings and Recommendations**

25. The CCR Review finds that:

- Issues that plagued IDA's assistance program throughout the 1990s—inadequate ownership of the reform program, fiscal indiscipline, weak expenditure management and fiduciary controls, and pervasive corruption—continued to hamper implementation of the FY00 CAS. In particular, adjustment credits have not been effective.
- IDA continued to extend substantial levels of financial support based on promises of reform that were not realized, exacerbating external indebtedness.





- IDA credits for investment projects experienced a low level of satisfactory outcomes, due mainly to low Borrower ownership, insufficient counterpart funds, and poor project management.

26. Therefore, this Review recommends that:

- Lending beyond a minimal program be premised upon the achievement of a few concrete reforms, measurable against agreed performance indicators. If these pre-conditions are not fulfilled, IDA should significantly reduce its lending, as other donors have already done.
- Adjustment lending should be used judiciously, and only after a track record of reform implementation has been established.
- IDA should continue its economic policy advice and dialogue with the authorities, even in the absence of lending for adjustment.
- IDA should strengthen its project design and supervision efforts, given the country's weak institutional capacity.
- IDA should extend the efforts begun under the Emergency Drought Recovery Project to enhance long-term food security mechanisms.



Annex Table 1: Zambia - Economic and Social Indicators, 1990-2002

Series Name	ZAMBIA													AVERAGE 1990-2002							
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Zambia	Sub-Sah. Africa	HIPC	Low inc.	Angola	Zimbabwe	Haiti	Papua New Guinea
GDP growth (annual %)	-0.5	0.0	-1.7	6.8	-8.7	-2.5	6.6	3.3	-1.9	2.2	3.6	4.9	3.0	1.2	2.3	3.3	4.2	2.6	0.8	-0.6	3.2
GNI per capita, Atlas method (current US\$)	450	400	370	380	350	350	360	370	330	320	310	320	330	357	515	303.8	404	498	674	393.1	898.5
GNI per capita, PPP (current international \$)	740	730	730	770	690	680	710	720	680	700	730	760	770	724	1,463	1,025.4	1,633	1,392	2,345	1,640.0	2,128.5
GDP per capita growth (annual %)	-3.5	-3.0	-4.6	3.8	-11.2	-5.1	3.9	0.8	-4.1	0.0	1.4	2.9	1.3	-1.3	-0.3	0.8	2.2	-0.5	-1.3	-2.6	0.7
Agriculture, value added (% of GDP)	21	17	24	34	15	18	18	19	21	24	22	22	22	21	17.8	35.3	27.1	10.6	17.2		28.0
Industry, value added (% of GDP)	51	51	49	42	40	36	35	34	29	25	25	26	30	36	30.8	22.7	30.1	59.1	29.1		37.4
Services, etc., value added (% of GDP)	28	32	27	24	45	46	48	47	50	51	52	52	49	42	51.4	42.1	42.8	30.3	53.6		34.6
Exports of goods and services (% of GDP)	36	35	36	34	36	36	31	30	27	22	21	27	30	31	28.4	25.3	21.1	67.2	32.2	12.0	49.9
Imports of goods and services (% of GDP)	37	37	48	40	37	40	39	35	39	41	31	37	45	39	29.5	32.2	22.5	61.8	33.9	26.4	44.4
Current account balance (% of GDP)	-2.8	0.2	-4.2	-0.9	1.4	-4.2	-13.1	-13.0	-17.7	-15.4	-19.2	-20.8	-17.7	-10				-6.5	-4.3	-8.4	5.6
Total debt service (% of exports of goods and services)	15	47	27	31	29	181	20	19	21	16	20	12		36	12.8	16.2	20.4	17.3	24.7	10.4	21.7
External debt (% of GNI)	230	233	234	215	219	216	231	180	228	197	185	162		211	69.7	123.8	56.2	225.9	62.6	33.5	72.1
Gross international reserves in months of imports	1.0	1.3		1.4	1.9	1.4	1.6	1.8	0.6	0.4	2.0	1.2	3.5	1.5	7.2	3.8	4.7	0.9	1.8	2.2	1.7
IBRD loans and IDA credits (PPG DOD, current million US\$)	813	866	932	1,057	1,244	1,434	1,510	1,555	1,628	1,736	1,848	1,886	2,155								
Present value of debt (current million US\$) 1/	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4,036	n.a.								
External debt, total (DOD, current US\$ million) 2/	6,916	6,968	6,709	6,485	6,816	6,967	7,069	6,669	6,879	5,868	5,731	5,671	n.a.								
Current revenue (% of GDP)*	20.3	18.7	18.4	15.9	20.1	19.9	20.7	19.9	18.8	17.7	19.4	19.1	18.0	19.0	23.3	15.6	14.9		25.0	8.1	23.7
Current expenditures (% of GDP)*	26.7	29.3	27.2	26.3	27.9	24.2	18.6	17.6	17.3	15.5	16.0	19.6	19.6	22.0	27.5	17.8	17.7		31.1	10.5	30.9
Overall budget balance (excluding grants)*	-12.6	21.5	-18.8	-19.9	-18.1	13.4	-6.6	5.3	-9.8	-10.4	-10.7	-12.9	-14.0	-13.4							-3.2
Overall budget balance (including grants)*	-8.3	-7.3	-4.1	-9.4	-8.0	-4.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-6.9							
Gross domestic savings (% of GDP)	16.6	8.4	0.3	8.2	7.4	12.2	5.3	9.4	3.9	-1.1	8.3	9.8	2.4	7.0	15.8	11.4	20.7	29.8	15.3	4.4	27.1
Inflation, consumer prices (annual %)	107	93	169	188	54	34	43	24	25	27	26	22	22	90				892	35	19	10
Illiteracy rate, adult total (% of people ages 15 and above)	32	31	30	29	28	27	26	25	24	23	22	21	20	26	43.4	38.6	42.1		14.5	54.3	39.0
Immunization, DPT (% of children under 12 months)	91	79	83	86	90	86	87	89	90	84		78		86	51.6	60.2	59.9	29.9	84.9	40.3	55.5
Improved water source (% of population with access)	52										64			58	55.7	54.5	71.0	38.0	80.5	49.5	41.0
Life expectancy at birth, total (years)	49		49		45		43		38	38	37		37	42	47.7	51.4	58.2	46.4	45.5	53.0	56.7
Mortality rate, infant (per 1,000 live births)	108		110		112		112				112	112		111	107.4	101.5	84.7	167.4	63.8	89.6	77.5
Improved sanitation facilities (% of population with access)	63										78			71	53.6	48.2	36.4	44.0	59.0	25.5	82.0
School enrollment, preprimary (% gross)	0.7	0.7	0.7	0.7	0.7	0.7	0.7		2.3					0.9	12.1	14.5	14.7	69.8	36.3	34.1	4.7
School enrollment, primary (% gross)	99	99	95	93	91	89	87		81	79	78			89.0	76.3	77.5	91.1	77.3	111.5	89.9	78.1
School enrollment, secondary (% gross)	24	25	26	27	27	27	26		25	25	24			26	24.9	24.2	38.2	13.5	47.2	25.7	15.3
Population, total (in millions)	8	8	8	9	9	9	9	9	10	10	10	10	10	9	596.7	575.9	2,230.0	11.7	11.7	7.3	4.7
Population growth (annual %)	3.0	2.9	2.9	2.8	2.7	2.6	2.5	2.3	2.2	2.1	1.9	1.7	1.5	2.4	2.6	2.5	2.0	3.1	1.9	2.0	2.5
Urban population (% of total)	39.4	39.4	39.3	39.3	39.2	39.2	39.2	39.3	39.4	39.5	39.6	39.8	40.1	39.4	29.4	24.8	28.1	31.6	32.5	33.2	16.4

Source: WB SIMA database, February 3, 2004.

\*CAS 1999, CAS 2004. IMF Zambia Statistical Annex 1999. Overall budget deficit calculated as current revenues - current expenditures - capital expenditures.

1/ Present value of debt is the sum of short-term external debt plus discounted sum of total debt service payments due on public, publicly guaranteed, and private non-guaranteed long-term debt over life of existing loans.

2/ Total external debt owed to non-residents repayable in foreign currency, goods, or services. Total external debt is sum of public, publicly guaranteed, and private non-guaranteed long-term debt, use of IMF credit and short-term obligations. Short-term debt includes all debt having an original maturity of one year or less and interest in arrears on long-term debt. Data is in current US dollar.

**Annex Table 2: OED Project Ratings, Exit FY 1990-1998 and 1999-2004**

**Table 2a: Exit FY 1990-1998**

Exit FY	Proj ID	Total Evaluated	Net Commitm	Outcome % Satisf	Sustainabil y % Likely	Inst Dev Impact % Subst
FY91	AG.III(SO.PROV.)	1	5.4	0.0	0.0	0.0
FY91	FERTI. RESTR.	1	12.9	0.0	0.0	0.0
FY91	RECOVERY CREDIT	1	56.2	0.0	0.0	0.0
FY92	RURAL W/SUPPLY	1	15.3	0.0	0.0	0.0
FY92	FISHERIES	1	1.8	0.0	0.0	100.0
FY92	RECOVERY CREDIT	1	24.0	100.0	100.0	100.0
FY94	INDUSTRIAL	1	2.0	0.0	0.0	0.0
FY94	RECOVERY CREDIT	1	11.0	0.0	0.0	0.0
FY95	INDUSTRIAL	1	0.0	0.0	0.0	0.0
FY95	PRIVATIZATION/IND. R	1	244.8	100.0	0.0	100.0
FY96	ECON & SOCIAL ADJUST	1	178.0	100.0	0.0	0.0
FY97	AGR. RES. & EXT.	1	15.2	0.0	0.0	100.0
FY97	PIRC II	1	114.0	100.0	0.0	100.0
FY97	MINING TAS	1	22.4	0.0	0.0	100.0
FY98	COFFEE II	1	22.0	100.0	100.0	0.0
FY98	EDUCATION REHAB. I	1	32.0	100.0	0.0	0.0
FY98	SECOND ECN. & SOCIAL	1	94.3	0.0	0.0	0.0
FY98	ECN RECOVERY & INVST	1	139.4	0.0	100.0	0.0
FY98	TRANSPORT ENGINEERING	1	7.9	100.0	100.0	100.0

**Table 2b: Exit FY 1999-2004**

Exit FY	Proj ID	Total Evaluated	Net Commitm	Outcome % Satisf	Sustainabil y % Likely	Inst Dev Impact % Subst
FY99	MKTG. & PROCESS.	1	20.9	0.0	100.0	0.0
FY99	SOCIAL RECOVERY PROJ	1	20.7	100.0	0.0	0.0
FY00	PIRC TECHNICAL ASSIS	1	10.1	100.0	100.0	100.0
FY00	PETROLEUM REHAB	1	4.5	0.0	0.0	0.0
FY00	FIN. & LEGAL MANAGEMENT UPGRADING	1	16.3	100.0	0.0	0.0
FY00	PSREP (ESAC III)	1	170.0	0.0	0.0	0.0
FY01	SOCIAL RECOVERY II	1	26.3	100.0	100.0	0.0
FY02	AGRICULTURAL SECTOR INVESTMENT PROGRAM	1	53.4	0.0	0.0	0.0
FY02	HEALTH SECTOR	1	35.3	0.0	100.0	0.0
FY02	URBAN RESTRCT & WATER	1	26.5	100.0	0.0	0.0
FY02	FISC SUST.CR. I	1	177.2	100.0	0.0	0.0

**Exit FY 1990-1998**

Region	Total Evaluated (\$m)	Total Evaluated (No)	Outcome % Sat (\$)	Outcome % Sat (No)	Inst Dev Impact % Subst (\$)	Inst Dev Impact % Subst (No)	Sustainability % Likely (\$)	Sustainability % Likely (No)
Zambia	1,250.8	19	67.6	36.8	32	31.6	13.5	15.8
AFR	25,174.7	688	63.2	55.8	27	25.0	31.7	29.6
World Bank	158,050.6	2,108	74.5	67.8	38	32.7	59.3	47.1

**Exit FY 1999-2004**

Region	Total Evaluated (\$m)	Total Evaluated (No)	Outcome % Sat (\$)	Outcome % Sat (No)	Inst Dev Impact % Subst (\$)	Inst Dev Impact % Subst (No)	Sustainability % Likely (\$)	Sustainability % Likely (No)
Zambia	561.3	11	49.4	54.5	2	9.1	16.5	36.4
AFR	10,659.1	320	63.1	60.3	33	36.6	51.5	50.2
World Bank	93,717.8	1,237	78.2	74.8	51	47.2	76.9	68.8

\*100=satisfactory, marginally satisfactory, highly satisfactory; likely sustainability: substantial institutional development.

Source: Business Warehouse as of February 3, 2004.

**Annex Table 3: Zambia - Analytical and Advisory Work, 1999-2004**

<b>Document Title</b>	<b>Date</b>	<b>Report No</b>
<b>Country Assistance Strategy Document</b>		
Zambia - Country Assistance Strategy Public Information Notice (CPIN)	11/17/1999	PIN25
Zambia - Country Assistance Strategy	11/17/1999	19889
Zambia - Country Assistance Strategy	6/25/1996	15761
<b>Country Procurement Assessment Report</b>		
Zambia - Country Procurement Assessment Report	10/28/2002	26432
<b>Economic Report</b>		
Zambia - Public Expenditure Management and Financial Accountability Review	11/30/2003	26162
Zambia - Public Expenditure Management and Financial Accountability Review	11/30/2003	26162
Zambia - Public Expenditure Review	9/27/2001	22543
Zambia - Prospects for Sustainable Growth : 1995-2005	8/1/1996	15477
Zambia - Prospects for Sustainable and Equitable Growth	8/23/1993	11570
Zambia - Public Expenditure Review	12/1/1992	11420
<b>ESMAP Paper</b>		
Zambia - Urban Household Energy Strategy	8/31/1990	ESM121
<b>Operations Evaluation Study</b>		
Zambia - Country Assistance Evaluation	11/7/2002	25075
The Gender Dimension of Bank Assistance : an Evaluation of Results	1/17/2002	23119
Zambia - Country Assistance Review	6/3/1996	15675
Bank Lending for African Transport Corridors : an OED Review	5/31/1994	13099
Industrial Sector Reorientation in East Africa : the Experience in Kenya, Malawi, Tanzania and Zambia	4/1/1994	12922
<b>Poverty Reduction Strategy Paper (PRSP)</b>		
Zambia - Poverty Reduction Strategy Paper (PRSP) and Joint Assessment	4/23/2002	24035
Zambia - Poverty Reduction Strategy Paper (PRSP) Preparation Status Report and Joint Assessment	10/16/2001	22960
Zambia - Interim Poverty Reduction Strategy Paper and Assessment	7/12/2000	21183
<b>Sector Report</b>		
Zambia - The Challenge of Competitiveness and Diversification	1/10/2003	25388
Zambia - Poverty Assessment	11/10/1994	12985
Zambia - Financial Performance of the Government-owned Transport Sector	11/30/1992	10667
Zambia - Agricultural Sector Strategy : Issues and Options	1/20/1992	9517

Source: WB Imagebank as of February 3, 2004.

**Annex Table 4: Zambia - Portfolio Status Indicators by Year, 1999-2004**

Country	Fiscal year	1999	2000	2001	2002	2003	2004
Zambia	# Proj	14	14	16	12	14	13
	Comm Amt	676	715	785	463	568	555
	Net Comm Amt	676	715	780	463	568	555
	# Proj At Risk	5	2	5	9	2	2
	% At Risk	36	14	31	75	14	15
	Comm At Risk	239	131	242	341	28	90
	% Commit at Risk	35	18	31	74	5	16
Angola	# Proj	8	5	4	2	3	4
	Comm Amt	217	129	105	38	83	138
	Net Comm Amt	202	129	105	38	83	138
	# Proj At Risk	4	2	1	0	1	1
	% At Risk	50	40	25	0	33	25
	Comm At Risk	64	26	5	0	33	33
	% Commit at Risk	32	20	5	0	40	24
Zimbabwe	# Proj	8	6	5	1	0	0
	Comm Amt	448	271	206	60	0	0
	Net Comm Amt	448	271	206	60	0	0
	# Proj At Risk	4	2	5	1	0	0
	% At Risk	50	33	100	100		
	Comm At Risk	287	71	206	60	0	0
	% Commit at Risk	64	26	100	100		
Papua New Guinea	# Proj	10	12	10	6	5	5
	Comm Amt	217	317	278	107	100	100
	Net Comm Amt	209	309	244	107	100	100
	# Proj At Risk	6	3	3	1	1	3
	% At Risk	60	25	30	17	20	60
	Comm At Risk	137	67	82	7	17	83
	% Commit at Risk	65	22	34	6	17	83

Source: Business Warehouse as of February 3, 2004.

**Annex Table 5: Zambia - IBRD/IDA Net Disbursements and Charges FY 90-04***In USD million*

<b>FY</b>	<b>Gross Disbursement</b>	<b>Repayment</b>	<b>Net Disbursement</b>	<b>Interest</b>	<b>Fees</b>	<b>Net Transfer</b>
1990	2	0	2	0	0	2
1991	207	164	43	179	1	-136
1992	101	52	49	35	0	14
1993	164	57	107	29	0	78
1994	186	46	139	22	0	118
1995	191	61	131	28	0	103
1996	204	48	155	22	0	134
1997	118	49	69	18	0	51
1998	157	31	126	16	0	110
1999	115	14	101	15	0	87
2000	158	13	144	16	0	129
2001	159	11	149	14	0	135
2002	187	20	167	16	0	151
2003	70	19	50	16	0	34
2004	56	17	39	9	0	30
<b>Total</b>	<b>2,077</b>	<b>603</b>	<b>1,473</b>	<b>435</b>	<b>1</b>	<b>1,039</b>

*Source:* WB Controller's website as of February 3, 2004.

**Annex Table 6: Zambia - Millennium Development Goals**

	1990	1995	2001	2002
<b>1 Eradicate extreme poverty and hunger</b>	<i>2015 target = halve 1990 \$1 a day poverty and malnutrition rates</i>			
Population below \$1 a day (%)	..	..	..	..
Poverty gap at \$1 a day (%)	..	..	..	..
Percentage share of income or consumption held by poorest 20%	..	..	..	..
Prevalence of child malnutrition (% of children under 5)	25.2	23.5	..	..
Population below minimum level of dietary energy consumption (%)	45	..	50	..
<b>2 Achieve universal primary education</b>	<i>2015 target = net enrollment to 100</i>			
Net primary enrollment ratio (% of relevant age group)	..	74.8	65.5	..
Percentage of cohort reaching grade 5 (%)	..	..	80.6	..
Youth literacy rate (% ages 15-24)	81.2	85.1	88.7	89.2
<b>3 Promote gender equality</b>	<i>2005 target = education ratio to 100</i>			
Ratio of girls to boys in primary and secondary education (%)	..	..	92.4	..
Ratio of young literate females to males (% ages 15-24)	88.1	91.5	94.6	95
Share of women employed in the nonagricultural sector (%)	..	..	..	..
Proportion of seats held by women in national parliament (%)	7	10	10	12
<b>4 Reduce child mortality</b>	<i>2015 target = reduce 1990 under 5 mortality by two-thirds</i>			
Under 5 mortality rate (per 1,000)	192	202	202	..
Infant mortality rate (per 1,000 live births)	108	112	112	..
Immunization, measles (% of children under 12 months)	90	86	85	..
<b>5 Improve maternal health</b>	<i>2015 target = reduce 1990 maternal mortality by three-fourths</i>			
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	870	..	..
Births attended by skilled health staff (% of total)	50.5	46.5	..	..
<b>6 Combat HIV/AIDS, malaria and other diseases</b>	<i>2015 target = halt, and begin to reverse, AIDS, etc.</i>			
Prevalence of HIV, female (% ages 15-24)	..	..	21	..
Contraceptive prevalence rate (% of women ages 15-49)	15.2	25.9	..	..
Number of children orphaned by HIV/AIDS	..	..	570.0 thousand	..
Incidence of tuberculosis (per 100,000 people)	..	..	529.2	..
Tuberculosis cases detected under DOTS (%)	..	..	..	..
<b>7 Ensure environmental sustainability</b>	<i>2015 target = various (see notes)</i>			
Forest area (% of total land area)	53.5	..	42	..
Nationally protected areas (% of total land area)	..	8.6	8.6	61
GDP per unit of energy use (PPP \$ per kg oil equivalent)	1.1	1.1	1.2	..
CO2 emissions (metric tons per capita)	0.3	0.3	0.2	..
Access to an improved water source (% of population)	52	..	64	..
Access to improved sanitation (% of population)	63	..	78	..
Access to secure tenure (% of population)	..	..	..	..
<b>8 Develop a Global Partnership for Development</b>	<i>2015 target = various (see notes)</i>			
Youth unemployment rate (% of total labor force ages 15-24)	..	..	..	..
Fixed line and mobile telephones (per 1,000 people)	..	9.6	19.4	..
Personal computers (per 1,000 people)	..	..	7	..
<b>General indicators</b>				
Population	7.8 million	9.0 million	10.3 million	10.5 million
Gross national income (\$)	3.5 billion	3.1 billion	3.3 billion	3.5 billion
GNI per capita (\$)	450	350	320	330
Adult literacy rate (% of people ages 15 and over)	68.2	73.3	79	79.9
Total fertility rate (births per woman)	6.3	5.9	5.2	5.1
Life expectancy at birth (years)	49.1	45.4	37.5	36.9
Aid (% of GNI)	16	63	10.7	..
External debt (% of GNI)	229.9	215.8	162.1	..
Investment (% of GDP)	17.3	16	20	18
Trade (% of GDP)	72.5	75.9	64.4	74.6

Source: World Development Indicators database, April 2002.

**Note: In some cases the data are for earlier or later years than those stated.**

Goal 1 targets: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day. Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

Goal 2 target: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Goal 3 target: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015.

Goal 4 target: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

Goal 5 target: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.

Goal 6 targets: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS. Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.

Goal 7 targets: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources. Halve, by 2015, the proportion of people without sustainable access to safe drinking water. By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.

Goal 8 targets: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Address the Special Needs of the Least Developed Countries. Address the Special Needs of landlocked countries and small island developing states. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth. In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.