

11th European Development Fund

**National Indicative Programme
(2014 – 2020)**

For co-operation between the

**Republic of Zambia
and the European Union**

GENERAL CLAUSES

The Government of The Republic of Zambia and the European Commission hereby agree as follows:

- (1) The Government of The Republic of Zambia, (represented by Fredson Kango Yamba, Secretary to the Treasury), and the European Commission, (represented by Andris Piebalgs, Commissioner for Development,) hereinafter referred to as the Parties, determined the general orientations for cooperation for the period 2014-20.

These orientations which are included in the National Indicative Programme, concern the European Union Aid in favour of The Republic of Zambia and were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000, revised and signed in Luxemburg on 25 June 2005 and revised and signed in Ouagadougou on 22 June 2010.


The National Indicative Programme is annexed to the present document.

- (2) As regards the indicative programmable financial resources which the European Union envisages to make available to The Republic of Zambia for the period 2014-20, an amount of EUR 484 million is foreseen for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation). A B-allocation referred to in Article 3.2 (b) can be established to cover unforeseen needs. This allocation is at EUR 0 until a need arises. These allocations are not entitlements and may be revised by the Commission, following the midterm and end-of-term reviews, in accordance with Article 5.7 of annex IV of the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects. The National Indicative Programme concerns the resources of the A-allocation. It also takes into consideration financing from which The Republic of Zambia benefits or could benefit under other European Union resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as humanitarian, emergency and post emergency assistance, where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate exogenous shocks. The B-allocation shall be established according to specific mechanisms and procedures and does therefore not constitute a part of the programming.
- (5) Pending the entry into force of the Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting with the Council on the financing of European Union Aid under the multiannual financial framework for the period 2014 to 2020, financing decisions for projects and programmes can be taken by the Commission at the request of the Government of The Republic of Zambia within the limits of the A- and B-allocations referred to in this document under the condition that sufficient financial resources are available in the transitional measures ("Bridging Facility") composed of uncommitted balances from the previous EDFs and from funds de-committed from projects or programmes under those EDFs. The respective projects and programmes shall be implemented according to the rules and procedures of the 10th EDF until the entry into force of the 11th EDF implementing rules and financial regulation.
- (6) The European Investment Bank may contribute to the implementation of the present National Indicative Programme by operations financed from the Investment Facility and/or from its own resources, in accordance with Articles 2c and 3 of the 11th EDF multi-annual financial framework for the period 2014-2020.

- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Indicative Programme as well as the A-and B-allocations can be revised following the mid-term review and the end-of-term review or ad hoc reviews.


Signatures

For the European Commission



Andris Piebalgs
Commissioner for Development

For the Government of the Republic of Zambia



Fredson Kango Yamba
Secretary to the Treasury

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LIST OF ACRONYMS

AfDB	African Development Bank	MDG	Millennium Development Goal
CAADP	Comprehensive Africa Agriculture Development Programme	M&E	Monitoring and Evaluation
CCCI	Communication, Coordination and Cooperation Initiatives	MoF	Ministry of Finance
CPs	Co-operating Partners	MoJ	Ministry of Justice
CSO	Civil Society Organisation	MSME	Micro, small and medium enterprise
DAC	Development Assistance Committee of the OECD	MoU	Memorandum of Understanding
DFID	UK Department for International Development	MTEF	Medium-Term Expenditure Framework
EC	European Commission	MW	Megawatt
ECZ	Electoral Commission of Zambia	NGO	Non-government Organisation
EDF	European Development Fund	NIP	National Indicative Programme
EIB	European Investment Bank	ODA	Official Development Assistance
EIA	Environmental Impact Assessment	OECD	Organisation for Economic Cooperation and Development
EUD	European Union Delegation	NAIP	National Agriculture Investment Plan
GDP	Gross Domestic Product	NAO	National Authorising Officer
GIZ	Gesellschaft für Internationale Zusammenarbeit GmbH	PEFA	Public Expenditure and Financial Accountability
GNI	Gross National Income	PFM	Public Finance Management
GRZ	Government of the Republic of Zambia	SUN	Scaling Up Nutrition
GWh	Gigawatt hours	SEA	Strategic Environmental Assessment
HDI	Human Development Index	SE4ALL	Sustainable Energy for All
IMF	International Monetary Fund	SNDP	Sixth National Development Plan
ITF	Infrastructure Trust Fund	UN	United Nations
JASZ	Joint Assistance Strategy for Zambia (2011-2015)	UNDP	United Nations Development Programme
KfW	Kreditanstalt für Wiederaufbau	UNICEF	UN Children's Fund
MFF	Multiannual Financial Framework	USAID	United States Agency for International Development
MAL	Ministry of Agriculture, Livestock	WB	World Bank

ZAMBIA - 11th EDF National Indicative Programme – Summary

Zambia has had a long period of political stability and economic growth, with a 5.7% growth average over 2002-2012, and continues to show much potential, as reflected in its achievement of middle- income status in 2011. However, the proportion of people living in extreme poverty is 42% at national level and 58% in rural areas where two thirds of Zambians live. Maternal, under-five mortality and life expectancy are worse than the African low-income countries average. One in three Zambians is not meeting basic food needs, and 45% of children are stunted. Over the past ten years, income and gender inequalities have increased and remain among the worst in the world, and the gap between urban and rural poverty has widened.

To address these challenges, the Government has set priority actions in the **2013 Revised Sixth National Development Plan (SNDP, 2013-2016)**, which aims "to accelerate growth further and make it more relevant to improving the livelihood of the Zambian people, especially in the rural areas." The 11th EDF NIP is aligned to the Government's priorities around three focal sectors: **(i) Energy, (ii) Agriculture, and (iii) Governance**. The indicative allocation to Zambia will be EUR 484 million in programmable funds, subdivided as follows:

Focal Sector 1: Energy - 'Improved access to clean, reliable and affordable energy'	244 million EUR	50.4%
Focal Sector 2: Agriculture - 'Reduced rural poverty and improved livelihoods'	110 million EUR	22.7%
Focal Sector 3: Governance - 'Advanced democratic governance, accountability and state effectiveness for all'	100 million EUR	20.7%
Cross-cutting: Support measures and NAO Support	30 million EUR	6.2%
Total	484 million EUR	100.0 %

Support to the Energy sector will help maintain growth and improve competitiveness through improved access to clean, reliable and affordable energy for all. Activities will include: maintenance and increase of the country's power generation capacity; upgrading and extension of the electricity distribution network to reduce transmission losses and connection of low-income households; improvement of policies and performance of energy institutions.

EU support to the agriculture sector will aim to improve the livelihoods and nutrition of smallholder households, while promoting environmental sustainability. This will include continued support to rolling out the practice of conservation agriculture; promotion of private sector participation to give smallholder farmers improved access to services and markets; promotion of better agriculture and nutrition policies and performance.

In the sector of Governance, the EU will support advancing democratic governance, accountability and state effectiveness for all, centered on increasing equality of access to justice; support to the electoral system; and better management of resources and service delivery.

An amount of EUR 30 million will be allocated to measures to support and accompany the programming, preparation and implementation of actions as well as to support the National Authorising Officer.

NATIONAL INDICATIVE PROGRAMME

1 THE OVERALL LINES FOR THE EU RESPONSE 1.1 Strategic

objectives of the EU's relationship with Zambia

Country context. In a region marked by some chronic turmoil, Zambia has had a long period of political stability and economic growth, with a 5.7% growth average over 2002-2012, and continues to show much potential. Despite this and Zambia reaching middle-income status in 2011, the proportion of people living in extreme poverty is 42% at national level and 58% in rural areas where two thirds of Zambians live. Maternal, under-five mortality and life expectancy are worse than the African low- income countries average. One in three Zambians is not meeting basic food needs, and 45% children are stunted. over the past ten years, income inequality has increased and is one of the worst in the world (from Gini coefficient 0.60 in 2006 to 0.65 in 2010), and the gap between urban and rural poverty has widened.

National priorities. To address this paradox, Government priorities are framed by the vision of "a prosperous middle-income nation by 2030" that "provides opportunities for improving the wellbeing of all". This theme is echoed by the government's manifesto for 2011-2016 of "A better Zambia for all", and by the 2013 Revised Sixth National Development Plan (SNDP, 2013-2016), which aims "to accelerate growth further and make it more relevant to improving the livelihood of the Zambian people, especially in the rural areas."

The EU's comparative advantage. In this context, the EU can bring to bear (i) its multifaceted relationships with Zambia, encompassing issues of political dialogue, trade and development and a unique perspective on how different policies and programmes can be synergetic in realizing "a better Zambia for all"; (ii) the EU Agenda for Change's twin pillars, the focus on democratic governance and "inclusive and sustainable growth for human development", which are highly suited to Zambia challenge of growth without poverty reduction; and (iii) its recognized expertise and value-added in infrastructure and governance in developing countries.

Strategic objectives. In its relationship with Zambia, the EU's overall goal is to help Zambia chart a course of equitable and sustainable growth, anchored in principles of good governance, through three mutually reinforcing objectives, enshrined in the Zambia's Vision 2030 and consistent with the Cotonou Agreement, the European Consensus on Development and the Agenda for Change:

- To help Zambia further "refine, advance and consolidate" its democratic experience: the modernization of Zambian institutions, transparent and effective management of resources, and checks and balances that fully play their role would help (i) strengthen the nation's values of human rights and socioeconomic justice; (ii) sustain economic growth through the rule of law; and (iii) ensure Zambia continues to be a pole of political stability in the region.
- To help set Zambia on a growth pathway that is economically sustained and environmentally sustainable: such a path (i) lays the foundations for shared prosperity and job creation, which, with the right accompanying measures, would reduce poverty; (ii) further strengthens governance as stakeholders in a growing and opening economy are expected to increasingly voice their preferences and demand accountability; and (iii) reduces vulnerability to global shocks.
- To help Zambia translate its economic growth into development gains for ordinary citizens and realize its goals of bringing its income inequality (Gini) coefficient to 40 or less, and its overall poverty headcount to less than 20%. Rural and female-headed households should in particular be the focus of poverty reduction efforts.

The mix of development finance available to Zambia is evolving significantly (greater domestic revenue mobilization and declining aid are already visible), as are the country's economic and geopolitical ties. EU-Zambia political and economic relations will become more prominent, and the EU's development cooperation more targeted. Based on the reform agenda of the Government and coordinated with other Cooperating Partners - in particular EU Member States -, and recognizing the important role played by the private sector in energy and agriculture, EU cooperation will focus on energy, agriculture and governance.

Joint programming and co-ordination

EU support continues to be aligned with the Joint Assistance Strategy (JASZ II) adopted by Cooperating Partners, including EU Member States in December 2011, and the corresponding Division of Labour. The JASZ II aims to co-ordinate and align development assistance with the SNDP, consistent with the principles of aid effectiveness. This includes support to policy dialogue with Government and to Sector Advisory Groups as forums for planning, budgeting and monitoring of sector programmes. Rotating leads ensure coordination within each sector and MoUs are developed for some sectors.

The long-term orientation of joint programming beyond the mandate of JASZ II (after 2015) is uncertain, but the EU will continue to participate in a process which is widening to include non-EU development actors such as China. The EU will continue to co-ordinate on political relations, trade and the promotion of human rights in Zambia. In general, the EU will take advantage of opportunities to improve co-ordination and to increase our commitment to programming and implementation accordingly.

The EU foresees continuing joint development co-operation in a number of areas:

- **Energy:** the EUD is discussing opportunities to collaborate/co-finance with the WB and EIB
- **Agriculture:** the EUD has the sector lead and collaboration takes place with a number of EU Member States and with USAID.
- **Justice:** the EUD, Germany, GIZ and the Danish Institute for Democracy and Human Rights are jointly identifying and possibly formulating the judicial sector reform programme.
- **PFM:** The EUD collaborates closely with other Member States, particularly Germany and DFID.

In terms of improving co-ordination and aid effectiveness, a Mutual Accountability Framework between Co-operating Partners (EU plus AfDB, Denmark, Finland, Germany, Ireland, Japan, Norway, Sweden, UK, UN, US and WB) and Government was signed in December 2013. This recognises that the Mutual Accountability Framework links the Government's SNDP and the JASZ II and establishes an overall framework for Government - CPs cooperation around the shared agendas on aid and development effectiveness.

This will help pave the way to improved co-ordination, and as of January 2014, the EU will co-chair (with USAID) the co-operating partner Mutual Accountability Group.

1.2 Choice of sectors

The Indicative Programme for 2014-20 aims to maximize results, impact and value for money by focusing on:

1. **Energy:** helping to maintain growth and improve competitiveness through improved access to clean, reliable and affordable energy for all.
2. **Agriculture:** continued support to poverty reduction, directly through agriculture, aiming to improve the income and nutrition of smallholder households, while promoting environmental sustainability.

3. **Governance:** advancing democratic governance, accountability and state effectiveness for all, centred on increasing equality of access to justice; support to the electoral system; and better resources management and service delivery.

The focus on these sectors is based on (i) analysis of the main challenges faced by Zambia, which are to sustain growth, reduce inequality and improve government effectiveness; (ii) the EU's experience in the country under the 10th EDF, moving from the transport sector towards increased EU support to energy, agriculture and governance; and (iii) the involvement of some Member States and other Cooperating Partners in other key sectors (e.g. DFID and USAID in health and Ireland and DFID in education).

1.2.1 Improved access to clean, reliable and affordable energy

Country context. Zambia's potential to generate electricity is one of the highest on the continent¹, yet with electricity demand of 10.474 GWh in 2010 and with an increase in average of 3,5% annually in the years up to 2020, a yearly increase of 100 MW in generation capacity is needed.. Only 25%² of the population has access to electricity, a low rate that dwindles to 3%³ in rural areas. Most of the network is old with 26% transmission losses (2009). Besides being a matter of strategic interest for the subregion, improved access to "clean, reliable and affordable energy" (Vision 2030) would contribute to:

- Economic diversification, growth and job creation, and a contribution to Zambia's transition to a green economy, which particularly benefits micro, small and medium-sized enterprises.
- Poverty reduction, through jobs and growth, the provision of education and health services, and improved living conditions. In Zambia, wood fuel accounts for 68%⁴ of total energy consumption, resulting in polluted indoor air, disease and premature death, as well as contributing to land degradation through increased pressure on woodland resources.
- Decreasing vulnerability to climate change by securing access to non-biomass energy sources and increasing access to electric energy.
- Reducing the country's considerable vulnerability to external commodity supply and price shocks.

National priorities. Energy is identified by Vision 2030 as "one of the important driving forces behind the development", with the objective of "universal access to clean, reliable and affordable energy" by 2030. Similarly, the Revised SNDP identifies energy as one of eight sectors that are vital to attaining its objectives of promoting jobs, growth, and human development. Gender in access to energy is a special concern, reflected in Government's Strategy and Action Plan on Gender Mainstreaming in Energy. Policy commitments are very ambitious: the medium-term (2016) target is to increase electricity generation capacity to at least 3,1 GW⁴ by 2016 from the current 2 GW⁵ reflecting a 51% increase; and increasing rural access to electricity from 3%⁶ to at least 8%⁷ and national access from 25%⁸ to 30%⁹. In the long term, Government aims to increase national electrification rate from 25%¹⁰ to 66%¹¹ by 2030, with 90%¹² in the urban areas and 50%¹³ in the rural areas; and to reduce the share of wood fuel to 40%¹⁴ by 2030.

The EU's comparative advantage. The EU brings a package of (i) expertise and technology in energy access, energy security and climate change policies and how they relate to each other; and (ii) grant development funding. Energy is identified as a driver of inclusive and sustainable growth and development in the EU Agenda for Change (2011), which calls for concentrating investment in sustainable agriculture and energy; Consensus on

¹ Zambia has about 6.000 MW unutilized hydropower potential while only about 1.985 MW has been developed (source Zambia Development Agency Energy Sector Profile - June 2013)

² 2012/13 (source revised SNDP)

³ 2012/13 (source revised SNDP)

⁴ 3141 MW (source revised SNDP)

⁵ Total generation capacity 1989 MW in 2012 (source revised SNDP)

⁶ 2012/13 (source revised SNDP)

⁷ 2016 (source revised SNDP)

⁸ 2012/13 (source revised SNDP)

⁹ 2016 (source revised SNDP)

¹⁰ 2012/13 (source revised SNDP)

¹¹ Source Zambia: National Energy Strategy: 2008-2030

¹² Source Zambia: National Energy Strategy: 2008-2030

¹³ Source Zambia: National Energy Strategy: 2008-2030

¹⁴ Source Vision 2030

Development (2005); EU Strategy for Africa (2005); and EU Energy Initiative (2002). Moreover, both Government and the EU are committed to the Sustainable Energy for All (SE4All) initiative. For its part, the EU has committed to support the SE4All initiative by providing access to sustainable energy services to 500 million people in developing countries by 2030.

1.2.2 Reduced rural poverty and improved livelihoods

Country context. An energy paradox, Zambia is also an agriculture paradox: despite high government spending on agriculture and a robust agricultural growth rate that both exceeded the recommended CAADP, and the high potential from arable lands (42 million ha), rural poverty is high (low income, poor nutrition and high levels of stunting). With two thirds of Zambians living in rural areas, boosting rural incomes will be central to reversing growing income inequality while providing economic alternatives to environmentally unsustainable practices such as charcoal production. Challenges include land degradation; deforestation; heavy reliance on rain-fed agriculture due to a lack of irrigation infrastructure; weak value chains from shortage of inputs and limited access to technology and financial services, uncertainty of land tenure, small-scale farming dominated by a single crop (83% rural households grow maize), insufficient research and extension, limited storage and transport infrastructure, weak links to agro-processing, marketing and distribution, and weak links to industrial estates and out-grower schemes. Agriculture productivity in Zambia, a middle-income country, is actually below the average for low-income countries.

National priorities. Government and civil society organisations have indicated¹⁵ that agriculture, as a sector with a multiplier effect (e.g. strong linkages to poverty reduction and growth in non-agricultural sectors), will continue to be a strategic driver of growth and poverty reduction in Zambia. Vision 2030 aims for "an efficient, competitive, sustainable and export-led agriculture sector that assures food security and increased income by 2030". Its realisation rests on the assumption of increased value- addition and productivity in agriculture, allowing Zambia to fulfil its national food requirements while taking advantage of its ideal geographical position to export surplus on inter-regional markets in line with the objectives of the Vision 2030. These include increasing agricultural productivity and land under cultivation; increasing exports of agricultural and agro-processed products, preserving the agricultural resource base; and increasing livestock population to 6 million by 2030.

The Revised SNDP identifies agriculture as being central to attaining its objectives of promoting jobs, growth, and human development. It pays special attention to women who represent 68% of those economically active in the agriculture sector and are drivers of household nutrition, but have more limited access than men to agricultural inputs. The National Agriculture Investment Plan (2014-18) aims to bring the percentage of small-scale farmers that have adopted conservation agriculture from 10 to 25% by 2018.

The EU's comparative advantage. The Agenda for Change calls for "concentrating investment in

¹⁵ Consultations in Phase 1 of programming exercise included bilateral meetings with (in addition to Member States and government) major CSOs and an external consultation event on choice of focal sectors, attended by civil society, private sector, and covered by the press. Phase 2 consultations have included local and international non-state actors active in agriculture, governance and energy - see Annex 4 for full details of Phase 2 consultation.

sustainable agriculture and energy" as "sectors that have a strong multiplier impact on developing countries' economies and contribute to environmental protection, climate change prevention and adaptation". The EU can leverage its expertise in supporting sustainable practices, including the safeguarding of ecosystem services, giving priority to locally-developed practices, smallholder agriculture and rural livelihoods, in value-chain analysis and private sector participation, and nutrition and food security promotion. In Zambia specifically, the EU has been supporting conservation agriculture since 2006 through various projects with tangible results and has been able to provide useful capacity building to the Ministry under the 10th EDF.

1.2.3 Advanced democratic governance, accountability and state effectiveness for all

Country context. In Zambia, the discrepancy between economic growth and the persistence of high levels of poverty indicates the need for promotion of inclusive and equitable growth. Strengthened governance promotes human rights and is one of the prerequisites for such growth. Governance as a focal sector for the 11th EDF will enable the EU's development cooperation to help create better conditions for inclusive, sustainable growth; more effective service delivery; more equitable access to services; and more opportunities for citizens - particularly women - to claim their rights, hold public institutions accountable, and participate in decision-making processes.

National priorities. In addition to the governance provisions of the SNDP, Zambia's Vision 2030 pledges for "total adherence to principles of good governance" by 2030 in the areas of elections, access to justice, human rights and effective, efficient public services. EU support will align with the following priorities:

- **Access to Justice:** Vision 2030 seeks to provide access to justice for all by increasing the case disposal rate, to enhance human rights awareness and to reduce violations through effective enforcement mechanisms. The SNDP focuses on the development of additional infrastructure for justice institutions, on development and implementation of a case flow management system and on enhancing access to justice for the vulnerable, especially women and children. The 2013/2016 Strategic Plan of the Access to Justice Programme promotes on enhanced cooperation, effectiveness and efficiency within the justice system, and on a more user-friendly legal framework.
- **Elections:** Vision 2030 also identifies "continued and enhanced conduct of elections" as a goal towards total adherence to principles of good governance. The Revised SNDP aims "to align the national development planning cycle with the electoral cycle" whilst the Strategic Plan of the Electoral Commission of Zambia (ECZ) focuses on improving the electoral process, on enhancing the capacity of ECZ and its independence.
- **PFM/resources management:** the Ministry of Finance Strategic Plan (2012-2016), the Public Financial Management reform strategy (2013-2015) aiming to "ensure efficient, effective and accountable use of public resources as a basis for economic development and poverty eradication through improved service delivery", and the forthcoming Planning & Budgeting Bill, when enacted, will make a significant contribution in resolving systemic weaknesses. Progress will have to be consolidated by continued and sustained effort in capacity development, which the EU programme will provide. Better execution of the budget, improved investment assessment, debt management, and transparent procurement of goods and services are key areas where support is needed to develop capacities.

The EU's comparative advantage. Support for the governance sector is based on lessons learned from past EU experience - in Zambia and internationally. Expected results take into account the key role of economic and political incentives, and are guided by the consideration of the comparative advantages of EU collaboration, in particular its neutrality and credibility as a multilateral body; its positive track record in political and policy dialogue; its recognised role in supporting the formulation and implementation of justice programmes; its capacity to provide technical and financial support in strengthening the electoral system, based on EU Election Observation Mission recommendations, regarded by government and Cooperating Partners as authoritative.

In its interventions in all three sectors, the EU will also focus on research, innovation and capacity- building aspects. In designing the interventions throughout the aforementioned focal sectors of the National Indicative Programme of Zambia, attention will be paid to the importance of the deployment of the Information and Communication Technologies (ICT) and the full exploitation of their potential in providing or facilitating viable solutions in all focal sectors of the programme.

2 FINANCIAL OVERVIEW (INDICATIVE AMOUNTS)

Increased access to "clean, reliable and affordable energy"	EUR 244 million	50.4%
Reduced rural poverty	EUR 110 million	22.7%
Consolidating democratic accountability and state effectiveness for all	EUR 100 million	20.7%
Measures in favour of civil society are included within sectors and through budget lines	-	-
Support measures	EUR 30 million	6,2%
Total	EUR 484 million	100%

3 EU SUPPORT PER SECTOR

3.1 Improved access to clean, reliable and affordable energy for all

(Indicative amount EUR 244 million)

3.1.1 Overall and specific objectives

The overall objective is, in line with Vision 2030 and the revised SNDP, to improve access to "clean, reliable and affordable energy". The specific objectives are (i) an increased and reliable supply of energy from renewable sources; (ii) improved access to electricity; and (iii) improved renewable- friendly energy policies and effective energy institutions.

3.1.2 Main expected results

3.1.2.1 Improved, renewable-friendly, energy policies and effective energy institutions

To contribute to Zambia's goal of "universal access to clean, reliable and affordable energy" by 2030, energy policies should be further developed and the performance of energy institutions enhanced, building on international good practice and on emerging technologies. The renewable energy subsector offers opportunities for the creation of green jobs and the diversification of the energy mix into other renewable sources such as wind, solar and geothermal. This is an important measure to adapt to climate change (foreseen under the SNDP).

The EU can bring its expertise and technology for the following expected results:

- **Output 1A:** Improved policies and legal and regulatory framework, including a review of 2008 Energy Policy Energy Master Plan, and Electricity Markets, and the introduction of a new tariff structure for better cost recovery.
- **Output 1B:** Better performing energy institutions, including greater capacity for project finance and project management and facilitation of public-private partnerships.
- **Output 1C:** Pre-feasibility and feasibility studies, environmental assessments and mitigation plans prepared for both production and access projects in hydropower, solar and other renewable energies and piloting of some of them in particular in rural areas. The EU may also support selected innovative research and projects put forward by non-state actors to promote

clean, reliable and affordable energy.

3.1.2.2 An increased and reliable supply of energy from renewable sources

To contribute to Government's medium-term (2016) target to "increase electricity generation capacity to at least 3.1 GW¹⁶ by 2016 from the current 2 GW¹⁷", results expected from EU support may include:

- **Outcome 2A:** Increased and reliable supply of energy. Activities could include rehabilitation of existing energy production units/facilities in Zambia where the EU, as a donor, could have an important value added. Activities could also include support to the authorities and stakeholders to address management issues (maintenance etc.). The intervention of the EU will not only ensure continued access to electricity by the population and for economic development but will also be critical to ensure national and regional energy security and stability. The EU might also consider support to transitional measures addressing energy efficiency issues related to the sustainable use of existing key energy sources in Zambia.
- **Outcome 2B :** Greater capacity for the Government of Zambia to attract private and ensure public investment, through analytical work, policy advice, capacity development, pre- feasibility and feasibility studies for production projects in the Government's investment plans.
- **Outcome 3C:** Reduce the reliance on biomass as a source of energy, at household level, through the provision of reliable electrical supply at the level of individual household connections for those identified as being of low-income.

3.1.2.3 Improved access to electricity for all

To contribute to Government's objectives to increase national electrification rate from 25%¹⁸ to 66%¹⁹ by 2030, with 90%²⁰ in the urban areas from 47%²¹ and 51%²² in the rural areas from 3%²³, and in the medium-term (2016) to increase rural access to electricity from 3%²⁴ to at least 8%²⁵ and national access from 25%²⁶ to 30%²⁷, the proposed results are:

- **Output 3A:** Distribution network upgraded and expanded: The electricity distribution network requires system expansion, reinforcement and rehabilitation in order to provide clean, reliable and affordable energy. Interventions earmarked will result in the upgrading of the medium voltage lines in most of townships, reduce frequency of cable faults, reliability and availability of supply to customers, reduce operational losses from the current, high rate of 26% to the Government target of 14% by 2015, and improve the safety of the distribution network. Reduced distribution system losses would, in turn, make the provision of energy services cost effective. Three areas may be of particular concern: Lusaka, Copperbelt and Northern Divisions, because of their economic potential.
- **Output 3B:** Low-voltage connections of low-income households and of micro, small and medium enterprises to electricity: Evidence shows that the main obstacle for the poor and micro, small and medium enterprises (MSMEs) to be connected to electricity are the high cost of house connections. EU support will target low-income households (rural and peri-urban), MSMEs, and community centres/services, especially in under-served areas, and will subsidize 100,000 household connections, or about 700,000 people.²⁸

¹⁶ 3141 MW (source revised SNDP)

¹⁷ Total generation capacity 1989 MW in 2012 (source revised SNDP)

¹⁸ 2012/13 (source revised SNDP)

¹⁹ Zambia: National Energy Strategy: 2008-2030

²⁰ Zambia: National Energy Strategy: 2008-2030

²¹ Zambia: National Energy Strategy: 2008-2030

²² Zambia: National Energy Strategy: 2008-2030

²³ 2012/13 (source revised NDP)

²⁴ 2012/13 (source revised SNDP)

²⁵ 2016 (source revised SNDP)

²⁶ 2012/13 (source revised SNDP)

²⁷ 2016 (source revised SNDP)

²⁸ Source: WB 10 MUSD household connection pilot project^{1,2} in Zambia connecting 50.000 households

3.1.3 Main indicators

The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Annex 3.

3.1.4 Donor coordination and policy dialogue

Cooperating Partners are committed to support the Government in scaling up access to clean, modern energy and to strengthen the regulatory framework. The total on-going and planned Cooperating Partner assistance in the energy sector is over USD 440 million excluding non-JASZ partners. Main Cooperating Partners in energy are Japan, Sweden and the World Bank (leads), the African Development Bank, the EIB, Agence française de Développement (Afd) and China. The leads meet regularly with the Minister and Permanent Secretary for energy on behalf of the Cooperating Partners sector group to exchange views on developments in the sector.

The EU is moving from being a background donor to being an active donor, and the EU's policy dialogue and interventions in energy will be closely coordinated with Members states involved in the sector: Sweden, France and Germany but also with the EIB, the World Bank and Japan. If possible blending operations will be considered.

3.1.5 Government's financial and policy commitments

See section 1.2.1. for policy commitments. As for Government's financial commitments, they represent the bulk of the sector's resources, give that Official Development Assistance represents only 6% of the national budget in Zambia.

3.1.6 Environmental assessment

In the absence of a Strategic Environmental Assessment (SEA) one will be carried out in coordination with the Government and other donors involved in the sector (Strategic Environmental Assessment or Environmental Impact Assessment) with the objective of enhancing the environmental and climate change performance of the Government's strategy in the sector as well as the EU support strategy. To the possible extent, this assessment could feed into costs and benefits analysis of the different energy production methods.

This will include minimising environmental risks and risks of increasing vulnerability to climate change, as well as maximising opportunities to enhance environmental protection, contribute to climate change mitigation and adapt to the expected effects of climate change. Environmental Impact Assessments (EIA) of specific projects will be conducted if so determined based on national EIA screening procedures as well as the environmental assessment screening procedure under the Guidelines for Integration of Environment and Climate change in EU development cooperation. In relation to hydropower projects specifically, EIAs could also look into the impact on availability of water resources.

3.1.7 Overall risk assessment of the sector intervention

RISK	MITIGATION MEASURE
Technical/design - Inadequate energy management reverses progress towards electricity supply meeting demand. - Technical and administrative barriers to grid connection: there is no example of on-grid renewable energy production except hydropower and no model exists for the establishment of grid connection.	Advisory services and capacity development in energy management and in designing interconnectivity of renewable energy plants with the main grid
Finance - Lack of funds to maintain the network, given poor cost recovery (electricity to mining companies, or 65% electricity, is supplied below the cost of supply)	Engaging with Government to help establish and implement a cost recovery policy, together with capacity development

- Inadequate financial management.	
Government policy and capacity <ul style="list-style-type: none"> - Risk of the pro-poor Rural Electrification Masterplan not being implemented by Government. - Lack of management and coordination capacity - Lack of access to capital, whether national budget (given competing priorities from roads, health etc.), or loans from financial institutions (given overexposure) 	<ul style="list-style-type: none"> - Continued dialogue with Government through the Cooperating Partner Group and technical assistance - Capacity development (human, organizational and institutional) and support to restructuring of the Rural Electrification Authority - Use of ITF and SE4ALL funds
Environmental and climate change: <ul style="list-style-type: none"> - Increased drought recurrence and dry spells under climate change may affect water flows and thus generation of hydroelectric power - Land degradation (deforestation) can contribute to mudflows affecting hydropower plant performance (as occurred in 2005 in Kafue Gorge) 	Mitigation of this to be investigated and proposed during formulation and EIAs.

3.2 Reduced rural poverty and improved livelihoods

(Indicative amount EUR 110 million)

3.2.1 Overall and specific objectives

The overall objective is to reduce poverty and improve rural livelihoods. The specific objectives are (i) to ensure higher and more sustainable income for rural households; (ii) to improve nutrition and food security; and (iii) to improve environmental sustainability and climate change resilience.

3.2.2 Main expected results

The three clusters of outputs all address several of the specific objectives (i.e. outcomes) above.

3.2.2.1 Rural development through conservation agriculture, livestock and nutrition (contributes to outcomes 1, 2 and 3)

This cluster of outputs aim to advance Government's agricultural diversification agenda by promoting conservation agriculture and livestock for 500,000 rural small scale farmers, towards (i) higher smallholder income through increased agricultural production and productivity; (ii) reduced high prevalence of chronic malnutrition in children under age 5 through increased dietary diversity and better feeding practices, and (iii) improved sustainable natural resource management towards increased resilience of smallholder farmer.

Results expected from EU support include:

- improved capacity of the Ministry of Agriculture and Livestock and of farmers in rolling out conservation agriculture, leading to increased conservation agriculture adoption;
- increased climate change mitigation and adaptation through the promotion of sustainable soil management and agroforestry practices (possibly also linked to the role of wood as a key sustainable energy source in rural areas in the short term - see point 3.1);
- increased access to animal-drawn power and conservation agriculture mechanization by smallholder farmers;
- better reflection of conservation agriculture in research, extension and agricultural training curricula;
- promotion of bio-fortified crops, post-harvest technologies, nutrition education;
- increased livestock rearing by smallholders and improved pasture management;
- improved women's access to agriculture inputs and services, and women-led behaviour change in nutrition.

3.2.2.2 Improved agriculture services through private sector participation (contributes to

outcomes 1 and 2)

This cluster would build on the National Agricultural Investment Plan (NAIP, 2014-18) objective of "increasing private sector participation in agricultural markets" and on the EU's positive experience with supporting Agriculture Service Centres in Zambia and strengthening farmers' organisations in order for them to engage effectively in dialogue with public authorities. It aims to support Government's goal of transitioning from low-productivity, subsistence production to more commercialised production systems by promoting access to services and increased market access for smallholder farmers. It will also seek to facilitate cross-border trade of agriculture inputs and outputs through the establishment of one or more Agriculture Service Centres close to the border with a neighbouring country where there exists a strong demand for Zambian agriculture produces and services. It is expected that, through Agriculture Service Centres, smallholder farmers would have

- improved access to services (technical services, credit and insurance)
- improved input and output market access, including regional markets

3.2.2.3 Better agriculture and nutrition policies and performance (contributes to outcomes 1, 2 and 3)

This cluster aims to help the Ministry of Agriculture be in a better position to provide the products and services required by farmers and agricultural practitioners. This includes measures to strengthen research and extension systems. The EU programme will build on the on-going Performance Enhancement Programme to address a low quality of human capital, inadequate Monitoring & Evaluation system (M&E) and improve data collection, dissemination and analysis for informed decision-making, both at national and decentralized levels. It will also address the challenge of land security which, connected with the practice of customary tenure, hinders the willingness of small-scale farmers to invest in land management and productive assets and practices.

Results expected from EU support include:

- human, organisational and institutional capacity development at central and decentralised levels for improved service delivery by Government and non-state actors, including professional associations
- nutrition research, monitoring and evaluation, policies, information systems and sensitization
- agricultural research and development, including issues of seed control and certification
- security of land tenure improved
- improved animal health through local production of vaccines

3.2.3 Main indicators

The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Annex 3.

3.2.4 Donor coordination and policy dialogue

As per the division of labour agreed upon in JASZ II, twelve cooperating partners are supporting the agricultural sector in Zambia, the main ones being the African Development Bank, Japan, Norway, Sweden, US AID and the World Bank. They form the Agriculture Cooperating Partners Group, established as a coordinating and dialogue forum towards increased concentration and rationalization of efforts in both geographical and sector terms, as well as to enhance national ownership. Three members of the group are selected on a rotational and yearly basis to form the "troika", which meets regularly with the Ministry of Agriculture and Livestock, coordinates Cooperating Partners' inputs into government policy and facilitates support for implementation of national policies including the NAIP under the Comprehensive African Agriculture Development Programme.

The EU has also promoted the setting up of *ad hoc* technical sub-groups to coordinate support to subsectors where it is becoming increasingly involved. Finally, the EU is an active participant in the Nutrition Cooperating Partners Group placed under the Health Sector Group, co-chaired by UNICEF and DFID. EU policy dialogue and interventions in the sector will continue to be closely coordinated with other Cooperating Partners and particularly member states.

3.2.5 Government policy and financial commitments

See section 1.1.2 for policy commitments. As for Government's financial commitments, they represent the bulk of the sector's resources, give that Official Development Assistance represents only 6% of the national budget in Zambia. Government spending on agriculture and rural development represents more than the CAADP recommended minimum 10%, but is largely spent on maize subsidies. The government capacity to move away from this "maize policy" and to support diversification and conservation agriculture with the budget is considered essential.

3.2.6 Environmental assessment

When needed, the appropriate type of environmental assessment (Strategic Environmental Assessment or Environmental Impact Assessment) will be carried out. Poor agricultural practices, subsidies for heavy maintenance crops such as maize, heavy household use of wood fuel, rapid population growth and over exploitation of forest reserves and illegal off-take of wildlife and fish all lead to severe environmental degradation in Zambia, a country in which the effects of climate change could cost Zambia an estimated EUR 3 billion in lost GDP over the next decade.

Conservation agriculture is promoted by the European Union because of its contribution towards enhanced soil fertility and climate change adaptation, in addition to significant gains in production and productivity. Tillage techniques promoted under conservation agriculture increase water infiltration and moisture retention and can therefore mitigate the effects of increasingly irregular rain patterns. Therefore, no specific environmental impact assessment is foreseen, but monitoring of the impact of conservation agriculture-related practices on soil quality and fertility will help optimise its benefits for the environment.

3.2.7 Overall risk assessment of sector intervention

Risk	Mitigation
<p>Policy/political risk Despite the development of numerous policy documents, Government stated policy objectives and actual implementation have often been disconnected (e.g. on maize subsidies) or reversed (e.g. import and export bans of agricultural commodities) has the potential to significantly undermine private sector engagement in agriculture.</p>	<p>As the lead of the Agriculture Cooperating Partners Group, the EU will support a continued policy dialogue with Government and other Cooperating Partners. The Government's commitment to create an enabling environment for private sector development (see NAIP) and the increased engagement of the private sector in agriculture will be key elements of this dialogue</p>
<p>Implementation risk Social resistance to the behaviour change advocated for under Conservation Agriculture or connected with healthier feeding practices and dietary habits The multi sector approach required to effectively address under nutrition in the country may be a challenge, as the 11th EDF will address nutrition primarily through the agriculture sector. The lack of capacity and high turnover among the staff of the Ministry of Agriculture may be a serious impediment to a smooth project implementation.</p>	<p>Socio-economic research will be carried out to understand and address the factors limiting conservation agriculture adoption in Zambia. The EU will make sure its nutrition- related operations are properly aligned with the multisector First 1,000 Most Critical Days Programme under the SUN Fund. Moreover, the EU's active participation in the Nutrition Cooperating Partners Group meetings will help strengthen coordination across sectors. Adequate attention will be paid to human resource development and capacity development for the Ministry (see section 3.2.2.3)</p>

- Environmental and climate change risks: Increased extreme weather events and erratic rainfall patterns may put at risks achievements in the agriculture sector, and thus the importance of ensuring climate change mainstreaming
- Increased use of agrochemicals may lead to environmental pollution, especially of water bodies.
- The focus of the support, on conservation agriculture, is fully aligned to environmentally-friendly and climate resilient agricultural practices. During project formulation careful attention will be given to further environmental and climate change performance.

3.3 Consolidating democratic governance, accountability and state effectiveness for all (*Indicative amount EUR 100 million*)

3.3.1 Overall and specific objectives

The overall objective is advanced democratic governance, accountability and state effectiveness for all. The specific objectives are (i) improved justice delivery for all and the promotion of human rights; (ii) a credible electoral process and consolidated constitutional democracy; and (iii) enhanced transparency, accountability and effectiveness in resources management.

3.3.2 Main expected results

3.3.2.1 Improved justice delivery for all and the promotion of human rights

To contribute to Government's goals of "improved access to justice", "enhance human rights awareness and reduce violations", "continued and enhanced conduct of elections", "efficiency and effectiveness in the delivery of Public Services" (Vision 2030), the results expected from EU support are as follows:

a) Stronger enabling environment for effective and fair delivery of justice

Building on current momentum for legal and justice reform, evidenced by Government's commitment to revise the legal and institutional framework, the EU will support the legal and judiciary reform process with a service delivery approach addressing both civil and criminal justice, by working with relevant 'demand-side' stakeholders, including C SOs. The support will primarily target vulnerable groups, such as women, children and population from rural areas. The EU will also contribute to enhancing the capacity of police, prisons and judiciary staff to respect human rights, and raise citizens' awareness of their rights. Furthermore, the EU will contribute to the strengthening of the M&E system and to improve coordination among justice institutions (building on the existing CCCI), including in supporting informatisation.

b) Reduced congestion of the justice system and human rights protected through enhanced efficiency and effectiveness of key institutions

EU support will address case flow management issues, the capacity development of prosecutors, civil and criminal courts, the expansion of training institutions and possibly of critical infrastructure. Support could also be channelled to extend legal services to police, prisons and subordinate courts to reduce overcrowding and for the establishment of a supervisory body for legal services delivery by NGOs.

3.3.2.2 A credible electoral process and consolidated constitutional democracy

a) Enhanced credibility and robustness of the electoral system

Past elections have shown that management of the electoral process is quite robust, with regular elections that have been deemed credible since 1991. More efforts are required to consolidate progress achieved so far, especially in building the voter registration system and to mitigate the risk of tension and violence around elections, as identified by the 2011 EU Election Observation Mission.

In supporting the Electoral Commission of Zambia to achieve a credible and robust electoral system, the programme will help develop a coherent electoral legislative framework (including for political parties, the media and CSOs), reinforce the capacity and independence of the ECZ, and contribute to continued improvements - particularly to facilitate improvements in participation for women and young people - in developing reliable systems for voter registration and the reporting of results.

b) Increased public participation in the electoral processes, particularly of women and youth Women and youth participation in Zambian politics - as voters, candidates, politicians, and civil society activists - allows them to exercise their rights. Results from the 2011 general elections indicate a higher turnout of women and youth and greater participation of these categories as candidates. However, the result patterns indicate very low proportion of representation of women in elected positions (11% of parliament representation and 6% councillors) and the voter register tends to leave out women, persons with disabilities and youth. In addressing this, the programme will adopt a multifaceted approach to improve women participation and targeting political parties, public and private organisations and CSOs.

3.3.2.3 Enhanced transparency, accountability and effectiveness in management of resources and enhanced compliance with international norms and standards

PFM is an important enabler of two mutually reinforcing objectives: improved accountability, and better, more equitable service delivery. Zambia still faces many challenges in public financial management related to budget discipline and the implementation of the budget as pointed out by the 2012 PEFA assessment. The executive tends to rely considerably on the use of supplementary appropriations and in-year budget amendments, which reduces the credibility and efficiency of the process. The EU will build on its 2013 PFM accountability programme centred on (i) strengthening parliamentary control of the budget; (ii) capacity development for government accountants and civil servants dealing with PFM; (iii) improving Government monitoring and evaluation and, (iv) strengthening the capacities of the Ministry of Mines to control mineral production. Expected results include improved budget preparation, execution and transparency; reinforced capacity to assess infrastructure projects; improved procurement; and broadening the Government revenue base, notably through better management of land and mineral resources and possibly through increasing access new sources of financing such as climate change financing. This support will invest in developing the capacity of Parliament, the private sector, and civil society organisations to influence and monitor Governments performance. Going forward, support to the PFM reform agenda may include utilisation of a mix of project and sector budget support instruments, coordinated with other Cooperating Partners.

In addition, the EU will provide capacity development in areas linked to compliance with international norms and standards (such as for instance EU as rules and regulations), particularly in areas that can make significant contributions to economic growth (such as for instance trade, civil aviation etc.).

3.3.3 Main indicators

The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Annex 3.

3.3.4 Donor coordination and policy dialogue

Coordination takes place in the Coordinating Partners Group and in the Cooperating Partners governance group. The Joint Assistance Strategy for Zambia 2011-2015 (JASZ) identifies good governance as being critical for national development plans to be achieved, and that Cooperating Partner support will focus on enhancing accountability, improving access to justice, and promoting respect for human rights. The EU is a member of the Cooperating Partner group on Governance and will take the lead in 2014.

- **Justice:** The EU and German support for access to justice and judicial reform is the main contribution to justice sector reform. Germany, Norway and Sweden support CSOs to systematize legal aid and intensify reform of the justice sector. The Investment Climate Facility has also given targeted support to the justice system by introducing computerized case management systems at selected courts. In future, continued Germany support and coordination with the EU are likely.
- **Elections:** Since 2006, the EU has supported the Zambian electoral process along with Canada, Finland, Netherlands, UK, USA and UNDP through a trust fund managed by UNDP. Germany, DfID and National Democratic Institute also carried out complementary projects.
- **Resources management:** The EU, Germany, Finland, Norway, the UK, Sweden, Ireland, USA Treasury Department, UNDP, the World Bank, the African Development Bank and the IMF support Government in the area of public financial management, mainly in the form of policy advice and technical assistance. The Poverty Reduction Budget Support dialogue has been one of the most important policy dialogue forums between Cooperating Partners and Government. Furthermore the new PFM strategy has offered a venue for discussion on the prioritisation and support for government PFM reform agenda for 2013-15. As most donors are moving away from General Budget Support, we propose to maintain Sector Budget Support focused on macroeconomic issues and PFM to support the Ministry of Finance and maintain a high-level dialogue on these fundamental issues.

3.3.5 Government's policy and financial commitments

See section 1.2.3. for policy commitments. As for Government's financial commitments, they represent the bulk of the sector's resources, give that Official Development Assistance represents only 6% of the national budget in Zambia.

3.3.6 Overall risk assessment of the sector intervention

RISK	MITIGATION MEASURE
Policy/political risk Government priorities may shift: for example, the Constitution review process could impact on policies; the Access to Justice Strategy has yet to be formally adopted; a new Justice Sector Reform Strategy may impact on the Access to Justice Strategy; and there could be a shift in priority given to the PFM reform strategy	<ul style="list-style-type: none"> - EUD to continue to engage with Government and Cooperating Partners in political and policy dialogue on judicial and PFM reform to define priorities and related assistance. - EU to build in some flexibility in programming.
Technical risk Risk of governance support becoming insufficiently targeted over time Inadequate capacity to institutionalize appropriate monitoring arrangements	<ul style="list-style-type: none"> - Strong assessment of the impact of the various intervention in the governance sector - M&E arrangements to receive particular attention at identification stage
Financial risk Some of the intervention may result in an increase on demand which exceeds financing capacity of the government	<ul style="list-style-type: none"> - Increased focus on assessing financial sustainability of project
implementation risk <ul style="list-style-type: none"> - Vested interests and resistance to reform - Insufficient sequencing of PFM reforms and coordination of Cooperating Partners assistance 	<ul style="list-style-type: none"> - EUD to engage in political economy analysis in areas of most likely resistance to change, to promote transparency in public affairs and coordinate with other Cooperating Partners - EUD to continue to engage with Government and Cooperating Partners on the priorities of the PFM

	reform and definition of related assistance.
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4 MEASURES IN FAVOUR OF CIVIL SOCIETY

No specific resources are set aside for support to civil society organisations, as this will be integral to programming in the three concentration sectors, where support to civil society and the private sector is foreseen (see para. 3.1.2.3, para. 3.2.2.2, , para. 3.3.2.1, para. 3.3.2.2). Other support will be provided through DCI and thematic programmes which seems more appropriate to finance sensitive issues.

5 B-ALLOCATION

No B-allocation is set aside.

6 SUPPORT MEASURES

6.1 Measures to support or accompany the programming, preparation or implementation of actions *(Indicative amount EUR 30 million)*

Technical support programmes which aim to support or accompany the programming, preparation and implementation of futures actions will also benefit from 11th EDF funds.

6.2 Support to the National Authorising Officer

Support to the National Authorising Officer will be part of the activities funded by technical support programmes (see point above).

7 ANNEXES

1. Country at a glance
2. Donor matrix showing the indicative allocations per sector
3. Sector intervention framework and performance indicators
4. Consultations with Government, Non-State Actors and Private Sector
5. Indicative timetable for commitment of funds

7.1 Annex 1. Country at a glance

<p>Country at a glance Country Rank: LMC (<i>since 2011</i>) Human development index²⁹: <i>low, at 0.448 (2012),—positioning the country at 163 out of 187 countries and territories, and below the SSA average of 0.475</i> GDP per Capita 2012³⁰: 1,457 Population: 13.9m (2012) (<i>rural-urban ratio 65/35% urban, 59% are small-scale farmers, 66% under 25</i>) Maternal mortality (483 per 100,000), stunting of children (45%) and under-five mortality (137 per 1,000): <i>below the African low-income countries average</i> Inequality: <i>increased from Gini coefficient from 0.60 in 2006 to 0.65 in 2010</i> Access to electricity: <i>3% of rural, and 25% of urban households have</i> Ease of Doing Business Index 2012: 84th out of 183. Red Flags for Food Security³¹: Y Fragility according to OECD list of fragile states³²: N Member of the G7+ initiative for fragility³³: N New Deal pilot country or assimilate: N</p>	<p>EU position in the country EU Rank (volume of aid in the country³⁴): 2, after the U.S. Number of donors in the country (including multilaterals): 22 EU^a/o of ODA in the country: 8% (2011, OECD data) EU allocation for current MFF: EUR 519 M</p>
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Annual Budget figures ³⁵	2008	2009	2010	2011	2012	2013 (p)	2014 (p)	2015 (p)
GDP (Kwacha, m)	51,559.00	60,154.00	77,667.00	93,344.00	105,983.00	120,952.00	139,113.00	158,275.00
GDP (EUR, m)	7,261.83	8,472.39	10,939.01	13,147.04	14,927.18	17,035.49	19,593.38	22,292.25
Expenditure	13761.4	15279	16717.8	20537.4	27698.2	31,685	38,296	39,045
Domestic revenue	9828.5	10645.9	12107.1	15769.1	19976	24,754	29,841	35,405
Grants and loans	3314.2	3564.1	3123.7	3548.5	6398	5075	6177	951
Grants	2278.9	2768.6	2426.6	1587.7	1894.4	1,525	2,118	1,580
Domestic borrowing	618.7	1069	1487	1219.8	1324.3	1,863	2,277	2,690
Foreign borrowing	1035.3	795.5	697.1	1960.8	4503.6	3,550	4,059	-629
Fiscal deficit (incl. grants)	1654	1864.5	2184.1	3180.6	5827.8	5406	6337	2060
Fiscal deficit (excl. grants)	3932.9	4633.1	4610.7	4768.3	7722.2	6931	8455	3640
Wage Bill	4133.15	5263.475	6004.926	7391.733	8600	11,035	15408	15843

²⁹ <http://hdr.undp.org/en/data/profiles/>

³⁰ IMF Article IV data, July 2012

³¹ Note DOS-FF, Sustainable agriculture and food security in development cooperation for 2014-2020, ARES(814817)

³² <http://stats.oecd.org/qwids/>

³³ <http://www.g7plus.org/>

³⁴ <http://stats.oecd.org/qwids/>

³⁵ IMF data (Article IV Mission, September 2013).

Trade (Zambia's biggest import partners are: South Africa, DRC, China, EU and Kuwait. Its biggest export partners are China, Switzerland, EU, South Africa and DRC. In 2012, copper contributed around 10% to Zambia's GDP and around 80% of export earnings).

According to the EIU 2013 report, the predominance of copper in the export basket will continue to expose the currency to external shocks, the risk of which remains substantial.

		2007	2008	2009	2010	2011	2012
1	EU trade with Zambia (EUR millions) ³⁶						
	Import Export Balance		453 257 -196	233 181 -52	213 271 58	503 395 -108	454 483 29
2	Zambia trade with EU (EUR millions)						
	Import Export Balance		348 223 -125	276 150 -126	366 223 -143	417 426 8	493 400 -93
3	Average cost to export ³⁷ (US\$ cost to export/container)	2,098	2,098	2,664	2,664	2,678	2,765
4	Global competitiveness index ³⁸	3.2 [118th] (200607)	3.3 [122th] (2007-08)	3.5 [112th] (2009-10)	3.5 [115th] (2010-11)	3.67 [113th] (20112012)	3.8 [102 nd] (20122013)

³⁶ Source: http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113466.pdf

³⁷ World Bank Data website.

³⁸ As the number of total countries increases each year, both score and ranking is provided.

MDG Indicators for Zambia (updated from MDG 2013 Progress Report)

Goal	Target	Indicator	Latest figure	2015 Target	Will Target be Achieved?
MDG 1: Eradicate Extreme Poverty and Hunger	Target 1.A: Halve, between 1990 and 2015, the proportion of people living in extreme poverty	Proportion of population in extreme poverty (%)	51	29	Significant reform and investments needed
		Poverty Gap Ratio (%) (Rural)	37.9 (2010)	34.8 (2010)	
	Target 1.C: Halve, between 1990 and 2015, the proportion of people who suffer from hunger	Prevalence of underweight children U-5 (%)	13.3 (2010)	12.5	Acceleration required
MDG 2: Achieve Universal Primary Education	Target 2.A: Ensure that by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	Primary school net enrolment rate (%)	93.7 (2010)	100	Yes
		Pupils reaching Grade 7 (%)	90.9 (2010)	100	Acceleration required
		Literacy rates: 15-24 year olds (%)	88.7 (2010)	100	Acceleration required
MDG 3: Promote Gender Equality	Target 3.A: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015	Ratio of girls to boys in primary education	0.99 (2010)	1	Yes
		Ratio of girls to boys in secondary education	0.86 (2010)	1	Acceleration required
		Ratio of girls to boys in tertiary education	0.75 (2010)	1	Acceleration required
		Ratio of literate women to men 15-24 years old	0.8 (2009)	1	Acceleration required
		Share of women in wage employment (%)	0.34 (2005)	-	-
		% of seats held by women in parliament	11.4 (2010)	30	Significant reform and investments needed
MDG 4: Reduce Child Mortality	Target 4.A: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate	U-5 mortality (deaths per 1,000 live births)	137.6 (2010)	63.6	Acceleration required
		Infant mortality (deaths per 1,000 live births)	76.2 (2010)	35.7	Acceleration required
		One-year olds immunized against measles (%)	94 (2010)	100	Acceleration required
MDG 5: Improve Maternal Health	Target 5.A: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio	Maternal mortality ratio per 100,000 live births	483 (2010)	162.3	Significant reforms and investments needed
		Births attended by skilled personnel (%)	44 (2010)	-	Investments needed
	Target 5.B: Achieve, by 2015, universal access to reproductive health	Contraceptive prevalence rate (%)	24.6 (2007)	-	-
MDG 6: Combat HIV/AIDS, Malaria and other Major Diseases	Target 6.A: Have halted by 2015, and begun to reverse the spread of HIV/AIDS	HIV prevalence rate (%)	14.3 (2007)	<15.6	Yes
		% of population (15-24 years) with comprehensive, correct knowledge of HIV/AIDS	40.2 (2009)	-	-
		Ratio of school attendance of orphans to non-orphans (10-24 years) (%)	92 (2009)	100	Yes
	Target 6.B: Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it	Proportion of population with advanced HIV infection with access to ARVs	77.6 (2011)	80	Yes
	Target 6.C: Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases	New malaria cases per 1,000 population	330 (2010)	<255	Acceleration required
		Malaria fatality rate per 1,000 population	34 (2010)	11	Acceleration required
Goal	Target	Indicator	Latest Figure	2015 Target	Will Target be Achieved under the Present Trend?
		Households with ITNs (%)	64.3 (2010)	-	Yes

MDG 7: Ensure Environmental Sustainability	Target 7.A: Integrate the principles of sustainable development into country policies and programmes and reverse loss of environmental resources	Land covered by forests (%)	49.9 (2010)	-	-
		Land protected to maintain biological diversity (%)	41 (2010)	-	-
		Carbon dioxide emissions (MT per capita)	17.4 (2009)	-	-
		Proportion of population using solid fuels (%)	82.9 (2010)	-	-
		Proportion of population without access to an improved drinking water source (%)	36.9 (2010)	25.5	Acceleration required
MDG 8: Develop a Global Partnership for Development	Target 7.C: Halve by 2015 the proportion of the population without sustainable access to safe drinking water and basic sanitation	Proportion of population without access to improved sanitation facilities (%)	67.3	13	Significant reforms and investments needed
		Official development assistance (US\$ m)	480.16 (2010)	-	-
		Access to markets in developed countries	-	-	-
		Foreign direct investment (US\$ m)	1,100 (2011)	-	-
		Fixed telephone lines per 1,000 people	7	-	-
		Cellular subscribers per 1,000 people	620 (approx. x, 2011)		

Annex 2. Donor matrix showing the indicative allocations per sector

Donor	Year, with details of country strategy and focal sectors (where available) See text on joint programming.						
	2012-2013	2014-2015	2016	2017	2018	2019	2020
EU	EDF 10 (2008-2013, 519m EUR) - GBS, Transport, Agriculture, Health.	EDF 11 (2014-2020, 484m EUR) - Energy (244m EUR), Agriculture (110m EUR), Governance (90m EUR)					
UK	Operational Plan 2011-2015, £235m Wealth Creation £44m, Governance £38m Education £27m, Health £65m, Watsan £22m, Hunger £37m, Budget Support/PPM (DFID Operational Plan)						
SWE		Country Strategy 2013-2017, \$266m - Infrastructure (\$3m in 2013), Forestry and Agriculture (\$6m in 2013), Health (\$22m in 2013), Democracy (\$12m in 2013)					
IRE		Country Strategy 2013-2017. Reducing vulnerability (including nutrition, health): 31m EUR, Improving service delivery (private sector, education): 34.4m EUR					
FIN		Country Strategy 2013-2016, 60m EUR Agriculture (15m EUR), Private Sector Development (9m EUR), Environment/Natural Resources (7m EUR) and Governance (including budget/PPM) (19m EUR)					
FRA	No country strategy, however it facilitates concessional lending through EIB, EU, AfDB for energy, transport, water and agriculture						
DEU	Bilateral Agreement 2011-2013, 82m EUR Budget Support, Watsan, Governance	Bilateral agreement 2014-2017					
JAP	No country strategy, but Japan a key player in energy and infrastructure. OECD data indicates annual assistance at approximately 46m USD (2011).						
US	Country Strategy 2011-2015. 2014 projection is \$362m (Health/HIV \$351m, Education \$3.1m, Economic Development \$2m, Environment \$5m. 2015 support not available.						
AfDB	Country Strategy Paper 2011-2015, approx. 260m U.A. Energy (115m), Transport (112m). Budget Support (35m)						Country Strategy Paper (2016-2020) Likely to focus on Infrastructure, Energy, and agriculture
World Bank		Country Assistance Strategy 2013-16, \$400m approx. Energy, Transport, Watsan, Environment					
UN	Dev. Assistance Framework 2011-2015, \$336m Gender, Governance, Health, HIV/AIDS, Social Protection and Environment						

ANNEX 2B: DIVISION OF LABOUR (UPDATED NOVEMBER 2013)

Annex 3. Sector intervention framework and performance indicators

Note: All targets are based on current data available and subject to feasibility, identification and assessment studies. Where baselines or targets are not available, these will be determined at project formulation stage. Every time it is possible and meaningful indicators will be disaggregated by gender.

SECTOR 1 : "CLEAN, RELIABLE AND AFFORDABLE ENERGY FOR ALL"

EXPECTED RESULTS	INDICATORS	MEANS OF VERIFICATION
Outcome 1: Improved renewable-friendly energy policies and effective energy institutions	Status of revision and adoption of energy policies (among others the 2008 Energy Policy) by Government Target: Energy Policies reviewed and adopted (2020)	Annual reports from Ministry of Mines, Energy and Water Development
Output 1A: Better and more inclusive policies	1A1) Status of tariff structure Target (2020): reviewed, thoroughly analysed and alternative structures proposed 1A2) Extend to which gender is considered in national policies and plans in the energy sector Baseline : little focus on gender in those policies and documents Target : Evidence of gender mainstreaming into national policies and plans, in line with Government's gender strategy for the energy sector 1A3) Status of legal framework for private sector investment Target 2020 : reviewed and more efficient/attractive for investors	Updates/reviews endorsed by Government
Output 1B: Better performing energy institutions	1B1) Status of Energy institutions, (strategy and development plan and M&E systems) Target (2020) : Institutions reinforced with strategy and development plan within realistic budgets and Robust M&E system, including ability to gather data on access to electricity broken down by sex and income bracket	Detailed assessment of capacity needs; capacity development plan developed and costed Certification / re-certification issued, Ministry of Energy

EXPECTED RESULTS	INDICATORS	MEANS OF VERIFICATION
Output 1C: Better use of evidence through uptake of feasibility studies and pilots	1C1) Status of feasibility studies for key mini hydropower stations and solar voltaic systems, and other renewable sources of energy including gender dimensions Target (2020) : completed 1C2) Status of new approaches and new technologies for clean, reliable and affordable energies for underserved rural areas piloted (solar, hydropower and other renewable energy) Target : Adopted Target: Achieved (2020)	Project study reports
Outcome 2: Increased and reliable supply of clean energy	Electricity generation capacity in MW in Zambia Baseline: 1,989 (2012); Target: preserved and increased as a result of EU support (by at least 1000 MW by 2016 (Revised SNDP) Annual unplanned outages Baseline: 128 hours per customer (2009); Target: less than 5 hours per customer by 2016 (RSNDP). See indicator for outcome 2	Annual Reports from Ministry of Energy and Water Development
Output 2A: Increase and or maintained level of supply of energy		
Output 2B: Greater capacity of Zambia to attract private and public investors	2B1) Status of studies for production projects and status of main production projects in the pipeline Target 2017: Studies for the implementation of the policy/plan have been carried under supervision of the Government Target 2020 : Feasible and economically viable priority projects approved and launched	Annual reports from Ministry of Mines, Energy and Water Development
Output 2C: Reduction in reliance on biomass	2C1) Share of wood fuel as a source of energy Baseline: 70% (Oct 2013); Target: 40% (Vision 2030)	Annual reports from Ministry of Mines, Energy and Water Development

EXPECTED RESULTS	INDICATORS	MEANS OF VERIFICATION
Outcome 3: Improved access to electricity for all	<p>Number of households with access to sustainable energy services Baseline: 3% (2012/13); Target: 8% (2016) - rural access (RSNDP target) Baseline: 25% (2012/13); Target: 30% (2016) - national access (RSNDP target)</p> <p>3A2) Number of additional people with access to secure electricity (regions to be determined) as a result of EU support, including (2A2i) in rural areas and (2A2ii) in low-income urban areas Baseline : 0 (2014) Target: 1.5 million (2022)</p>	Annual reports from Ministry of Mines, Energy and Water Development
Output 3A: Distribution network upgraded and extended	<p>3A1) Distribution loss of networks targeted by EU support Baseline: 26% (2009); Target: less than 14% (2015)</p>	<p>Certificates of completion</p> <p>Annual Reports from Ministry of Mines, Energy and Water</p>
Output 3B: Low-income households connected to electricity	<p>3B1) Number of additional people/households connected and subsidised nation-wide as a result of EU support Baseline: 0 (2014); Target: 700,000 people/ 100,000 households (2022)</p>	Zesco contracts signed by type of beneficiary and geographical situation

SECTOR 2: REDUCED RURAL POVERTY AND IMPROVED LIVELIHOODS

EXPECTED RESULTS	INDICATORS	MEANS OF VERIFICATION
Outcome 1: Improved and sustainable rural livelihoods	<p>Incidence of rural poverty Baseline: 77% (2011, NAIP 2014-2018). Target: 50% by 2018. (NAIP)</p> <p>% of small-scale farmers with access to financial services Baseline: 13% (2012). Target: 30% by 2018 (MAL data and target)</p> <p>% of female farmers with access to agricultural inputs, assets and services Target and baseline to be determined at formulation</p> <p>Status of Agriculture Service Centres for improved access to services and markets Target : Agriculture Service Centres established and operational (the target is going to the refined at formulation stage)</p>	<p>Living Conditions Monitoring Survey, MAL</p> <p>Agriculture Service Centres</p>
Outcome 2: Improved nutrition and food security	<p>% of children under 5 years who are stunted Baseline: 46% (MDG Report 2013). Target: 30% by 2018</p> <p>Yields per hectare for maize and soya beans under conservation farming Baseline: 1.9MT and 1.48MT (maize, soya, 2012). Target: 4MT and 2MT (maize, soya, 2016)</p> <p>Crop diversification index Baseline: 1.04 in 2012. Target 0.83 in 2016 (R-SNDP, 2013-2016)</p>	MDG Report, UNDP
Outcome 3: Improved environmental sustainability	<p>Number of farmers practicing conservation agriculture Baseline: 300,000 in 2012. Target: 500,000 by 2018 (RSNDP)</p> <p>Soil Erosion Rate (Tonne/Ha/year) Baseline: 20 in 2011. Target: 10 in 2018 (NAIP 2014-2018)</p>	MAL

**SECTOR 3: CONSOLIDATING DEMOCRATIC ACCOUNTABILITY AND STATE EFFECTIVENESS
FOR ALL**

EXPECTED RESULTS	INDICATORS	MEANS OF VERIFICATION
Outcome 1: Improved justice delivery for all and promotion of human rights	<p>Average time taken to dispose cases (aggregate). Baseline: to be determined. Target: Reduced time compared to the baseline by 2020 before the Courts of Law.</p> <p>% of remand prisoners awaiting trial of total in prison Baseline 30% (2013, Access to Justice Strategy/MoJ). Target: 10% by 2020 (MoJ)</p> <p>% of defendants and plaintiffs receiving legal assistance at all stages of criminal proceedings (by gender, age and income and whether victim of Gender Based Violence) Baseline and target to be determined at project formulation.</p>	<p>WG1 rule of law indicator (aggregates 16 sources including judicial independence, fairness of judicial process, etc.)</p> <p>MoJ data on case disposal rates and legal assistance.</p>
Outcome 2: A credible electoral process and consolidated constitutional democracy	<p>Extent to which elections are credible (EIU Democracy Index and assessment of EU Electoral Observer Mission).</p> <p>% of female MPs Baseline: 14% (2011). Target: 30% by 2020 (Government target)</p> <p>Accuracy of register of voters Baseline: Broad confidence with some anomalies (EOM assessment 2011). Target: To be determined during project formulation.</p> <p>% eligible voter participation in elections Baseline: 54% in 2011 (EOM). Target: 80% in 2020 (MoJ target)</p>	<p>EU EOM</p> <p>EIU Democracy Index, and Report of Electoral Observer Missions</p> <p>Internal ECZ monitoring system</p>
Outcome 3: Enhanced transparency, accountability and effectiveness in management of resources and enhanced compliance with international norms and standards	<p>Extent of Budget Credibility: (PEFA indicators in the cluster A) Baseline: PEFA assessment in 2012 for indicators in the cluster between D and A.</p> <p>Rankings on Open Budget Index Baseline: #4 in 2012, #36 in 2010. Target: #50 by 2020</p> <p>Tax revenue as % of GDP Baseline 2012: 19.5% of GDP. Target of GRZ (2014 budget speech): 23% of GDP in 2016</p>	<p>PEFA assessment. Open Budget Index Ministry of Finance</p>

The results, indicators and means of verification specified in the present annex may need to evolve to take into account changes intervening during the programming period.

Annex 4: Consultations with Government, Non-State Actors and Private Sector
EU Delegation to Zambia | Consultations In 2013 undertaken for 11th EDF MIP (second phase)

March	April	May	June	July	August	September	October	November
ENERGY								
				JICA 11/07/13		SIDA (03/08/2013 & 19/09/2013); World Bank (04/09/2013 & 30/10/2013); REA (03/08/2013 & 15/10/2013); OPPPIU (03/09/13); ZESCO (03/09/2013 & 15/10/2013); Department of Energy (03/09/2013 & 19/09/2013 & 27/09/2013 & 15/10/2013); Ministry of Energy (03/09/2013 & 15/10/2013); ERB (03/09/2013 & 15/10/2013); KfW (18/10/13)		Civil society and private sector information session (26/11/13)
AGRICULTURE								
		DFID Governance Team (31/05/2013)				NAO, with Ministries of Home Affairs, Justice, Lands and Natural Resources (24/09/2013&08/09/2013)	GIZ, and Danish Institute for Human Rights PFM consultations with Accountant General (08/10/13) and Auditor General, Budget office and National Assembly (18/10/2013)	Civil society and private sector information session (28/11/13)
Open meetings on Conservation Agriculture, nutrition, and private sector dev. (26/03/2013 - 28/03/2013)			Meeting with Deputy Director, Policy Planning, MAL (27/06/2013)	Meetings with MAL principals on policy, livestock, research, vet services and performance. (12/07/2013) ZNFU 29/07/2013)	Meeting with MAL Land Husbandry (12/08/2013)	Meetings on nutrition with MAL director, MAL Food and Nutrition Unit, NFNC, civil society and MCDMCH (02/09/2013-05/09/2013).	MAL policy planning meeting on 7/10/13. Presentation of MIP to PS of Agriculture, 23/10/13	Civil society and private sector NIP information sessions at the EU Delegation (26/11/13)
Consultant working on agriculture scoping study (Feb-August 2013) - this involved numerous consultations with relevant Gov. ministries								
HIGH-LEVEL								
							Consultation with Member States (17/10/2013). Secretary to the Treasury/NAO (28/10/2013)	

7.2 Annex 5. Indicative timetable for commitments

	Indicative allocation	2014	2015	2016	2017	2018	2019	2020
SECTOR ^M Improved access to clean, reliable and affordable energy"	244 M EUR	74	0	80	90	0	0	0
SECTOR "Reduced rural poverty and improved livelihoods"	110 M EUR	0	25	25	60	0	0	0
SECTOR "Reinforcing democratic accountability, transparency and state effectiveness for all"	100 M EUR	0	20	50	30	0	0	0
Support measures	30 M EUR	0	0	15	15	0	0	0
- Measures to support or accompany the programming, preparation or implementation of actions								
- Including support programmes for the National Authorising Office								
Total Commitments	484 M EUR	74	45	170	195	0	0	0

⁴ December 2006 (source Vision 2030)

