

EN

EN

EN

## Annex I

### 1. IDENTIFICATION

Title/Number	Rehabilitation of the Great East Road CRIS decision number FED/022-409		
Total cost	EUR 111 000 000 EU contribution EUR 38 000 000 (10 <sup>th</sup> European Development Fund) Government of Zambia contribution EUR 73 000 000		
Aid method / Method of implementation	Project approach / Partially decentralised management		
DAC-code	21020	Sector	Road Transport

### 2. RATIONALE

#### 2.1. Sector context

The Fifth National Development Plan (FNDP) (2006-2010), as well as the Sixth National Development Plan (SNDP) currently under preparation, recognises the road transport sector as a key driver for the socio-economic development of the country. In line with this strategic orientation, the key public spending priorities over the 2009-2011 Medium-Term Expenditure Framework include road infrastructure to accelerate growth in line with the focus of the FNDP.

The Road Sector Investment Programme (ROADSIP II) spanning from 2004 to 2013 was designed to provide the strategic sector framework based on the 2002 Transport Policy and the 2003 letter of road sector policy with an estimated cost of USD 1.6 billion for a 10-year period. ROADSIP II is implemented through Annual Work Plans based on domestic and foreign financing.

Zambia has a classified and non-classified road network of roughly 67,000 km. The Sector Institutional architecture mandates the Road Development Agency (RDA) for the management of the network whilst the National Road Fund Agency (NRFA) is mandated with resource allocation and resource administration against network needs. The third sector agency, the Road Traffic and Safety Agency (RTSA) is mandated for road traffic and road safety management as well as motor vehicle licensing. The responsibility for sector policy is separated from the road agencies and lies with the Ministry of Communication and Transport (MCT) following the guidance of the "Road Maintenance Initiative" under the Sub-Saharan Transport Programme.

ROADSIP II defines a "Core Road Network" of some 40,000 km which is given priority for maintenance and other interventions as it is recognised as being essential for the socio-economic development of the country. The Core Road Network includes some 7,200 km of paved and 32,800 km of unpaved roads. The Core Road Network comprises Trunk, Main, District, Urban and Primary Feeder Roads.

The mid-term review of the sector programme completed in September 2009 after considerable delays, reveals the following key findings:

- In the first five years of ROADSIP II, receipts derived from the fuel levy increased by 187% while Government Treasury allocation to the road sector dropped by 60% resulting in the achievement of only 85% of the planned cash disbursement from domestic resources. During the same time, external funding to the sector by Cooperating Partners only reached 40% of its expected level. The total financial performance indicates the achievement of only 42% against programmed expenditures.
- Looking at network performance, the programmed condition mix of 95% of paved roads and 49% of unpaved roads in good and fair condition by 2009 could only partially be met. Whilst the paved network is performing reasonably well with some 94% of roads in good and fair condition, the

unpaved road network is seriously lagging behind showing only some 21% of roads in good and fair condition according to the latest road condition survey of the year 2009.

- The level of projected funding up to the end of ROADSIP II is estimated at some USD 1.74 billion which would limit the implementation to less than half of the Core Road Network requirements. A funding gap of some USD 2.3 billion against an unconstrained programme need of USD 4 billion, tailored to meet the original ROADSIP II (Core Road Network in a sustainable condition) targets by the end of 2014, was calculated.
- Revenue levels arising from the fuel levy and other road user charges meet the criteria of being ring-fenced and show a satisfactory trend of being 100% remitted to the road sector for the use of maintenance. However, funding levels are not sufficient to cover the entire routine and periodic maintenance needs of the Core Road Network.
- The sector absorption capacity to implement Annual Work Plans is limited and shows on average a rate of 50-60% absorption only.
- Lack of competition can be noted in the sector over the last years, which has mainly arisen from a withdrawal of South African contractors from the Zambian market, in view of the 2010 International Federation of Football Associations (FIFA) World Cup preparation and its enormous infrastructure challenges. This has led to a monopoly of some 4 contractors in Zambia, dominated by Chinese companies, with consequently high costs of doing road works plaguing the sector.

Based on the mid-term review conclusions, it is obvious that the roads sector strategy needs an entire revision in view of what can realistically be achieved under a constrained sector financial framework. In consequence, the need for an entire review of the ROADSIP II is indispensable in view of ensuring that the sector programme fulfils its key requirements of realism, affordability and sustainability. Particularly, the definition of a sustainable Core Road Network length in view of economic but also poverty and rural service delivery aspects are considered as the major challenges the sector is presently facing.

Apart from the aforementioned challenges, the sector has been overshadowed by the results of a comprehensive financial, technical and procurement audit under the Office of the Auditor General following Cooperating Partners' serious concern on sector specific Public Finance Management (PFM) issues raised during the April 2009 Joint Donor Forum. This development led to the majority of Cooperating Partners putting on hold funding for new road projects including the release of the Sector Policy Support Programme tranches I and II (sector budget support). The audit findings in summary reveal (i) mismanagement of resources and disregard of Annual Work Plans, (ii) irregularities in procurement, (iii) sub-standard execution of road works, (iv) unsubstantiated payments to contractors and (v) the non-observation of Regulations and Acts governing the sector. The Government's immediate response to the audit findings was a change of the Permanent Secretary of the Ministry of Works and Supplies, the dissolution of the Boards of the NRFA and RDA in April 2010. The development of a remedial action plan has been agreed between the Government of Zambia and Cooperating Partners to address the identified weaknesses in the short, medium and long-term and to ensure that all measures are put in place to prevent a repetition of the shortcomings in the future. Adherence to this remedial action plan will be thus a key objective for the sector which requires tight monitoring from the Cooperating Partners.

In summary, to allow the road transport sector to be placed on a sustainable footing again and to re-engage in a sector reform progress, it is indispensable for Government to take appropriate actions with regard to (1) preparing a revised bankable ROADSIP II, (2) follow-up on recommendations from the upcoming institutional review study and (3) adhere to the remedial action plan arising from the sector audit which will form the new road sector management plan for both Cooperating Partners and the Government of Zambia. Cooperating Partners expressed their willingness to support any Government efforts in this respect if requested to do so.

## **2.2. Lessons learnt**

Lessons learnt from previous projects, in particular from the Office of the Auditor General's road audits 2008-2009, have been mainly incorporated into the project design through:

- Application of the Southern African Transport and Communication Commission standards and specifications to the technical detailed design;
- Sound project procurement and supervision, ensured by applying the 10<sup>th</sup> EDF procedures and 10<sup>th</sup> EDF-funded supervisions services;
- Independent technical and financial audits will be carried out quarterly to assure quality control;
- Road safety issue addressed by incorporation of technical improvements in the detailed design and implementation of prevention and education campaigns before, during and after the works;
- Mainstreaming of cross-cutting issues (environment, gender, HIV/Aids) by implementation of specific accompanying measures during the project and provision of dedicated staff within the works and supervision contracts.

### **2.3. Complementary actions**

The rehabilitation of the Great East Road is part of a multi-national and multi-modal corridor approach which has been developed within a dialogue led by the Government of Zambia under ROADSIP II. The Great East Road in Zambia is part of the Nacala regional corridor going from Lusaka in Zambia to Nacala port in Mozambique through Malawi. The Great East Road also feeds the North-South regional corridor.

The Development of the Nacala Corridor (NC) as a whole is led by the African Development Bank (AfDB). In this context, the AfDB will specifically finance the rehabilitation of the following sections of the Great East Road: Nyimba-Petauke (67.7km) and Petauke-Sinda (47km). Commencement of works for both AfDB and European Union (EU)-Government of Zambia interventions should be at the same time. The same Southern African Transport and Communication Commission standards will be applied for the technical specifications (see section 3.2).

Furthermore:

- The Japan International Cooperation Agency is funding on-going or planned interventions in Mozambique on the Nacala regional corridor and is interested to finance studies for the Luangwa Bridge on the Great East Road;
- The World Bank is funding works on Feeder Roads linking to the Great East Road in Katete and Chipata Districts;
- The Government of Zambia is upgrading the Chipata-Mfuwe Road (main access from the Great East Road to national game parks in the Luangwa Valley).

The project also complements planned inter-modal linkages with the Nacala railway through construction of a dry port in Chipata. An EU-funded prefeasibility study for the dry port was completed in 2009 and indicated the project would be economically viable provided that necessary investments on the rail line in Malawi and Mozambique as well as at Nacala Port itself are made. A feasibility study under EU funding should be carried out in 2010/2011. The Mwami-Chipata railway line is expected to be completed by the end of 2010 by the Government of Zambia.

At last, the project complements similar recent and on-going interventions on other trunk roads of the North-South regional corridor in Zambia such as the rehabilitation of sections of:

- The Monze-Zimba road under the 8<sup>th</sup> EDF, Zimba-Livingstone road under the 9<sup>th</sup> EDF (ongoing);
- The Kafue-Chirundu road with the World Bank (WB), Kabwe-Kapiri Mposhi road under the 8<sup>th</sup> EDF.

### **2.4. Donor coordination**

Three major fora in the sector for the Cooperating Partners/Government of Zambia dialogue are established which comprise: (i) The Road Sector Investment Programme II steering committee meetings on a quarterly basis, (2) bi-annual Joint Donor Fora at policy level and operational level between Cooperating Partners and the committee of Permanent Secretaries of the Road Management Initiative and (3) Sector Advisory Group meetings to monitor the implementation of the Fifth National Development Plan at sector level under the Joint Assistance Strategy for Zambia and the preparation of the Sixth National Development Plan. The main Cooperating Partners are the World Bank, Denmark, Germany, Japan, the African Development Bank and the EU (lead donor). The European Investment Bank (EIB) is represented in Zambia through its regional representation in Pretoria, and its

activity on the ground is complemented by close cooperation with the EU Delegation in Zambia, hence EIB's position in the sector is fully aligned with that of the EU.

### **3. DESCRIPTION**

#### **3.1. Objectives**

The overall objective of the proposed EU support is to promote equitable economic growth and regional integration in Zambia through the development of the North-South and Nacala regional corridors.

The purpose is to contribute to the objectives of ROADSIP II through the establishment of a safe and sustainable national public core road network with improved traffic conditions and road safety, lower operating costs and time savings on the Great East Road in Zambia.

#### **3.2. Expected results and main activities**

The expected result of the proposed project is that the Great East Road trunk road between Luangwa bridge and Mwami border rehabilitated according to Southern African Transport and Communication Commission standards to maintainable and safe conditions with a technical life extended by 20 years.

The corresponding output indicator is "By the end of the project, 100% of the Great East Road trunk road between Luangwa bridge and Mwami border is in good condition".

The sources of verification will be: Road Development Agency road network condition surveys, Supervision of civil works reports, final acceptance certificate, evaluations and technical and financial audits reports.

The planned activities under EU-Government of Zambia co-funding to achieve the result are the following:

- civil works for 162.8 km of road rehabilitation for four sections of the Great East Road between
  - Luangwa & Nyimba (99km),
  - Sinda & Katete (40km),
  - Chipata Town (4.7km) and
  - Chipata & Mwami border (19.1km);
- Implementation of cross-cutting accompanying measures;
- Supervision of civil works and implementation of cross-cutting accompanying measures;
- Visibility actions for the EU funding;
- Technical & financial audits;
- Evaluations.

The civil works will be tendered into two lots:

- Lot 1: Luangwa-Nyimba (99km);
- Lot 2: Sinda-Katete (40km), Chipata Town (4.7km) and Chipata-Mwami Border (19.1km).

For procurement procedures, see section 4.2.

The road will be upgraded to a standard cross-section from 2x3.05m to 2x3.4m with 2x1.5m wide sealed shoulders with 0.3 shoulder rounding, in line with Southern African Transport and Communication Commission standards. The total width will be 10.4m. This will be achieved within the existing width, except between Luangwa Bridge and Nyimba where shoulders widths are reduced to a minimum of 0.5m to avoid extensive earthworks. In towns, the shoulders' width will be increased to 2.0m. Between Luangwa Bridge and Nyimba, the works will consist in recycling and stabilizing with emulsion the existing asphalt surfacing and lower layer and place as base; For the other sections, the works will consist in recycling and stabilizing with emulsion the existing surfacing and lower layer into a sub-base and overlay with 150mm crushed stone base and surface with asphalt surfacing.

The civil works will also include: improvement of road alignment especially between Luangwa Bridge and Kacholola; Improvement of junction layouts; provision of access and crossing points for pedestrians and cyclists; provision of facilities for parking, turning and vehicle breakdowns; separation of motorised from non-motorised traffic in Chipata Town; extension of the pavement's life structure

through strengthening and/or re-construction; replacement or reconfiguration of bridges, culverts and drainage systems where appropriate; and provision of adequate road markings, signs and other safety measures.

The cross-cutting accompanying measures will include in particular: HIV/Aids awareness and prevention campaigns; road safety campaigns; tree planting (at sites requiring reinstatement); Positive discrimination for employment of women (for specific tasks); and development of water points for community use.

The rehabilitation of the section between Nyimba and Sinda (114.7km) should be financed by the African Development Bank (see section 2.3) applying the same technical specifications.

The remaining section Katete-Mtenguleni-Chipata (82km) received periodic maintenance between 2007 and 2009 (patched and resealed + spot reconstruction) under Government of Zambia funding. The Government of Zambia is committed to find additional resources to rehabilitate this section (total estimated cost of EUR 53 million) and is in advanced negotiations with the Development Bank of Southern Africa for this purpose.

### 3.3. Risks and assumptions

The assumptions for the project, the level of risk associated and the corresponding mitigating measures are the following:

Assumptions	Risk Level	Mitigating measures
<i>Project Purpose level</i>		
Political and macro-economic stability in the region.	Low	No mitigation needed as the influence of the Southern Africa Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA) for the promotion of regional cooperation and integration means there is little possibility of instability
Commitment of Malawi, Mozambique and Zambia to achieve the development of the Nacala Corridor.	Medium	The EU Delegation will provide an effective follow-up of the Tripartite process between SADC, COMESA and the East African Community to ensure that it is well understood with high commitment levels by all governments.
All portions of the Nacala Corridor will be operational by 2015 including completion of Mwami to Chipata railway line and the Chipata dry port.	Medium	See section 2.3 for Cooperating Partners commitments on different Nacala regional corridor sections and for the Chipata dry port Nacala regional corridor. The EU Delegation is committed to finance a feasibility study for the Chipata dry port.
Sufficient resources are allocated yearly by the Government of Zambia for maintenance of the core road network particularly for the T4 road and its feeder and access roads.	High	The road sector Cooperating Partners in Zambia will provide active participation in the ROADSIP II programme and sector support process to ensure monitoring and response to performance targets and indicators.
The Government of Zambia acknowledgement of Road sector 2009 audit findings, preparation and agreement on corrective measures and adherence to them	High	Continuous Government of Zambia - Cooperating Partners sector dialogue at the highest level.
Axle load control will be effective in preventing overloading.	Medium	The construction of new electronic weighbridge on the Great East Road near the T6 junction in Katete is included in phase 2 of the World Bank financed road rehabilitation and maintenance project.
Hydrological regime will not be subject to radical change.	Low	No mitigation needed as it is assumed that discharge increases due to future change in land-use and climate change can be absorbed in the safety factor adopted for the design of the works.

<b>Project results level</b>		
The Government of Zambia will be able to secure funding for the project	Low	The Government of Zambia is consulting other Cooperating Partners to fill the € 50m gap to rehabilitate the whole 360 km of the road.
Routine and periodic maintenance duly carried out by the Road Development Agency on all the section between Luangwa bridge and Mwami border	Medium	The road sector Cooperating Partners in Zambia will provide active participation in the ROADSIP II programme and sector support process to ensure monitoring and response to performance targets and indicators.
<b>Project activities level</b>		
Successful tendering and efficient execution of works and services contracts	Low	Independent quarterly technical audit, final evaluation and financial audit will be carried out.
Stability of raw material prices	High	An allowance has been included for price escalation in the financial cost estimates together with a provision for contingencies.

### **3.4. Crosscutting Issues**

#### ***Environment***

Only one major realignment is planned (4.2 km from Luangwa Bridge). Other alignment changes are all accommodated within the existing width or available road reserve. There will be no demolition of property and no resettlement along the entire 360 km. The land required for the one major realignment is uncultivated and there is no habitation.

The project environmental impacts will be associated with: (i) the construction phase (dust, noise, spillage of dangerous materials, pollution or blockage of water courses, damage/destruction of natural habitats, to flora and fauna) and (ii) the operation phase of the road (possible increased traffic, travel speed and perhaps increased economic activity along the corridor).

An Environmental Management Plan has been prepared giving detailed recommendations and actions that need to be taken during and immediately after the construction phase to mitigate these impacts by the contractor. Impacts during the operation phase will be only marginally above those already being experienced and will be mitigated to a large extent by engineering improvements to the road.

The project is expected to have a generally positive impact on the environment.

#### ***Socio-cultural and gender***

A socio-cultural and gender context prevailing in Eastern Province of Zambia has been analysed during the project formulation. The project presents considerable scope for women's participation, and the following measures are incorporated in the project:

- Positive discrimination for employment of women, especially for specific tasks adapted
- Development of water points for use by communities post construction;
- Provision of marketing opportunities for local communities in construction camps;
- Encouraging women to provide on-site catering facilities for the workforce.

#### ***HIV/Aids***

The influx of construction workers during project implementation carries a risk of increased sexually transmitted diseases infection and incidence of HIV/AIDS. The Environmental Management Plan provides for the main following mitigation measures:

- Development of an HIV workplace policy with a clear work plan to be completed prior to commencement of the construction phase, for the Road Development Agency approval;
- Implementing every 2 months HIV/AIDS awareness and anti-stigma education programmes for workers (including all contractor, sub-contractor and supervision team employees) and the adjoining communities;
- Ensuring that condoms (both male & female) are freely accessible to workers and adjoining communities;
- Display of sexually transmitted infections and HIV/AIDS educational materials in all buildings frequented by workers (canteens, workshops, ablutions etc);

- Setting up first aid and sexually transmitted infections, HIV/AIDS clinics at worker camps.

### **Road safety**

A number of black-spots on the road have been identified through consultations with Zambia Police and road users. In addition, information and warning signs, school signs, road markings, barriers, marker posts, etc. are absent along the whole road and there is a virtual absence of safety measures. All of the above issues have been addressed in the project detailed design. In addition, road safety campaigns will be implemented before the start of the project, during and soon after opening of the completed road.

### **3.5. Stakeholders**

The key stakeholders identified and consulted are: Road Development Agency; Ministry of Communication and Transport; Ministry of Works and Supplies; Ministry of Finance and National Planning (National Authorising Officer); National Road Fund Agency; Road Traffic and Safety Agency; The Environmental Council of Zambia; the local authorities of Eastern Province and Chipata town; private sector organisations, such as transporters, bus operators, and those involved in production and export of bulk commodities such as cotton, sugar and copper; the other Cooperating Partners involved in the project (African Development Bank and European Investment Bank) and in transport sector in Zambia (Danish International Development Agency (Danida), UK Department for International Development (DFID), World Bank, Japan International Cooperation Agency (JICA), Bank Group Kredietanstalt für Wiederaufbau (KfW)).

Institutional capacity weaknesses at the Road Development Agency level were revealed in the Office of the Auditor General's road audit 2008-2009 and mainly related to contractual and financial management (see also sections 2.1 and 2.2).

Specific interest in the Nacala Corridor is expected from cotton, copper and sugar exporters who are currently dependant on the busy ports of Beira and Durban.

Other stakeholders include the population at large, in particular those living along the Nacala regional corridor Route, who will benefit from lower costs of traded goods and less expensive, faster journeys. Increased road safety will benefit all road users and pedestrians, particularly children.

All stakeholders have expressed support for the Great East Road rehabilitation project.

The direct beneficiaries of the project will be the Road Development Agency and road users (motorised and non-motorised) on the eastern section of the Great East Road.

The indirect beneficiaries include government institutions, especially those that are decentralised within Eastern Province. The private sector (in particular those businesses involved in the agriculture, commerce, tourism and transport sectors) will benefit from improved operating conditions that are expected to attract investment and facilitate economic development in the province.

## **4. IMPLEMENTATION ISSUES**

### **4.1. Method of implementation**

Partially decentralised management through the signature of a financing agreement with the Government of Zambia.

The overall responsibility for the implementation lies with the National Authorising Officer, Ministry of Finance and National Planning, which is the Contracting Authority. The project supervisor shall be the Road development Agency. The Supervisor is expected to delegate some of the supervisory functions to the supervisor's representative (consultant).

The European Commission controls ex ante all the procurement procedures except in cases where programmes estimates are applied, under which the Commission applies ex ante control for procurement contracts > 50 000 EUR and may apply ex post for procurement contracts ≤ 50 000 EUR. The Commission controls ex ante the contracting procedures for all grant contracts.

Payments are executed by the Commission for funds from the European Development Fund (EDF).

## 4.2. Procurement and grant award procedures

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by EDF. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in Article 20 of Annex IV of the Cotonou Agreement.

Works will be tendered out into two lots (see section 3.2 for the four sections under European Union-Government of Zambia cofinancing) through international competitive tender following the 10<sup>th</sup> EDF procedures. Works tenders will be launched with "suspensive clause".

International restricted services tenders will be launched under "suspensive clause" to contract (i) a firm to carry out the supervision of the works and (ii) a firm to carry out the technical audits of all the works financed by this project and also the works to be financed by African Development Bank (see section 2.3).

## 4.3. Budget and calendar

The total project cost is estimated at EUR 111 million, of which EUR 38 million shall be financed from the 10<sup>th</sup> EDF National Indicative Programme (NIP) in the framework of the revised Cotonou Agreement and EUR 73 million by the Government of Zambia through a lending mechanism provided by the European Investment Bank. Any additional funding for the completion of the 162.8 km road stretch will be provided by the Government of Zambia.

The overall cost is broken down as follows:

Categories	Contribution (€)		
	EDF	Government of Zambia	Total
<b>Works component<sup>1</sup></b>			
Rehabilitation of Luangwa Bridge-Nyimba, Sinda-Katete, Chipata Town & Chipata-Mwami Border sections (162.8km)	31 450 000	64 250 000	<b>95 700 000</b>
<b>Services component</b>			
Supervision of works for Luangwa Bridge-Nyimba, Sinda-Katete, Chipata Town & Chipata-Mwami Border sections	5 300 000		<b>5 300 000</b>
Communication/Visibility (included in works contracts)	50 000		<b>50 000</b>
Monitoring, External Evaluations, Technical and Financial Audits	600 000		<b>600 000</b>
<b>Contingencies</b>			
Contingencies*	600 000	8 750 000	<b>9 350 000</b>
<b>TOTAL</b>	<b>38 000 000</b>	<b>73 000 000</b>	<b>111 000 000</b>

\* The European Union's contribution to the "Contingencies" heading may be used only with prior agreement of the Commission.

The execution period of the project will be 66 months and will comprise 2 phases:

Phase 1: Operational implementation phase of 42 months.

Phase 2: Closure phase of 24 months that starts from the expiry date of Phase 1.

## 4.4. Performance monitoring

A monitoring and evaluation framework was developed during the formulation phase. A selection of relevant indicators will be monitored in the framework of this project. The supervision consultancy will prepare an Annual Performance Monitoring report. This will measure performance against the established baseline and in relation to the set targets. Monitoring of the Environmental Management Plan and the implementation of cross-cutting accompanying measures will be carried out as part of the supervision contract.

<sup>1</sup> Works component includes implementation of accompanying measures and contingencies for price revision and cost escalation

#### **4.5. Evaluation and audit**

Independent consultants recruited directly by the Commission on specifically established Terms of Reference will carry out external mid-term, final and possibly ex-post evaluations. The Commission will also carry out regular external monitoring of the project.

The national institution for independent external auditing in Zambia is the Office of the Auditor General. The legislation establishing the Road Development Agency (RDA) requires external audits. In addition, the EU shall procure technical and financial audits in accordance with EDF procurement rules. These audits will cover all the project components.

#### **4.6. Communication and visibility**

A pro-active communication strategy/plan was developed during the formulation phase. Its implementation will support the Road Development Agency's visibility and public relations campaigns, including their design covering preparation of press releases and brochures, web page contributions, etc. In line with the July 2009 Communication and Visibility Manual for EU External Actions EU visibility will be achieved through appropriate mentioning in this context. The strategy will ensure that the purpose, objective and framework of the project and its implementation are well received and appreciated by beneficiaries, local communities, local leaders, authorities, other stakeholders and the public as a whole.

## Annex II

### 1. IDENTIFICATION

Title/Number	Aviation sector support programme / CRIS no FED/21973		
Total cost	EUR 3 000 000 / European Union (EU) contribution EUR 3 000 000		
Aid method / Method of implementation	Project approach / Partially Decentralised management		
DAC-code	21050	Sector	Air Transport

### 2. RATIONALE

#### 2.1. Sector context

Regional integration and transport infrastructure is the 1st focal sector under the European Development Fund 10 (EDF10) Country Strategy Paper/National Indicative Programme (CSP/NIP); this includes support the Civil Aviation Sector in Zambia.

#### *Sector policies*

The Fifth National Development (**FNDP**, 2006-2010), as well as the Sixth National Development Plan (SNDP) currently under preparation, recognise the transport sector and its sub-sectors such as aviation as key drivers for the socio-economic development of the country.

With the aim of having a safe, efficient, developed and sustainable private sector driven industry, the Transport Aviation Sector Policy of 2002 focuses on the following: (a) pursuing legal and institutional reforms aimed at revamping the industry to meet the challenges of a liberalised environment; (b) promoting civil aviation in accordance with the Convention on International Civil Aviation ("**Chicago Convention**"); (c) ensuring compliance with regional and international agreements; (d) encourage, training and professional development of human resources in the aviation industry; and (e) attracting both national and international carriers to stimulate tourism and trade.

The Civil Aviation Act (Chapter 444 of the Laws of Zambia, promulgated in 1995 at the level of parliament) gives effect to the Chicago Convention and is intended to provide for the control, regulation and orderly development of aviation within Zambia. The Government of Zambia has started the process of reviewing this act in 2009 under the umbrella of an inter-ministerial committee of officials.

#### *Organisation*

Based on the above cited Aviation Act, aviation activities are assigned to the Minister for Communication and Transport (MCT). The Executive entity for this legislation is the Department of Civil Aviation (DCA<sup>2</sup>), defined as a statutory body under the MCT, which is also recognised by the International Community for having responsibility for safety and security oversight. In practice, there are several intervening entities in civil aviation like the Zambian Air Force (ZAF), in charge of the approval of civil aviation over flights and Air Traffic Control (ATC) implementation, and the Ministry of Finance and National Planning (MFNP) in charge of collecting any revenue generated by DCA activities into the central treasury. Other entities involved in the industry include: the Ministry of Justice, the Zambian Aviation Safety Training Institute (ZASTI, placed under the Ministry of Science and Technology), the Department of Meteorological services (MET), operators and other aviation training institutions. The DCA has limited authority to directly manage several issues affecting the aviation industry in Zambia. Ideally the DCA should have direct regulatory oversight over operators or service providers directly involved with aviation. DCA is also in charge of issues regarding aviation passenger protection, economic and competition regulation. The level of aviation activity for Zambia indicates that the DCA has an oversight over 67 active pilots and 131 registered aircrafts.

---

<sup>2</sup> <http://www.dca.com.zm/>

### *Airports & Airlines*

Zambia has four international airports at Lusaka, Livingstone, Ndola and Mfuwe and several domestic airports. The four airports are managed by the National Airports Corporation Limited (NACL), a parastatal company established in 1989 and their total traffic of passengers was 1,180,000 for 2008. International traffic represents over 80% of total traffic. The 188 domestic airports under Government control are managed by the DCA. At present, there are two main domestic airlines on scheduled services – "Proflight" and "Zambezi Airlines" and several international ones. Three main freight operators are active. Zambia, as a tourist destination, has a significant number of charter operators. There are currently 35 registered aircraft operators in Zambia.

### *Expenditure Plans*

The main expenditure plan within the sector is reflected by the budget allocated to the DCA, MET and ZASTI. NACL also has an annual investment budget voted by its Board. For 2010, the DCA has a budget of EUR 3.85 million (82.5% for airports rehabilitation), MET has EUR 1.31 million and ZASTI EUR 0.25 million.

### *The Zambian Air Force (ZAF)*

The ZAF provides various forms of air support to the Government of Zambia departments like reconnaissance flights, trooping and transport missions for the police and airlifts medical supplies and personnel to inaccessible areas; and ZAF provides emergency transport whenever needed. Around 50% of all aviation activity is accounted for by ZAF. Of significance to the Civil Aviation Sector is the requirement for written flight clearance from ZAF to be obtained 24 hours in advance. Whilst ZAF can provide airborne emergency support there is no specific Search and Rescue (SAR) obligation. ZAF comprises around 1,600 personnel.

### *Aviation Security and Anti-terrorism:*

The Zambian concept of national security is defined by the constitution, which established the legality of the Zambia National Defence Forces but does not clearly direct as regards Aviation Security (AVSEC). The AVSEC provision in the Civil Aviation Act is out-dated and generally the legislation in force does not comply with the latest UN Resolutions on Aviation Security and Anti-terrorism. The National AVSEC Programme, Airports and Air Operators Security Programmes are currently coordinated through the DCA, although the visible standards implemented do not meet the requirements for International Civil Aviation Organisation (ICAO) Annex 17. The combined functions of Safety and Security Regulation are not constant with International Best Practice.

### *EU ban of Zambian registered aircrafts*

The Government of Zambia had in 2009 an International Civil Aviation Organisation (ICAO) Universal Safety Oversight Audit Programme (USOAP) follow-up audit. One of the main safety concerns is the issuance of certificate of airworthiness, particularly to Zambian operators undertaking international flight. **This finding resulted in the EU banning of Zambian registered aircraft into EU airspace in July 2009<sup>3</sup>.** With this ban and the world crisis, operators have reported a decline in traffic by 25% in 2009. Activities necessary to lift the EU ban is currently given urgent priority by the Government of Zambia through the MCT. In this regard, in 2009, the Government of Zambia has granted the DCA with an amount of US\$ 300 000 as funding for training and the MCT has authorised the recruitment of experts to assist the DCA. The European Aviation Safety Agency (EASA) carried out in November 2009 a mission in Lusaka to prepare jointly with the DCA a "Safety Road Map" to improve the aviation safety.

---

<sup>3</sup> EC Regulation 619-2009 of 13/07/2009 - (<http://ec.europa.eu/transport/air-ban/>).

### ***Problem to be addressed by the project***

A benchmark analysis of Government of Zambia compliance with the eight critical elements<sup>4</sup> of safety oversight compared to close neighbour countries indicates that since the initial ICAO Universal Safety Oversight Audit Programme (USOAP) audit of 1999, the Government of Zambia's level of compliance with the eight Critical Elements (CE) has not substantially improved, in particular in the area of licensing (CE 5) and resolution of safety concerns (CE 8). Comparatively within the region, Tanzania has a higher compliance rate at 90% for primary regulation whilst Kenya functioning under an autonomous Civil Aviation Authority (CAA) has the best average compliance rate, with 70% average on licensing as compared to 20% for Zambia.

**Thus, the major problem the project is intended to address is the non-compliances of Zambia's civil aviation safety and security oversight system with international standards.**

The main causes of this problem are: (i) inflexibility of the existing system and inability to enforce ICAOs' Standards and Recommended Practices (SARPs); (ii) no training fully integrated and ICAO compliant; (iii) outdated legislation and lack of individual accountability; (iv) lack of independent aeronautical accident and incident investigation; (v) inadequate system for AVSEC regulation and operation; and (vi) ineffective economic regulation.

In consequence, this generates various negative effects such as: the perception of an unsafe Zambian aviation industry (EU ban); increased probability of accident/incident occurrences; constraint on traffic growth and tourism; and diminishing viability of the industry. All of them mainly lead to a limited ability of the sector to contribute to tourism growth and economy development in the country.

### **2.2. Lessons learnt**

As a major lesson learnt from other transport sub-sectors, Government's firm commitment on the restructuring process of the sector will be the main driver for the project's sustainability.

The issue of restructuring the DCA into an autonomous Civil Aviation Authority (CAA) has been the subject of previous studies, all arriving at the same conclusion that the DCA should be restructured into an autonomous CAA. The enactment and implementation of a replacement Civil Aviation Law, modelled on ICAO standards and other related is regarded as necessary for the sustainability of the project. In this context, the Government of Zambia has already established an inter-ministerial committee of officials to review the aviation acts to enable the creation of an autonomous CAA and to facilitate an institutional reform process.

The project is designed based on the lessons learnt from previous Technical Cooperation (TC) projects under the EDF, particularly in view of applying the EU backbone strategy and the European Aviation Safety Agency (EASA) safety road map.

### **2.3. Complementary actions**

There are no on-going or planned projects of similar nature within the sector.

The proposed corrective action plan to the ICAO USOAP audit findings by DCA and the "Safety Road Map" prepared with EASA in November 2009 form the **bases** of the proposed intervention.

As the project can only address medium and long-term sector needs, short-term support in 2010 to the sector can be provided through the TCF if requested by the Government of Zambia. Such services could include the preparation of a new Civil Aviation Act to accommodate the restructuring of the DCA.

Besides, ICAO is committed to carry out a detailed training needs assessment for DCA in 2010.

---

<sup>4</sup> The 8 critical elements (CE) of safety oversight **CE-1:** Primary aviation legislation; **CE-2:** Specific Operating regulations; **CE-3:** State Civil Aviation System and oversight function; **CE-4:** Qualification and training of technical personnel; **CE-5:** Procedures and technical guidance materials; **CE-6:** Licensing and Certification; **CE-7:** Surveillance Obligations and **CE-8:** Resolution of safety concerns.

The United States Trade and Development Agency (USTDA) is currently funding a second phase of the master plan study for Lusaka, Livingstone, Mfuwe and Ndola airports. The first phase was financed by EDF9 in 2007. At last, EDF 8 and 9 financed the rehabilitation of Lusaka and Livingstone airports in 2006-07 (EUR13.45 million).

## **2.4. Donor coordination**

The EU is the only active Cooperating Partner in the air transport sector in Zambia.

## **3. DESCRIPTION**

### **3.1. Objectives**

The **overall objective** of the project is "to promote regional integration and equitable economical growth in Zambia through the development of the aviation sector".

The **project purpose** is "to improve Zambia's compliance capability with international aviation standard in aviation safety, security and economic oversight".

### **3.2. Expected results and main activities**

The key problem and its main causes are described in section 2.1.

The expected results are: 1) DCA transformation and reorganisation supported; 2) Implementation of EASA Safety Road Map and ICAO corrective action plan supported; 3) Enhanced safety and security oversight capacity of DCA; 4) Improved implementation of Air Navigation Services (ANS) and security at airports; 5) Improved Zambia's aviation SAR system, in conjunction with the Defence bodies; 6) Improved economic regulation of the civil aviation industry in Zambia.

These results will be achieved through provision of Technical Cooperation activities (studies, technical assistance, training) and supplies of specific technical equipment based on a demand-driven approach.

### **3.3. Risks and assumptions**

The main assumption is the commitment and willingness of Government of Zambia to implement a sector reform process. In particular, it is expected that a new Civil Aviation Act that may establish and regulate an autonomous CAA for Zambia is enacted and implemented during the proposed project implementation. The related risk is rated "medium" considering lessons learnt from the past and similar sector reform process in other transport sector like roads.

Other assumptions are: (i) Government of Zambia finds resources to finance necessary accompanying measures to the project (risk "medium"); and (ii) coordination ensured between ICAO, DG MOVE, EASA and the EU Delegation in monitoring activities (risk "low" as the project has been prepared in close coordination with these institutions).

### **3.4. Crosscutting Issues**

The cross-cutting issues are mainstreamed in the project as follows:

- **Good Governance:** this project will enhance sector good governance as it will pave the way for an autonomous entity having the sole responsibility for ensuring safety and security oversight and which will act as unique interface between Government departments, domestic and international operators in the industry and the passengers and consumers of aviation services.
- **Environment:** as the project will involve TC in the form of studies and capacity building, direct impact on the environment is limited but a strengthened DCA will improve environmental mainstreaming in regulating the sector.
- **Socio-cultural and gender:** to ensure that more women are represented within the technical department and staff of any restructuring of the DCA, specific actions will be integrated within the execution of the training plan by the TC.
- **HIV/Aids:** the project will support DCA in implementing internal specific mitigation measures.

### 3.5. Stakeholders

Whilst the growth in air transport and in particular tourism would benefit the economy and the population of Zambia as a result of improved safety, the direct project benefit resulting from strengthening the oversight capabilities of the aviation sector in Zambia would directly benefit to:

- The **Department of Civil Aviation (DCA)** which is the prime project beneficiary as it will meet the Zambia's State responsibility in aviation safety oversight and ICAO obligations;
- The **National Airports Cooperation Limited (NACL)** which is particularly responsible for implementing Air Navigation Systems (ANS) and aviation security measures at the four international airports of Zambia;
- The **Department of Meteorological services (MET)** which is a line department under the Ministry for Communication and Transport (MCT) and currently in charge of supplying to the aviation sector meteorological information considered critical for flight safety.
- The **Zambian Aviation Safety Training Institute (ZASTI)** whose mission, as Government of Zambia institution, is to provide professional and advanced civil aviation training programs, promote the cooperation with other domestic and overseas training institutes and to integrate the training resources from industries, Government, academic and research centres.

The project will also benefit indirectly all air service permit holders in Zambia.

**Other indirect beneficiaries** are: operators of regulated private airfields; Aircraft Owners Operators; tourism industry; Ministries of Tourism, Defense (ZAF), Justice, and Science and Technology.

Lack of resources has been one of the prime factors explaining the "under performance" of Zambia's safety oversight system. The ICAO USOAP 2009 audit identified several positions in the DCA where recruitment is necessary. Considering DCA's current workload on key staff, the DCA needs extra hands in managing the implementation of the project and capacity building is necessary for using EDF procedures. To address this issue two staff members of DCA, who should be directly involved in the project implementation, have attended a training on EDF10 procedures organised by Aidco C5 in Lusaka in April 2010.

## 4. IMPLEMENTATION ISSUES

### 4.1. Method of implementation

Partially decentralised management through the signature of a Financing Agreement with the Government of the Republic of Zambia.

The overall responsibility for the implementation lies with the **National Authorising Officer**, Ministry of Finance and National Planning, which is the Contracting Authority. The **project supervisor** shall be the Department of Civil Aviation of the MCT.

A **Technical Cooperation programme** (TA, studies, training) will be implemented in the fields related to the results to be achieved through a service contract, programme estimates (**PEs**) and supply contracts.

A **Technical Assistance Team** will be procured through a **service contract** to provide:

- a long term technical assistant, acting as team leader, in charge of coordinating all the project activities, and delivering on time the project outputs and reporting. This expert will not be permanently based in Lusaka but will do frequent visits for efficiently managing the project and liaise with the core stakeholders, the EU Delegation and EASA;
- a pool of short term experts to be mobilised on an ad-hoc basis, covering all legal and technical areas of the project based on requests from core stakeholders; such expertise could also be assigned to identify and formulate a successor programme;
- appropriate backstopping by the contractor whenever appropriate.

**Programme Estimates** will be mainly used for the implementation of training provided to staff of project core stakeholders in the technical and legal main domains of project intervention.

**Supply contracts** will be used for delivery of necessary dedicated equipment to the core stakeholders. The selection of supplies to be provided will have to be validated by the project steering committee

and the Team leader will have to support the beneficiary in preparing the corresponding technical specifications and tender dossiers for the tendering process.

The European Commission controls ex ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex ante control for procurement contracts > 50,000 EUR and may apply ex post for procurement contracts ≤ 50,000 EUR. The Commission controls ex ante the contracting procedures for all grant contracts.

Payments are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by the beneficiary country for operating costs and contracts up to the ceilings indicated in the table below.

The responsible Authorising Officer ensures that, by using the model of financing agreement for decentralised management, the segregation of duties between the authorising officer and the accounting officer or of the equivalent functions within the delegated entity will be effective, so that the decentralisation of the payments can be carried out for contracts up to the ceilings specified below.

<b>Works</b>	<b>Supplies</b>	<b>Services</b>	<b>Grants</b>
< 300,000 EUR	< 150,000 EUR	< 200,000 EUR	≤ 100,000 EUR

#### **4.2. Procurement and Programme estimates procedures**

##### **1) Contracts**

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by EDF. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in Article 20 of Annex IV of the revised Cotonou Agreement.

##### **2) Specific rules on programme estimates**

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question (i.e. the Practical Guide to procedures for programme estimates).

#### **4.3. Budget and calendar**

Estimated costs for each project component are set out in the table below:

<b>Categories</b>	<b>EU contribution (EUR)</b>	<b>Total (EUR)</b>
<b>Services component</b>		
Technical Cooperation (Long term TA, short term expertise)	<b>1,700,000</b>	<b>1,700,000</b>
<b>Programme-estimates component</b> (Trainings, DCA operations)	<b>200,000</b>	<b>200,000</b>
<b>Supplies component</b>	<b>600,000</b>	<b>600,000</b>
<b>Contingencies*</b>	<b>150,000</b>	<b>150,000</b>
<b>EASA Monitoring</b>	<b>200,000</b>	<b>200,000</b>
<b>Evaluation and Audit</b>	<b>150,000</b>	<b>150,000</b>
<b>TOTAL</b>	<b>3,000,000</b>	<b>3,000,000</b>

\* The European Union's contribution to the "Contingencies" heading may be used only with prior agreement of the Commission.

The services contract for the Technical Cooperation will be awarded following an international restricted tender launched under "suspensive clause".

Depending on the nature and volume of specific technical equipment to be finally provided by the project, the supplies contract(s) will be awarded following either international open, local open or competitive negotiated procedure.

The EASA as public body, and for technical reasons, will be contracted following a "negotiated procedure" under centralised management. Its role in supporting the project monitoring is detailed in section 4.4.

The execution period of the project will be 66 months and will comprise 2 phases:

Phase 1: Operational implementation phase of 42 months.

Phase 2: Closure phase of 24 months that starts from the expiry date of Phase 1.

#### **4.4. Performance monitoring**

The EASA will fulfil its role of EU technical advisor by supporting the NAO and the EU Delegation in monitoring the project as follows:

EASA will conduct 2 missions a year to Zambia to (i) perform an evaluation of the situation in terms of progress made by DCA, (ii) evaluate more accurately the work done by the TA and (iii) provide some technical advices and recommendations on the conduct of the project. During these missions, EASA could also envisage carrying out some marginal training and/or consulting activities. EASA will also comment the main project documents prepared by the TA. Thus, the EASA technical advice would focus on ensuring that the project follows best practices in aviation safety and that it serves the purpose of the Safety roadmap established commonly with the DCA.

A Project Steering Committee (**PSC**) gathering the core sector stakeholders will be put in place to monitor the project performance and will meet regularly. The PSC will assist in facilitating overall project implementation and redirecting activities if required. It will have in particular to approve all specific requests from the core stakeholders to use the resources provided by the project for the Technical cooperation and supplies. The EU Delegation and the EASA will attend as observers. Quarterly progress reports should be produced by DCA with support of the project TC team leader.

If relevant, annual one or two-day workshops with all stakeholders could be envisaged to better ensure ownership by the indirect beneficiaries of the aviation industry.

Performance monitoring indicators have been developed during the formulation phase. The main sources of verification of the project achievements will be EASA monitoring missions' reports, ROM annual missions, ICAO USOAP audits and project external evaluations.

#### **4.5. Evaluation and audit**

Standard external Mid-Term and Final evaluations will be conducted by independent consultants recruited directly by the Commission in accordance with EU rules and procedures on specifically established terms of reference. It is expected that the project will be included in the Result Oriented Monitoring (ROM) on a yearly basis.

One external audit covering the entire project will be launched by the European Commission. Each PE will be also audited.

#### **4.6. Communication and visibility**

The entire project will comply with EU-rules regarding visibility. A visibility plan has been developed during the formulation phase and will be implemented by DCA with support of the TC using the resources allocated in the PE's. In particular, the existing DCA website should be used (<http://www.dca.com.zm/>).

## Annex III

### 1. IDENTIFICATION

Title/Number	Support to the Agricultural sector Performance Enhancement Programme (PEP). CRIS Number 022-057		
Total cost	<i>European Union (EU) Contribution: EUR 8 900 000.00</i> In parallel, at least two other donors will contribute to the programme; these are Finland (EUR 700 000) and International Fund for Agricultural Development (IFAD) (USD1 000 000).		
Aid method / Method of implementation	Project approach – <i>Partially decentralised management. Implemented by the Ministry of Agriculture and Cooperatives and the ministry of Livestock and Fisheries.</i>		
DAC-code	31110	Sector	Agriculture policy and administrative management

### 2. RATIONALE

#### 2.1. Sector context

Zambia's agricultural sector is characterised by over 1.1 million small and medium scale households, providing livelihood for more than 50% of the population. Around 40% of rural households are engaged solely in subsistence agriculture. Still, smallholder farmers contribute significantly to total agricultural output. The sector absorbs approximately 67% of the labour force and remains the main source of income and employment for the rural population. Given Zambia's abundant natural endowment with land and water, agriculture has the potential to become the key to development of the Zambian economy and should be the engine of growth and poverty alleviation for the next decade and beyond, strongly driven by the private sector. This is fully recognised in the Government of Zambia's main strategic documents, such as the Vision 2030, the Fifth National Development Plan (FNDP), the National Agriculture Policy (NAP) and the Zambia Comprehensive African Agricultural Development Programme (CAADP) Compact which all make the agriculture sector a priority.

However, in spite of these positive policy intentions, the reality shows that the sector is clearly under-performing and has made little or no progress over the past decade, with a low annual growth of 1.5%, decreasing yields, and contribution to GDP falling steadily from 17.2% in 2000 to 13.2% in 2007. Production growth, estimated at 3%, is too small to sustain population growth and remains far from the CAADP target of 6%, which is considered the minimum to achieve the Millennium Development Goals (MDGs) for poverty reduction.

Budgetary allocations also do not reflect the needs of the sector. After improvements from 4% of total expenditure in 2001 to 9% in 2007, they have decreased to 6% in 2008 and 7% in 2009, again far from the CAADP target of 10% of the national budget allocated to the sector by 2015. Furthermore, budget allocations to the Fertiliser Support Programme (FSP) and Food Reserve Agency (FRA) have absorbed an increasing share of the sector budget to reach 72% of the actual expenditures in 2008, while their impact on growth and poverty reduction remains elusive, as shown by a number of recent studies. Consequently, only the remaining balance of 28% was allocated to the Ministries' core business (i.e. data collection and

analysis, market information management and dissemination, monitoring and evaluation (M&E), policy analysis and legislative brokering) and much needed investments in the nine core investment programmes in the Agriculture Chapter of the FNDP. The Government is in the process of developing its Sixth NDP (SNDP), to be launched in the second half of 2010, and it is already clear that agriculture will remain at the core of the country's strategy, as agricultural-led growth can provide the largest benefits for the poorest population and reduce the high inequality present in Zambia. The Government recognises the need for increased public investments in the sector (e.g. for infrastructure, agriculture institutions, modern extension services and research), but it also acknowledges that these can only be effectively implemented if the institutional performance of the two Ministries<sup>5</sup> is enhanced, with renewed focus and a clear vision for the roles both of the public and the private sector, creating an enabling policy environment.

## **2.2. Lessons learnt**

During the 9<sup>th</sup> European Development Fund (EDF) Country Strategy Paper (CSP) Mid-Term Review, the Government of Zambia and the EU agreed to extend EU support to the Agricultural sector. The project "Support to Agricultural Diversification and Food Security in Western and North Western Zambia" was supposed to provide resources for the Ministry of Agriculture and Cooperatives (MACO) so it could design and implement a National Food Security Strategy as well as deliver extension services to the farming community. This project was designed to be fully implemented through the Ministry's structure and was paving the way for a future sector support programme under EDF 10 (EUR 30 million have been allocated to the Agricultural sector in the National Indicative Programme (NIP)).

Lessons drawn from the implementation of the project and a 2008 Mid-Term Evaluation have shown that the Ministry for Agriculture and Cooperatives (MACO) was facing serious institutional limitations with regard to its ability to fully assume the leadership of the sector as well as to deliver quality extension services to the farmers. This was further investigated through the holistic and participatory MACO's performance self-assessment carried out in 2009 with the support of the EU and which constitutes the basis of the PEP.

The Government of Zambia now fully appreciates the need for a paradigm shift in the roles and the division of labour between the private and public sector, with the emergence of new ways of "doing business" in the Ministries. In future MACO/MLF (Ministry for Livestock and Fisheries) are not only to provide small farmers with advice about new production technologies, but they must also facilitate farmers to get access to markets with their products and participate in the value addition chain. It is widely acknowledged that farming is a business and that the private sector will be the one driving agriculture in the future. Moreover, MACO and MLF will be tasked with other duties like to formulate policies and appropriate laws that shall govern the sector and establish efficient regulatory services that shall secure high standards of farm inputs for farmers and healthy products for consumers. On top of this, it is also expected that the Ministries shall provide statistics and information of a high standard so that the Zambian society is well informed about the development of the sector. Farmers shall also be provided with up-to-date information about good farm practices. Last – but not least – the two Ministries shall guide the development of the sector and create a conducive environment for farming, agro-processing activities and export of agricultural products.

---

<sup>5</sup> The Ministry of Agriculture and Cooperatives (MACO), and the new Ministry of Livestock and Fisheries (MLF) created in mid-2009 from existing departments within MACO.

Therefore, MACO and MLF will have to change their modus operandi. New skills are required and investments are needed in modern technology, such as:

- Support for initiating a culture conducive to initiating and sustaining changes;
- Assistance in strengthening leadership;
- Support in conducting service analysis among agricultural stakeholders and assistance in translating the findings into measures that change the focus of the Ministries;
- Strengthening of policy analyses capacities;
- Support in order to strengthen financial and budgetary capacities;
- Support to improve human resource capacities, including the development of new human resources (HR) policies;
- Assistance in revitalising staff training programmes: and
- Financial means to acquire state-of-the-art information and communication technologies (ICT) facilities.

It is generally recognized from within the two Ministries that the much needed financial and managerial capacity could be enhanced and that is the exact purpose of the Performance Enhancement Programme.

### **2.3. Complementary actions**

Around ten other cooperating partners (CPs) are active in the sector, with classic project interventions ranging from extension services provided by the private sector, to input distribution, irrigation, and research and analysis. Moreover, Zambia also benefits from Sugar Accompanying Measures of EUR 6 million for the period 2007-2010, which however are managed by the Ministry of Commerce. It has now been recognised that unless the public sector performance is enhanced, donor projects will remain in isolation and will not bring about comprehensive reforms in the sector. This PEP is considered by all agriculture CPs as a golden opportunity to renew the role of the public sector and give agriculture the core role it should have in poverty reduction. CPs support to the two Ministries will be done as a joint donor initiative, hence enhancing donor coordination. Along those lines, IFAD with resources provided by the Swedish International Development Cooperation Agency (SIDA) (\$1,000,000) and the Finnish Embassy (EUR 700 000) are going to support the monitoring and evaluation systems within the Ministries in complement to the EU support under the PEP umbrella. Moreover, partners like SIDA, which co-financed the PEP study and the World Bank (WB) have already started to include in their programmes, components identified through the PEP or have started to explore ways to align behind PEP components. They also expressed their willingness to step up their support to the sector, should the two ministries be in a better position to handle complex funding mechanisms.

In essence, the PEP will indirectly support implementation of other EU programmes such as the EU/Food Facility-funded Farmers Input Support Response Initiative (FISRI) as well as other projects implemented by MACO (e.g. JICA/Rural Extension Services Capacity Advancement Programme – RESCAP, and Finland/Agricultural and Rural Development Programme for Luapula - PLARDII).

### **2.4. Donor coordination**

All donors active in agriculture agree that PEP is critical to taking the sector forward. This has also been acknowledged in a recently completed evaluation of the Joint Assistance Strategy for Zambia (JASZ), which included a specific case study on agriculture. This details the history of donor involvement in the sector, the lessons learnt and a number of issues to be addressed by Government and Cooperating Partners. The conclusions include an explicit reference to the PEP, and the need for CPs to help build the capacity of MACO/MLF to

assume its leadership role, better engage with the Ministry of Finance in the budgetary process for resource mobilisation, and demonstrate value for money by adopting tools that will improve transparency of spending and capacity to reform spending patterns.

All CPs agree that the PEP should ensure that MACO and MLF spearhead support to the sector and handle donor funds in ways more compatible with the Paris Declaration. It is also supposed to support the coordination between the two Ministries and the other stakeholders including donors by strengthening the Agriculture Sector Advisory Group. CPs welcome the EDF lead support offered to the PEP, as this will facilitate management of a complex reform process designed in line with the principles of the backbone strategy and the novel EU approach to Technical Cooperation. Most of the PEP activities will be EDF-funded, but synergies will be sought with other CPs such as for example in the case of the M&E System (Result 4) which will be implemented in partnership with IFAD/FINLAND support.

### **3. DESCRIPTION**

#### **3.1. Objectives**

The Performance Enhancement Programme is aimed at capacitating the Ministry of Agriculture and Cooperatives and the Ministry of Livestock and Fisheries Development in a way that enables the two Ministries to assume their new roles. The overall objective of the PEP is:

**The agricultural sector contributes to growth and poverty reduction in Zambia**

and the purpose is:

**The Ministry of Agriculture and Co-operatives and the Ministry of Livestock and Fisheries are able to create a conducive environment and deliver appropriate services to spur agriculture growth.**

#### **3.2. Expected results and main activities**

The programme provides financial and managerial support in four key Result areas.

*1) Change Management and Service Delivery Improved*

*2) Sector policy, Planning and Financial Management improved*

*3) Human Resources Management and ICT Improved*

*4) Monitoring and Evaluation (M&E) Improved*

For each of the four Results a number of activities have been formulated to achieve tangible changes in today's modes of "doing business". Based on the identification phase, the formulation of the activities has been made in a participatory way in two phases. First, as part of a Technical Cooperation Reform Workshop organised in March by the EU Delegation with AIDCO support, an entire session was dedicated to the PEP. Second, a formulation mission with three experts facilitated engagement of senior staff of the two Ministries, notably through two workshops chaired by MACO in April 2010. As a result, the PEP is now regarded as a programme fully owned by the two Ministries and their staff, with buy-in at all levels. The Government of Zambia also decided to keep the PEP as one programme and not split it into two following the division of the old MACO into two Ministries, the argument being that PEP shall be regarded as a programme for the entire agricultural sector. As suggested in the identification phase, flexibility will be key to the successful implementation of the programme.

#### **Activities**

### ***Result 1: Change Management and Service Delivery Improved***

Activity 1.1: Establish Change Management Mechanisms, notably by setting up Change Management Teams in each Ministry, supported by a long-term adviser and a support unit

Activity 1.2: Promote Strategic Leadership and Management Development, through organizational development training courses and orientation workshops, study tours and twinning arrangements in the region

Activity 1.3: Carry out a comprehensive Services Analysis exercise (focused on districts and stakeholders of the agricultural sector), as an input for a Functional Review within MACO and MLF aimed at renewing roles and streamlining Ministry systems toward improved organizational efficiency and effectiveness

### ***Result 2: Sector Policy, Planning and Financial Management improved***

Activity 2.1: Strengthen Sector Dialogue, by strengthening the Agriculture Consultative Forum and the Agriculture Sector Advisory Group (SAG)

Activity 2.2: Strengthen Policy Analysis Capacity, notably by developing data collection, processing, analysis and dissemination, in coordination with the Central Statistics Office

Activity 2.3: Carry Out Public expenditure tracking Survey and a quantitative Service Delivery Survey (taking into account recent studies carried out by the World Bank (WB))

Activity 2.4: Enhance Activity Based Medium Term Expenditure Framework and Develop Annual Budget Processes, by establishing specific, measurable, achievable, relevant, time-bound (SMART) indicators linked to MACO/MLF outcomes and preparing models for presentation of budgets, in close coordination with the Ministry of Finance (particularly with Public Expenditure Management and Financial Accountability (PEMFA) Reform Programme

Activity 2.5: Enhance Financial Systems and Support the shift to a double entry accounting system in close partnership with the Finland/ PLARDII programme and in coordination with other CPs currently operating double entry accounting systems in their programmes with MACO

### ***Result 3: Human Resources Management and ICT Improved***

Activity 3.1: Reconcile Staff Payroll and Make Outstanding Payments of retirement packages for MACO/MLF retirees

Activity 3.2 Develop and Implement HR Strategy by designing and implementing a personnel records system; reviewing job descriptions; right-sizing staff; attending to immediate staff development priorities and linking them to the annual performance appraisal system; developing and Implementing In-service Training Strategy

Activity 3.3: Enhance Inter-ministerial Collaboration in the area of human resources (HR) management

Activity 3.4: Improve Planning and Management of Agricultural Education and Training Institutions

Activity 3.5: Develop and Improve ICT at all levels (including MACO & MLF Websites), by establishing an ICT unit and developing an investment programme

Activity 3.6: Enhance Response to HIV/Aids

#### ***Result 4: Monitoring and Evaluation Improved***

Activity 4.1 Review and enhance the M&E System in coordination with IFAD/Finland support, notably by establishing a set of indicators for the sector, sub sectors and service delivery units, as well as developing data reporting systems and reporting formats

### **3.3. Risks and assumptions**

The Zambian reform agenda is not only related to the agricultural sector, but hinges on the political will to support changes in all aspects of the public sector, such as the Public Sector Reform Programme, the Public Expenditure Management and Financial Accountability Programme (and its successor programme) and the implementation of the Decentralization Policy. However to some extent agriculture is different, since the sector includes both private and public actors, and potential risks of stalling the reform process can be mitigated by building a broad consensus around the necessary changes.

Moreover, the prospects of potential additional support from Cooperating Partners if the sector's performance is enhanced further mitigate the risk.

### **3.4. Crosscutting Issues**

#### ***3.4.1. Gender***

Gender affects the workforce at both public and farm level. The ministries will, with support of PEP when required, develop initiatives to mainstream, promote gender equality, responsiveness, create ownership, alignment, harmonisation, mutual accountability and managing of results based on a baseline survey to ensure equity and opportunity. This is to be achieved by building a right-based approach covering the duty bearer's obligations and the right holders to claim the rights and responsibilities. When reviewing the two ministries human resources policies, this programme will ensure that gender issues are properly addressed and that gender equality and equal opportunities are backed by adequate measures. Moreover, in supporting policy analysis and sector dialogue the PEP should also build capacity across partners to mainstream gender.

#### ***3.4.2. HIV/Aids***

HIV/Aids affect the workforce of MACO/MLF as well as the farmers in terms of productivity and markets. It increases costs, drains resources and creates stress for communities and families. These in turn affect incomes and productivity in the Ministries in terms of lost time for hospital visits and sickness/ absenteeism and lower productivity. The costs to MACO/MLF can increase due to having to recruit and train new staff to replace the deceased and the incapacitated meaning initiatives do not achieve their potential. PEP promotes a built in response to the situation to ensure awareness, development of a policy and standard best practices with the dissemination of promotional material on prevention and testing, activities to mitigate stigmatisation and the implementation of activities that can reduce risks based on risk assessment and impact assessment. Other activities include prevention programmes, testing, provision of condoms, counselling, social inclusion and education programmes. This programme should also support the use of the ministries countrywide extension networks as channel for HIV/AIDS sensitisation campaigns.

#### ***3.4.3. Governance***

Governance is defined as the process of decision-making and the process by which decisions are implemented (or not implemented). It covers the actors, both formal and informal and their structures involved in the management of processes as decision makers and

implementation and forms part of the management process. It aims to ensure that the role of corruption of the process and outcomes are eliminated or in reality reduced. This is through participation on a legitimate basis through legitimate networks, institutions and representatives. The enforcement should be impartial with transparency through a system that is known and can be tracked and is consistent with freedom of access to information with responsiveness to all stakeholders. It must be consensus oriented through mediation for the interest of the whole. The Ministries will clearly support governance along those lines by promoting sector wide dialogue and partnership as well as evidence based policies, sound and transparent financial management and accountability.

#### *3.4.4. Environment*

Increasingly, the issues of Environment and Climate Change adaptation will have to be mainstreamed in the agriculture policy, even though it formally falls under the Ministry of Environment, Tourism and Natural Resources. The PE will support inter-ministerial coordination on these issues and support staff training so environment and climate change are mainstreamed in MACO/MLF policies and operations at all levels.

### **3.5. Stakeholders**

The principal beneficiaries of this programme are the two agriculture Ministries (MACO and MLF, involving staff both from HQ and the provincial/district levels) and their direct clients. The Ministries will improve their support to the sector by fostering sector consultation and coordinating stakeholders, namely: private sector and professional organisations, farmers and farmers' representation, other government institutions involved in the sector, cooperating partners and non state actors.

Recent national debate on Fertiliser Input Support Programme or on the sector's budget demonstrated the interest of all stakeholders in increased and systematic consultation, in improving evidence-based decision making process, promoting private-public partnership and promoting quality demand-driven extension service delivery that are at the core of the PEP.

Therefore, stakeholders support to the PEP and its impact on the agricultural ministries' facilitation of all those processes cannot be overemphasised. That is the reason why this project formulation was highly consultative and culminated with a final workshop where the Agriculture Ministries could submit to their partners in the sector their vision of the PEP. It is also foreseen that a Programme Steering Committee (PSC) be set up to guide and support the entire PEP. It will include representatives from the two Agricultural Ministries, Cabinet Office and other ministries, as well as representatives of the private sector, non-state actors and cooperating partners. The PSC may operate on a dual basis if need be.

## **4. IMPLEMENTATION ISSUES**

### **4.1. Method of implementation**

Partially decentralised management through the signature of a Financing Agreement with the Government of the Republic of Zambia:

The European Commission controls ex ante all the procurement procedures except in cases where programmes estimates are applied, under which the Commission applies ex ante control for procurement contracts > EUR 50 000 and may apply ex post control for procurement contracts ≤ EUR 50 000 . The Commission controls ex ante the contracting procedures for all grant contracts.

Payments are executed by the Commission except in cases where programme estimates are applied, under which payments are executed by the beneficiary country for operating costs and contracts up to the ceilings indicated in the table below.

The responsible Authorising Officer ensures that, by using the model of financing agreement for decentralised management, the segregation of duties between the authorising officer and the accounting officer or of the equivalent functions within the delegated entity will be effective, so that the decentralisation of the payments can be carried out for contracts up to the ceilings specified below.

Works	Supplies	Services	Grants
< EUR 300 000	≤ EUR 150 000 (EDF)	< EUR 200 000	≤ EUR 100 000

This project will be implemented by MACO and MLF through a series of Programme Estimates, which will also include resources for a small legal unit, a communication expert, basic, targeted secretarial functions and other technical expertise as needs arise. The PEs will also provide for twinning arrangements within the region. In addition, a service contract will provide a long-term Institutional Development expert, as well as complementary experts to accompany this function.

#### **4.2. Procurement procedures/programme estimates**

##### Contracts

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the EDF regulation.

The service contract for the long-term expertise will be awarded following an international restricted tender launched under suspensive clause, if needed.

##### Specific rules of grants

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EU external actions. They are established in accordance with the principles set out in Title VII 'Grants' of the Financial Regulation applicable to the 10th European Development Fund. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 80%. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities and in Article 109 of the Council Regulation on the Financial Regulation applicable to the 10<sup>th</sup> European Development Fund.

- Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with Article 108 of the Financial Regulation applicable to the EDF 10.

##### Specific rules on programme estimates

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question (i.e. the Practical Guide to procedures for programme estimates).

#### 4.3. Budget and calendar

The estimated operational duration is 42 months from the signature of the Financing Agreement. The indicative budget for the EU contribution is as follows:

Activity	Cost (€)
<b><i>Operations (Programme Estimates), of which:</i></b>	<b>6,990,000</b>
Change Management and Service Delivery	1,150,000
Sector Policy, Planning and Financial Management	1,300,000
Human Resources Management and ICT	4,200,000
<i>of which retirement package</i>	<i>1,120,000</i>
Monitoring and Evaluation	340,000
<b><i>Technical Assistance component (Service contract)</i></b>	<b>1,050,000</b>
<b><i>Project Monitoring, Evaluation and Audit</i></b>	<b>310,000</b>
<b><i>Communication and Visibility</i></b>	<b>50,000</b>
<b><i>Contingencies*</i></b>	<b>500,000</b>
<b>Grand Total</b>	<b>8,900,000</b>

\* The European Union's contribution to the "Contingencies" heading may be used only with prior agreement of the Commission.

#### 4.4. Performance monitoring

Performance monitoring will be based on indicators that are specific, measurable, attainable, realistic and time-based. The overall responsibility rests with MACO/MLF, as part of performance monitoring with regard to the overall project. Monitoring indicators are indicated in the log frame. A baseline study will be carried out at the inception of the project, to be able to track progress over time. The project will submit annual progress reports and a completion report.

#### 4.5. Evaluation and audit

Provision is made for a mid-term and final evaluation to be carried out by external consultants.

As the project will be implemented through Programme Estimates, statutory audits will be undertaken before each PE closure. Therefore, project accounts, financial statements and records will be audited each year by external auditors contracted by the EU under project funds.

#### **4.6. Communication and visibility**

Standards regarding visibility will be derived from the "EU visibility guidelines for external actions" [http://ec.europa.eu/europeaid/work/visibility/index\\_en.htm](http://ec.europa.eu/europeaid/work/visibility/index_en.htm).

A specific budget (EUR 50,000) has been allocated for that purpose.