This action is funded by the European Union

ANNEX 2

of the Commission Decision on the Annual Action Programme 2017 (Part 1)
in favour of the Republic of Zambia

Action Document for Support to Effectiveness and Transparency in Management of Public resources (EFFECT)

**INFORMATION FOR POTENTIAL GRANT APPLICANTS**

**WORK PROGRAMME FOR GRANTS**

This document constitutes the work programme for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012), applicable to the EDF by virtue of Article 37 of Regulation (EU) 2015/323 in the following sections concerning calls for proposals: Sections 5.4.1 and 5.4.2.

| 1. Title/basic act/CRIS number | Support to Effectiveness and Transparency in Management of Public resources (EFFECT)  
|                               | CRIS number: ZM/FED/039-020  
|                               | financed under 11th European Development Fund |
| 2. Zone benefiting from the action/location | Eastern Africa, Southern Africa and the Indian Ocean: Zambia  
|                                          | The action shall be carried out at the following location: Zambia |
| 4. Sector of concentration/thematic area | Consolidating democratic governance, accountability and state effectiveness for all |
| 5. Amounts concerned | Total estimated cost: EUR 17 250 000  
|                        | Total amount of EDF contribution: EUR 17 000 000  
|                        | This action is co-financed by potential grant beneficiaries for an indicative amount of EUR 250 000 |
| 6. Aid modality and implementation modalities) | Project Modality  
|                                          | Direct Management – Grants – call for proposal  
|                                          | Indirect management with Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ)  
|                                          | Indirect management with the Republic of Zambia |
| 7 a) DAC codes | 15111 – Public Finance Management 100%
|                     | 15114 – Domestic Revenue mobilisation (17%)
|                     | 15113 – Anti-corruption organisations and institutions (12%)
|                     | 15152 – Legislatures and political parties (12%) |
**b) Main Delivery Channel**

<table>
<thead>
<tr>
<th>8. Markers (from CRIS DAC form)</th>
<th>General policy objective</th>
<th>Not targeted</th>
<th>Significant objective</th>
<th>Main objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation development/good governance</td>
<td>☐</td>
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<tr>
<td>Aid to environment</td>
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<td>Gender equality (including Women In Development)</td>
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<tr>
<td>Trade Development</td>
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<tr>
<td>Reproductive, Maternal, New born and child health</td>
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<td>☐</td>
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<tr>
<td><strong>RIO Convention markers</strong></td>
<td>Not targeted</td>
<td>Significant objective</td>
<td>Main objective</td>
<td></td>
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<tr>
<td>Biological diversity</td>
<td>☑</td>
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<td>Combat desertification</td>
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<td>Climate change mitigation</td>
<td>☑</td>
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<td>Climate change adaptation</td>
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<table>
<thead>
<tr>
<th>9. Global Public Goods and Challenges (GPGC) thematic flagship</th>
<th>Not applicable</th>
</tr>
</thead>
</table>

| 10. Sustainable Development Goals (SDGs) | SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all  
SDG 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels  
SDG 17: Revitalise the global partnership for sustainable development |
|------------------------------------------|-------------------------------------------------|

**SUMMARY**

Public Finance Management (PFM) in Zambia has in recent years been affected by large unplanned expenditures, leading to a 2016 budget deficit of over 10% of Gross Domestic Product (GDP). This has undermined budget credibility, driven up interest rates and threatened macroeconomic stability. Important deviations exist between approved budgets and actual expenditures: the current budget preparation process does not assure the optimum strategic allocation of resources, while deficiencies in the control systems raise the possibility of wastage and leakage of funds. PFM weaknesses and limited revenue base impact on the allocation and availability of resources and hamper inclusive and sustainable economic growth.

The project approach is two-fold. It proposes to operate on the demand side of PFM. Strengthening the demand for better PFM, including greater accountability and transparency is indeed seen as an effective mechanism for encouraging improved performance. The programme also proposes to work on the supply side, with the view that improved planning and management of public resources by the executive will lead to better budget credibility and improved service delivery. The enhancement of the revenue base will finally generate additional resources in view of the sustainable economic growth.
The overall objective of the project is to contribute to sustainable and inclusive economic growth through increased mobilisation and effective use domestic resources. The specific objective is to improve the accountability, transparency and effectiveness in management of public resources and increase domestic revenue mobilisation. The proposed project is a combination of the continuation of activities currently being implemented under the 10th EDF (such as the support to the National Assembly) with new complementary activities. The expected results are as follows:

1. Parliamentary budgetary oversight function is reinforced
2. Oversight of public spending by the National Audit Office is improved
3. Operations of the Anti-Corruption Commission have improved and fight against corruption is reinforced
4. Planning, budgeting and management of public resources is improved
5. The revenue base is enhanced through improved domestic revenue mobilisation

1 CONTEXT
1.1 Sector/Country/Regional context/Thematic area

The Zambian economy grew at an average annual rate of 7.4% between 2004 and 2014, on the back of high copper prices, Foreign Direct Investments in the mining sector, government investment in infrastructure and expanding private sector investments in construction and services. This economic growth has not translated into inclusive development. Growth rates started declining in 2013, from almost 8% in 2012 to 3% in 2016. With a Gini index of 69 in 2015, Zambia is amongst the five countries with the highest income inequalities on the world. With a Human Development Index of 0.586, it ranked 139 out of 189 countries in 2015. Since mid-2015, the economy slowed down considerably and Zambia is facing its hardest economic challenges in a decade. The fiscal deficit rose to 10% of GDP in 2016 (including arrears) from 1.8% in 2011. The public sector debt is estimated at 56% of GDP in 2016 and this was accumulated in a few years driven by an increase in external debt used to finance infrastructure.

1.1.1 Public Policy Assessment and EU Policy Framework

Public Policy Assessment


The Government is at the end of implementing its Revised 6th National Development Plan (NDP 2013-2016) and a three-year PFM Reform strategy (planned for 2013-2015 and still under implementation), focusing on improving efficiency, accountability and transparency in the use of resources. A 7th NDP has recently been adopted by the Cabinet, while the Minister of Finance (MoF) announced the launch of the Zambian Economic Recovery Programme (Zambia Plus) based on five main pillars: improvement of revenues flows; strengthening of economic and fiscal governance; improvement of budget credibility; reinforcement of economic stability, and increasing budget allocation to social protection. The Government approved in 2014 a Planning and Budgeting Policy that reinforces the role of the legislature in budget oversight. The amended Constitution (2016) also introduced provisions enhancing PFM, and the proposed project will support the country in implementing some of these new provisions. The Government is currently discussing with the IMF (International Monetary Fund) a possible programme which is expected to tackle macroeconomic issues, with
particular attention to measures to reduce the fiscal deficit and ensure debt sustainability, as well as structural reforms including in the PFM, energy, agriculture and social protection sectors.

EU Policy Framework

The programme is in line with the Addis Ababa Action Agenda – Financing for Development conference commitments. The Paris Declaration stipulates increased emphasis on governance and anti-corruption. The Agenda for Change promotes fair and transparent domestic tax systems and governance programmes that increase the capacity of control and oversight bodies. The programme is consistent with the 2013 Good Practice Note on Sequencing PFM Reforms and contributes to the implementation of the Staff Working Document "Collect More – Spend Better", directly contributing to the call to improve transparency, accountability and oversight in domestic public finance. This programme will also contribute to the strategic priorities of the new EU Consensus.

1.1.2 Stakeholder analysis

The institutions that will benefit from this programme include the MoF, the Zambia Revenue Authority (ZRA), Ministry of National Development Planning (MNDP), selected line ministries, oversight institutions, the Anti-Corruption Commission (ACC) and Civil Society Organisations (CSOs).

The Ministry of Finance has a leading role in coordinating PFM reforms, while the ZRA is mandated to optimise revenue collection. In 2015, the MoF was split in two to create the MNDP. Line ministries’ policy cycles are organised around policy areas and with a multi-annual perspective. Finance officials of line ministries have to mediate between their sectoral directorates and MoF to ensure that sectoral plans are consistent with the annual budget cycle. In 2011, the Government launched the Gender-Responsive Budget Programme, piloted in the agriculture and health sectors.

The National Assembly of Zambia (NAZ)'s role in budgetary oversight has been increasing in recent years. The NAZ is implementing its 2015-2019 Strategic Plan and has a dedicated Parliamentary Reform Programme. The Clerk of the NAZ has a prominent role in spearheading the implementation of parliamentary reforms. The involvement of CSOs in the budget process is limited and the Parliament seeks to strengthen the collaboration between CSOs and Parliamentary Committees.

The National Audit Office (former Office of Auditor General, OAG) has been undergoing PFM reforms and has benefited from a long period of institutional strengthening provided by Cooperating Partners (CPs). It has suffered from low funding levels, partly covered by CPs in the last years. The amendments to the Constitution introduced in 2016 aim at enhancing the independence of the National Audit Office and expanding its scope of action. A new Public Audit Act and State Audit Commission Act were also enacted in June 2016. Once irregularities have been highlighted, the National Audit Office may recommend cases to the ACC. The ACC is in charge of investigating and prosecuting corruption cases and also conducts awareness-raising campaigns. While the ACC has considerably improved its ability to investigate cases, the relatively low prosecution rate has undermined citizens' confidence.

1.1.3 Priority areas for support/problem analysis

PFM has been affected by large unplanned expenditures, leading to a 2016 budget deficit of over 10% of GDP (more than double the budgeted amount). Currently, 100% of public

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1 Changes included a 40% increase in staff, an increase in real budget; operational offices in all ten provinces; the establishment of specialised audit departments (performance, forensic, environment and IT); and the introduction of modern audit methodologies.

2 Increase in public wages in 2013, increased subsidies to agriculture and energy, cost-overruns in the road sector.
revenues are being spent on personal emoluments and salaries, interest payments and subsidies. PFM weaknesses impact on the allocation of resources, on operational efficiencies and hinder sustainable economic growth. Deficiencies in the implementation of the budget as well as in the control systems also raise the possibility of wastage of funds. In this context, the proposed project will focus on three main areas:

*Transparency and external control/oversight*

Zambia scored 39/100 on the 2015 Open Budget Index³ (OBI) which qualifies the oversight by the legislature and supreme audit institution as limited, although many of the recommendations of the Index are currently being addressed⁴. Public access to fiscal information is very low (PEFA PI-9 D) and performance information for service delivery leaves room for improvement (PI-8 C). Legislative scrutiny of budgets (PI-18) is rated B+ and legislative scrutiny of audit reports (PI-31) is rated B+. The effectiveness of scrutiny could be strengthened through earlier involvement in budget preparation.

The 2016 PEFA describes the National Audit Office as performing reasonably well. It scored B both in 2008 and 2012 on PI-26 on "scope, nature and follow-up of external audit", and B+ in 2016 on PI-30 "external audit", with positive developments in terms of audit coverage and submission of audit reports. However, the National Audit Office still faces challenges in maintaining audit quality while increasing coverage, improving revenue audits areas and increasing specialised audits.

Zambia continues to face corruption challenges. Government control over public spending is often inadequate, procurement standards remain insufficiently enforced and the ACC faces critical challenges which affect its ability to function effectively. The Zambian Government recognises that the prevention of corruption is a key factor to development and places the fight against corruption high on its agenda⁵.

*Budget Reliability (Budget Planning and Execution)*

The Government still faces many challenges in terms of budget credibility, comprehensiveness, policy-based budgeting and execution. There are important deviations between approved budgets and actual expenditures (PI-2 D+). Aggregate actual expenditure is often significantly higher than the approved budget (PI-1 B). Revenue outturn (PI-3) is rated C+. Budget releases are often delayed, and payments arrears have been accumulating.

At planning level, the linkage between policy objectives and budgets is often missing. Budget preparations have largely been focused simply on compliance with budget ceilings and the ability to forecast and challenge revenue targets is limited. Line ministries need to have a full understanding of the budget planning system to be able to give informed advice on the coherence of budget proposals. Non-State Actors (NSAs) are also expressing concerns that the national budget has largely remained gender blind.

As the Budget Office in the MoF is involved in budget execution and cash rationing, there is not enough time left for budget analysis, monitoring of procurement or follow-ups of ministries’ activities. Budget execution is made especially complex by the use of Activity Based Budgeting (ABB) since 2004. Budget credibility is also negatively affected by weak investment planning and poor procurement practices.

*Domestic Revenue Mobilisation*

Revenues increased in real terms as the economy grew and by 2013, domestic revenue had reached 16.9% of GDP. It rose to 18.2% of GDP in 2014 and 18.5% in 2015. In 2016,

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⁴ Like establishing a specialised budget research office for the legislature (through EU support).

⁵ Cf. President's inaugural speech at the opening of the first session of the National Assembly in September 2016.
revenues were targeted to reach 20.1% of GDP but, as growth and trade slowed, so did VAT and customs receipts and domestic revenue (excluding grants) reached 17.9% of GDP. Income tax has provided the largest share of domestic revenue since 2000. Non-tax revenue, which includes mining royalties, has grown by 40% per year on average since 2010, as mining firms have produced more and improved their tax compliance.

There is a high scope for improved compliance. Challenges include dealing with "hard-to-tax" sectors, weak revenue administration, low taxpayer morale, poor governance and corruption. The 2016 Tax Administration Diagnostic Assessment Tool (TADAT) report highlights a number of weaknesses, including the incompleteness of the taxpayer registry, discrepancies of data across different databases and the difficulties of reaching-out taxpayers outside Lusaka. ZRA has offices established in the ten provincial capitals but has no presence in most districts. This absence explains why many economic activities remain uncaptured by the tax net mobile offices have been identified as a key strategy for reaching more taxpayers and for providing a full range of services from tax registration to periodic return filing and payments.

The contribution of the mining sector to domestic revenue is supported through the 10th EDF PFM Accountability programme which enabled the development of a mineral production monitoring system. Under the 11th EDF regional funds, the EU also supports more effective border management at three important Zambian border posts aiming at improving revenue collection at these borders.

2 RISKS AND ASSUMPTIONS

<table>
<thead>
<tr>
<th>Risks</th>
<th>Risk level (H/M/L)</th>
<th>Mitigating measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited political will to pursue the PFM reforms</td>
<td>M</td>
<td>Continued high level policy dialogue to advocate for PFM reforms, including in the framework of the possible IMF Programme</td>
</tr>
<tr>
<td>Inadequate funding to support reforms</td>
<td>L</td>
<td>PFM remains high on the agenda of CPs, (including the IMF)</td>
</tr>
<tr>
<td>Political interference on accountability institutions restricts their capacity to fulfil their mandate</td>
<td>M</td>
<td>The amended constitution of 2016 contains provisions increasing the independence of oversight institutions. Continued high level policy dialogue to ensure that these dispositions are duly implemented as well support to strengthen CSOs oversight</td>
</tr>
<tr>
<td>Lack of capacity and insufficient human and financial resources from the Government</td>
<td>M</td>
<td>Continuous support wherever possible with specialised agencies of EU Member States</td>
</tr>
<tr>
<td>Inconsistencies in the support, poor coordination amongst the CPs</td>
<td>M</td>
<td>Regular monitoring of CP support, in particular through the PFM CP group</td>
</tr>
</tbody>
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Assumptions

1. The government of Zambia continues to support and fund PFM reforms in the framework of the Economic Recovery Programme
2. Effective leadership and continued commitment to PFM reforms by Ministry of Finance as well as support from other government institutions

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6 In 2014 custom and excise revenues gave 21% of the total tax revenues, in 2015 22% and in 2016 it fell to 19.5%.
7 The risk analysis is consistent with risks identified for the implementation of the Government PFM Reform Strategy.
3. The Government will carry out prudent macroeconomic and monetary policies under the foreseen IMF programme
4. The new constitutional provisions ensuring reinforced independence of oversight institutions are implemented by the government

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The project builds on lessons learnt from EU support provided under the 10th EDF Public Finance Management (PFM) Accountability Support Programme as well as Cooperating Partners' programme reviews or external analysis. Lessons learnt include:

- The EU occupies a niche position in PFM reform through its current 10th EDF support programme that may be built on in future cooperation. The support from the EU is well recognized by other CPs as well as by the Government.
- Budget credibility remains problematic and has not improved over time. More needs to be done on the revenue side to increase revenue collection.
- Whilst past years' progress at the National Audit Office appears impressive and compares favourably with many others in Africa, some further improvement is still possible.
- Line ministries are essential for the realisation of the SDGs but are confronted with capacity constraints in budget formulation, implementation and monitoring as well as revenue mobilisation.
- The EU support to the National Assembly of Zambia is coherent with the Government PFM reform strategy and the NAZ's reform agenda. It is highly relevant to accountability and transparency.
- Anti-corruption efforts could be strengthened by improving linkages between the Anti-Corruption Commission and core feeder institutions (e.g. MoF and National Audit Office), including by providing real time access to accounting and procurement systems.

3.2 Complementarity, synergy and donor coordination

The PFM Reform Strategy is being supported by several CPs, including a multi-donor Trust fund administered by the World Bank, and bilateral programmes from the EU, GIZ, UK, Sweden, Finland, the IMF, and the US Treasury. The main on-going programmes include:

- **Public Financial Management Reform Program** (Multi Donor Trust Fund, UK: GBP 13.5 million, Germany: EUR 7 million, Finland: EUR 2 million), 2013-2018. Key areas are planning and budgeting, public procurement systems, enhancing internal audit and control, enhancing revenue administration. A second phase has been requested by the Government but contributing donors are still exploring alternative modalities of implementation.
- **Strengthening Good Financial Governance project** (2013-2018). Enhancing the capacities of the MoF and the Zambia Revenue Authority (ZRA), Germany EUR 5.6 million) and Ministry of National Development Planning (MNDP) for monitoring and

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8 This Programme (FED/2013/22712 - EUR 13 million) was adopted in 2013 and focuses on strengthening of budgetary oversight by the National Assembly, professional development of the Ministry of Finance, monitoring and evaluation by the Ministry of Planning and sector ministries, and enhanced capacity to monitor mineral production with a view to enhance domestic revenue mobilisation.
evaluation of national development plans (Germany and UK (DFID) EUR 4.5 million).

- **Support to the Office of the Auditor General and Zambia Revenue Authority.** (Sweden and Norway, SEK33 million), 2014-2017. Norway has phased-out as they closed their Embassy in 2016. Sweden is considering continuing supporting the National Audit Office’ strategic plan after 2017 and close coordination has already been established.

The EU is the only CP supporting the NAZ. Sweden has been supporting the OAG strategic plan while the current project will focus on specialised audits and the development of local government audit directorate. No other CP is supporting the ACC. Coordination with Germany will be ensured on components 4 and 5 (budget planning/execution and domestic revenue mobilisation) through a Delegation Agreement with GIZ. The PFM CP Group is the platform of coordination of all programmes supporting PFM reforms with a view to building synergies and avoiding duplication of activities. The 2016 EU Joint Programming exercise identified transparency and accountability of governance as a priority area for dialogue with the Zambian Government. Discussions have been initiated with the IMF and CPs on PFM reform priorities in view of the future IMF Programme and CPs agreed that improvements are needed in budget credibility; domestic revenue mobilisation and effectiveness in controls and reporting.

### 3.3 Cross-cutting issues

Gender equality: Zambia’s performance against internationally-accepted proxy indicators illustrates that Zambia is one of the most unequal countries in the world, not just in terms of income inequality but also gender inequality. National budgets are generally not gender responsive. Insufficient funding for the implementation of gender Acts and policies is one of the reasons why Zambia scores low on gender indices. In accordance with the Accra Agenda for Action, an important feature of the programme is to change practices to better align budget processes to address gender equality, mainly through Gender-Responsive Budgeting (GRB). Capacity on gender-responsive budgeting will be built both in the Ministry of Finance and selected line ministries. These will also make use of guidelines elaborated by the German Cooperation. The National Assembly's Gender Portfolio Committee will be supported to ensure a parliamentary oversight on the implementation of GRB. Civil society organisations will strengthen their monitoring of budget execution to promote transparency on spending on the gender priorities of the Government.

Environmental sustainability is not a main target of the intervention, although improved budget credibility, transparency and oversight should improve the prospects of Zambia delivering against Sustainable Development Goal targets.

### 4 Description of the Action

#### 4.1 Objectives/results

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goal 16 "Develop effective, accountable and transparent institutions at all levels", but also promotes progress towards Goal 17\(^{10}\) "Strengthen domestic resource mobilisation, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection". This does not imply a commitment by the country benefiting from this programme.

\(^{10}\) SDG Goal 16: Promote just, peaceful and inclusive societies and SDG Goal 17: Revitalise the global partnership for sustainable development.
The overall objective is to contribute to sustainable and inclusive growth through an increased mobilisation and effective use of domestic resources. The specific objective is to improve the accountability, transparency and effectiveness in management of public resources, and increase domestic revenue mobilisation.

**Expected Results:**

1. Parliamentary budgetary oversight function and public awareness of (and access to) parliamentary activities and policy debates is enhanced.
2. Oversight of public spending by the National Audit Office is improved.
3. Fight against corruption is reinforced.

Results 2 and 3 are focused on institution strengthening which will be achieved through support from relevant institutions of EU Member States.

4. Planning, budgeting and management of public resources is improved, including the adoption of Gender-Responsive Budgeting and Planning.
5. The revenue base is enhanced through improved domestic revenue mobilisation.

### 4.2 Main Activities

#### 4.2.1. Parliamentary budgetary oversight function and public awareness of (and access to) parliamentary activities and policy debates enhanced

**i) Parliament:**

- Continuation of the support for the Budget Committee, Public Accounts Committee (PAC) and Committee on National Economy, Trade and Labour through training and capacity building\(^{11}\), in particular to improve the reviews of annual budget proposals/Medium Term Expenditure Framework (MTEF) by the Budget Committee, the reviews of national audit office reports by PAC and the analysis of national sector strategies costed in the MTEF and annual budget by the Committee on National Economy;
- Support to three additional portfolio parliamentary committees\(^{12}\) in their PFM functions so that they are able to analyse the financial aspects of sector policies, plans, budgets and performance;
- Capacity building for staff of the Interim Parliamentary Budget Office (PBO) and Committee Clerks, including support to undertake disaggregated budget analysis in relation to sectors, gender and geography as well as develop tools to monitor the implementation of national development plans;
- Facilitating exchanges between the European Parliaments (EU and EU MS Parliaments) with the Zambian Parliament on PFM subjects;

**ii) Public awareness**

- Strengthen citizens’ participation in Parliamentary activities through public, CSOs and media engagements;
- Support to CSOs for budget tracking (through grants).

#### 4.2.2. Oversight of public spending by the National Audit Office is improved

All capacity building activities will be implemented through the support from a Supreme Audit Institution from an EU Member State.

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11 Depending on relevance and funds availability, other finance committees may also benefit from capacity-building activities.

12 Agriculture and Energy. In addition, in order to strengthen the Gender Responsive Budgeting approach, the Committee on Gender Matters will be supported.
Staff capacity development and training areas cover a wide range of audit issues and specialism, such as: update training curricula and train the trainers in IT audit, performance audit, environmental audits, extractive industry, procurement and contract audits, road/public works audits and will aim at developing the capacity of the National Audit Office to carry-out specialised audits. Other activities will include:

- Operationalisation of the Public Audit Act (2016), involving the sensitisation of various stakeholders, including MPs, the media, audits, CSOs and CPs;
- Establishment and development of the Local Government Audit Directorate (in charge of auditing local authorities) through staff induction, purchase of furniture and equipment, development of human resource management system;

4.2.3. **Fight against corruption is reinforced**

Activities will be implemented through the support from an anti-corruption institution from an EU Member State.

The bulk of activities will focus on supporting the investigation and prosecution functions of the ACC (including high profile investigations) through training, capacity building and procurement of surveillance and other necessary equipment for the Intelligence Unit. Other activities will also include:

- Support to corruption prevention through strengthening media participation and campaign against corruption as well as training of ACC focal point persons for private sector representative bodies;
- Strengthen corruption related legislation and initiate legislation/policy guidelines, including the review of the existing laws and draft regulation on enforcement;
- Enhancement of the network in the accountability chain through support to linkages with government institutions dealing with corruption (National Audit Office, ZRA, Financial Intelligence Unit, Zambia Public Procurement Authority, other law enforcement institutions).

4.2.4. **Planning, budgeting and management of public resources is improved, including the adoption of Gender-Responsive Budgeting and Planning**

Activities related to **Planning and Budgeting** include:

- Support to the Public Investment function at MNDP to develop a system to coordinate and oversee public investment projects;
- Support to the switch from Activity Based Budgeting to Output Based Budgeting, including the introduction of OBB in selected line ministries (health, agriculture and energy);
- Training MoF and selected line ministries staff to improve budgeting skills, including support to the multi-year macroeconomic and fiscal planning, costing, risk assessment, non-tax revenue budgeting;
- Capacity building to introduce and operationalise Gender-Responsive Budgeting in MoF and targeted ministries;
- Facilitating exchanges between Zambian and European MoF's on these areas.

Activities related to **Budget Execution, Accounting and Reporting** include:

- Introduce a methodology to integrate methodology for payroll control;
- Support to the development of a system of management of arrears;
• Support to procurement management, in particular by developing a procurement monitoring system;
• Support to monitoring budget execution, including early warning of over or under spending, strengthening Ministries, Provinces and Government Spending Agencies’ use of IFMIS and MIS/M&E\textsuperscript{13} systems for budget control, accounting and reporting, support Treasury cash management;
• Preparation of monthly, quarterly and annual budget execution statements and variance analysis and financial accounts, including ensuring efficient and timely period-end and year-end accounts closures and reconciliations;
• Preparation of timely and accurate Annual, Quarterly and Monthly Commitment, Expenditure and Non-Tax collection projections to support switch from Cash Rationing to Commitment Warrant system;
• Facilitating exchanges between Zambian and European MoFs on these areas.

4.2.5. Revenue base is enhanced through improved domestic revenue mobilisation

• Development of a Bulk Intelligence Data Analysis (BIDA) System, including provision of software and technical infrastructure, IT training, user and functional training and change management activities. The system will be developed in three phases:
  - Phase I: Data-warehouse and Business Intelligence (BI) software implementation for TaxOnLine and ASYCUDA (Automated System for Customs Data) World;
  - Phase II: Data-warehouse and Business Intelligence software implementation for all other ZRA internal systems;
  - Phase III: Development of system functionalities to capture data from external sources such as PACRA (Patents and Companies Registration Agency), Road Transport and Safety Agency, Banks, line-ministries, etc.;
• Establishment of nine mobile offices ensuring a full range of services from registration and signing-up possibilities to the ZRA e-portal, to carry-out advisory functions, interacting with taxpayers, return filing and payments. The project will fund equipment, vehicle customisation and accessories (e.g. computers) and training of operators.

Exchanges between ZRA and Revenue Authorities in EU MS will also be promoted.

4.3 Intervention logic

The improvement of PFM facilitates effective management of the collection and expenditure of funds by governments. Budget transparency gives the opportunity to the citizens to access information and provides feedback on government revenues, allocations and expenditures. The approach of the proposed project is two-fold. It first proposes to operate on the demand side of PFM. Strengthening the demand for better PFM, including greater accountability and transparency by strengthening the ability of oversight actors (including the Parliament, the National Audit Office, the Anti-corruption Commission and Civil Society Organisations) to hold the Executive responsible, is indeed seen as an effective mechanism for improved performance. The programme also proposes to work on the supply side, with the view that improved planning and management of public resources by the executive will lead to better budget credibility and eventually improved service delivery. The enhancement of the revenue base will finally generate additional resources in view of the sustainable economic growth of the country.

\textsuperscript{13} Integrated Financial Management Information System, Management information system, Monitoring and Evaluation.
The hypothesis of the programme is that higher level of fiscal disciplines, increased revenues and decreased misuse of public resources will lead to more inclusive and sustainable economic growth. The additional resources made available through more efficient PFM and enhanced revenue base can then be used for the reforms leading to, among other things, skills development and job creation.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to Article 17 of Annex IV to the ACP-EU Partnership Agreement.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission’s authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of Regulation (EU) 2015/322.

5.3 Implementation of the budget support component

N.A.

5.4 Implementation modalities

5.4.1 Grants: call for proposals for Support to the National Audit Office (direct management)

(a) Objectives of the grant, fields of intervention, priorities of the year and expected results:
The objective of the call will be to improve the oversight of public spending by the National Audit Office. Actions eligible for financing will include exchange of expertise through study visits, technical assistance, officials' exchanges, seminars, training activities and advice, as well as procurement of equipment and supplies. Expected results and related activities are listed in sections 4.1 and 4.2.

(b) Eligibility conditions:
Due to the institutional nature of result 2, the call for proposal will be limited to public bodies from Member States. This is in accordance with Article 20(9) Annex IV Cotonou which indicates that eligibility may be restricted with regard to the nationality, localisation or nature of applicants where required by the nature and the objectives of the action and as necessary for its effective implementation. Subject to information to be published in the call for proposals, the indicative amount of the EU contribution per grant is EUR 2 000 000 and the grant may be awarded to sole beneficiaries and to consortia of beneficiaries (coordinator and co-beneficiaries). The indicative duration of the grant (its implementation period) is 36 months.

(c) Essential selection and award criteria:
The essential selection criteria are financial and operational capacity of the applicant. The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing:
The maximum possible rate of co-financing for grants under this call is full funding. In accordance with Article 192 of Regulation (EU, Euratom) No 966/2012, applicable in accordance with Article 2(1) and Article 37 of Regulation (EU) 2015/323, if full funding is
essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission’s authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management. Targeted MS Agencies are not likely to be able to provide significant levels of co-funding as cooperation with developing countries is normally not part of their core business for which resources are budgeted. In addition, the calls for proposals will seek at sourcing highly qualified expertise from civil servants of MS peer public administrations (secondment of experts). While these seconded experts will remain in employment in their national administrations, the selected MS administration will have to cover for their absence and eventually temporarily replace them. MS will therefore already contribute to the programme by providing this staff and by covering their absence, which would represent an indirect contribution to the grant.

(e) Indicative timing to launch the call:
The calls will be launched in the first quarter of 2018.

5.4.2 Grants: call for proposals for Support to the Anti-Corruption Commission (direct management)

(a) Objectives of the grants, fields of intervention, priorities of the year and expected results:
The objectives of the call will be to improve the fight against corruption in Zambia through support from peer institutions of EU Member States (MS). Actions eligible for financing will include exchange of expertise through study visits, technical assistance, officials' exchanges, seminars, training activities and advice, as well as procurement of equipment and supplies. Expected results and related activities are listed in section 4.1 and 4.2.

(b) Eligibility conditions:
Due to the institutional nature of results 3, the calls for proposal will be limited to public bodies from Member States. This is in accordance with Article 20(9) Annex IV Cotonou which indicates that eligibility may be restricted with regard to the nationality, localisation or nature of applicants where required by the nature and the objectives of the action and as necessary for its effective implementation. Subject to information to be published in the call for proposals, the indicative amount of the EU contribution per grant is EUR 2 000 000 and the grant may be awarded to sole beneficiaries and to consortia of beneficiaries (coordinator and co-beneficiaries). The indicative duration of the grant (its implementation period) is 36 months.

(c) Essential selection and award criteria:
The essential selection criteria are financial and operational capacity of the applicant. The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing:
The maximum possible rate of co-financing for grants under this call is full funding. In accordance with Article 192 of Regulation (EU, Euratom) No 966/2012, applicable in accordance with Article 2(1) and Article 37 of Regulation (EU) 2015/323, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission’s authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management. As explained in the previous section, targeted MS Agencies are not likely to be able to provide significant levels of co-funding as cooperation with developing countries is normally not part of their core business for which resources are budgeted.

(e) Indicative timing to launch the call:
The call will be launched in the first quarter of 2018.
5.4.3 Grants: call for proposals for budget monitoring and tracking by CSOs (direct management)

(a) Objectives of the grant, fields of intervention, priorities of the year and expected results:
The objective of the call for proposal, which covers activities under result area 1, will be to give the possibility to Zambian organisations to carry-out budget tracking in the sectors that will be covered by the programme and to increase their capacities to hold the Government and line ministries accountable. The grant beneficiary will provide financial support to third parties through the launch of a Call for Proposal targeting Zambian CSOs.

(b) Eligibility conditions:
The call for proposal will aim at contracting one consortium of CSOs (which could include international organisations) with a proven track record in the activities aimed at under the result areas and with experience of work in Zambia. Subject to information to be published in the call for proposals, the indicative amount of the EU contribution per grant is EUR 1 million and the grant may be awarded to a sole beneficiary or to consortia of beneficiaries (coordinator and co-beneficiaries). The indicative duration of the grant (its implementation period) is 48 months.

(c) Essential selection and award criteria:
The essential selection criteria are the financial and operational capacity of the applicant. The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing:
The maximum possible rate of co-financing for this grant is 80%. In accordance with Article 192 of Regulation (EU, Euratom) No 966/2012, applicable in accordance with Article 2(1) and Article 37 of Regulation (EU) 2015/323, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission’s authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative trimester to launch the call:
The call will be launched in the first or second quarter of 2018.

5.4.4 Indirect management with a Member State agency

A part of this action may be implemented in indirect management with the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 2(1) and Article 17 of Regulation (EU) 2015/323. This implementation entails implementation of Result areas 4 and 5. This implementation is justified because GIZ has extensive experience with strengthening PFM in Zambia, is well established within the Ministry of Finance and ZRA and plans to continue supporting budget planning and execution as well as revenue mobilisation. This delegated arrangement therefore ensures a better donor coordination and division of labour. The activities have been formulated jointly with GIZ. The entrusted entity would carry out the following budget-implementation tasks: contracting, making payments.

5.4.5 Indirect management with the partner country

A part of this action with the objective of strengthening the budgetary oversight institutions capacity, may be implemented in indirect management with the Republic of Zambia in accordance with Article 58(1)(c) of the Regulation (EU, Euratom) No 966/2012 in accordance with Article 2(1) and Article 17 of Regulation (EU) 2015/323 according to the following modalities:
The partner country will act as the contracting authority for the procurement and grant procedures. The Commission will control 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 above EUR 100 000 (or lower, based on a risk assessment) and may apply ex post control for procurement contracts up to that threshold. The Commission will control ex ante the grant 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 partner country for direct labour and contracts below EUR 300 000 for procurement and up to EUR 300 000 for grants.

The financial contribution does not cover the ordinary operating costs incurred under the programme estimate.

In accordance with Article 190(2)(b) of Regulation (EU, Euratom) No 966/2012 and Article 262(3) of Delegated Regulation (EU) No 1268/2012, applicable in accordance with Article 36 of Regulation (EU) 2015/323 and Article 19c(1) of Annex IV to the ACP-EU Partnership Agreement, the partner country shall apply procurement rules of Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012. These rules, as well as rules on grant procedures in accordance with Article 193 of Regulation (EU, Euratom) No 966/2012, applicable in accordance with Article 17 of Regulation (EU) 2015/323, will be laid down in the financing agreement concluded with the partner country.

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission’s authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

<table>
<thead>
<tr>
<th>Result Area 1: Parliamentary budgetary oversight function and public awareness of parliamentary activities and policy debates enhanced</th>
<th>EU contribution (in EUR)</th>
<th>Indicative third party contribution (in EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 000 000</td>
<td>250 000</td>
<td></td>
</tr>
</tbody>
</table>

| 5.4.2 Call for proposals for budget monitoring and tracking by CSOs (direct management) | 1 000 000 | 250 000 |

| 5.4.4 Indirect management with the partner country (procurement services, programme estimate) | 2 000 000 | 0 |

| Result Area 2: Oversight of public spending by the National Audit Office is improved | 2 000 000 | 0 |

<p>| 5.4.1 Call for proposals for public bodies in EU Member States (direct management) | 2 000 000 | 0 |</p>
<table>
<thead>
<tr>
<th>Result Area 3: Fight against corruption is reinforced</th>
<th>2 000 000</th>
<th>0</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.4.1 Call for proposals for public bodies in EU Member States (direct management)</td>
<td>2 000 000</td>
<td>0</td>
</tr>
<tr>
<td>Result Area 4: Planning, budgeting and management of public resources is improved, including the adoption of Gender-Responsive Budgeting and Planning</td>
<td>5 000 000</td>
<td>0</td>
</tr>
<tr>
<td>Result Area 5: Revenue base is enhanced through improved domestic revenue mobilisation</td>
<td>3 000 000</td>
<td>0</td>
</tr>
<tr>
<td>5.4.3 Indirect management with a Member State agency (GIZ)</td>
<td>8 000 000</td>
<td>0</td>
</tr>
<tr>
<td>5.9 – Evaluation, 5.10 – Audit</td>
<td>400 000</td>
<td>0</td>
</tr>
<tr>
<td>5.11 – Communication and visibility</td>
<td>100 000</td>
<td>0</td>
</tr>
<tr>
<td>Contingencies</td>
<td>1 500 000</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>17 000 000</td>
<td>250 000</td>
</tr>
</tbody>
</table>

### 5.7 Organisational set-up and responsibilities

One Steering Committee (SC) will be set up to oversee the overall direction of the programme. The SC will be chaired by the Ministry of Finance and will include representatives of the National Assembly, the National Audit Office, the Anti-Corruption Commission and ZRA. The SC will discuss the programme's progress, identify achievements and constraints and adopt adjustments if needed. The SC will meet at least once a year. Furthermore, programme-specific technical working groups will be set up for each of the component, which will meet regularly depending on need either quarterly or monthly. The Beneficiary, implementing partners, service providers and the European Union will be represented in the technical working groups.

### 5.8 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner’s responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews). For Result 1, baselines studies will be carried out as part of project activities to enable an accurate monitoring and evaluation.
5.9 Evaluation

Having regard to the importance of the action, a mid-term and final evaluations will be carried out for this action or its components via independent consultants contracted by the Commission. A mid-term evaluation will be carried out for problem solving, learning purposes, in particular with respect to the new areas of European Union partnership with the National Audit Office and Anti-Corruption Commission. A Final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that Public Finance Management is a complex area requiring strong commitments from the government.

The Commission shall inform the implementing partner at least 30 days in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities. The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, two contracts for evaluation services shall be concluded under a framework contract in 2020 and 2022. Any baseline study carried out in the course of the implementation of the programme will be used to inform the evaluations of the programme. A PEFA assessment should be expected in 2020 and will inform the progress against 2016 PEFA scores mentioned in the logframe.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract for audit services shall be concluded under a framework contract at the end of the project.

5.11 Communication and visibility

Communication and visibility of the European Union is a legal obligation for all external actions funded by the European Union.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

The Communication and Visibility obligations will be implemented through procurement and will be included in the agreement that will be signed with GIZ.
APPENDIX – INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)\textsuperscript{14}

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

<table>
<thead>
<tr>
<th>Results chain</th>
<th>Indicators</th>
<th>Baselines (incl. reference year)</th>
<th>Targets (incl. reference year - 2021)</th>
<th>Sources and means of verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>To contribute to sustainable and inclusive growth through an increased mobilisation and effective use of domestic resources</td>
<td>1. Ranking in Open Budget Index <em>&lt;br&gt;2. Transparency International Corruption Perception Index (CPI)**&lt;br&gt;3. Domestic revenue excluding grants (as a % of GDP)</em>+**&lt;br&gt;4. Growth rate</td>
<td>1. 2015: 39/100\textsuperscript{15}&lt;br&gt;2. 2016: 87/176 (rank) and 38/100 (score)&lt;br&gt;3. 17.9% in 2016&lt;br&gt;4. 2016: 3%</td>
<td>1. Progress in score&lt;br&gt;2. Improvement in CPI rank and score&lt;br&gt;3. 20% (IMF/MTEF target)&lt;br&gt;4. 6 to 10% (vision 2030)</td>
<td>1. OBI Index\textsuperscript{16}&lt;br&gt;2. CPI ranking\textsuperscript{17}&lt;br&gt;3. IMF/World Bank reports&lt;br&gt;4. Ministry of Finance</td>
<td>For outcomes to translate into impact we assume that other donors, wider economic factors and wider reform efforts by the Government also make contributions to the achievement of these high-level objectives.</td>
</tr>
</tbody>
</table>

| To improve the accountability, transparency and effectiveness in management of public resources, and increase domestic revenue generation | | | | |

\textsuperscript{14} Indicators aligned with the relevant programming document are marked with * and indicators aligned to the EU Results Framework with **.

\textsuperscript{15} 39/100 for transparency, 27/100 for oversight by legislature and 58/100 for oversight by audit, 40/100 participation.

\textsuperscript{16} http://www.internationalbudget.org/opening-budgets/open-budget-initiative/open-budget-survey/

\textsuperscript{17} http://www.transparency.org/research/cpi/
<table>
<thead>
<tr>
<th>Results chain</th>
<th>Indicators</th>
<th>Baselines (incl. reference year)</th>
<th>Targets (incl. reference year - 2021)</th>
<th>Sources and means of verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outcome 3 – Fight against corruption is reinforced</strong></td>
<td>1. # of cases that are reported to ACC, disaggregated by type of reporter (e.g. citizen, company, NGO) and whether leads to investigation and sanction</td>
<td>1. 2012 to 2015: 569 investigated, 49 convictions, 104 presented for prosecution, 112 recommended for disciplinary action</td>
<td>1. Increase in sanctions/convictions rate against total reported</td>
<td>1. ACC reports, project reports</td>
<td>1. Increasing interest of prosecuting authorities in following ACC recommendations.</td>
</tr>
<tr>
<td><strong>Outcome 5 – The revenue base is enhanced through improved domestic revenue mobilisation</strong></td>
<td>1. PEFA PI3 Revenue outturn*+** 2. TADAT PI 1-1 Accurate and reliable taxpayer information and PI 1-2 Knowledge of the potential taxpayer base 3. Volume of revenues collected as a result of the new systems introduced by ZRA with the support of this programme 4. Additional number of total registered tax payers registering with ZRA e-portal</td>
<td>1. C+ in 2016 2. 2016: PI 1-1 score D &amp; PI 1-2 score C 3. 2016: ZMW 31 243.2 million 4. 2016: 48,085 taxpayers registered</td>
<td>1. Progress in scores 2. Progress in TADAT score 3. ZMW 300 million additional per year. 4. 400 additional registered per year</td>
<td>1. PEFA report 2. TADAT report/ ZRA data 3. Government reports 4. Government reports</td>
<td>3. The system has capacity to handle new registrations / Continued implementation of compliance policies and efforts for internal coordination between agencies availing third party data 4. There is a demand for formalisation of businesses</td>
</tr>
</tbody>
</table>
## Outputs

| Parliament: 1. Capacity-building to Finance Committees (Budget, Public Accounts, National Economy) | 1.1 # of MPs trained per Committee 1.2 Number of amendments moved by MPs on the budget estimates 1.3 # of reviews of sector strategies by Committee on National Economy | 1.1 27 MPs (9 Budget, 9 PAC, 9 Economy) 1.2 0 in 2017 1.3 1 per year | 1.1 min.27 MPs trained 1.2 min 3 1.3 min 2 per year | 1.1 project reports 1.2 committee reports 1.3 committee reports | 1) The new knowledge is rolled-over in the committees 2&3) The Parl keeps an institutional memory on the methodologies |
| 2. Additional three Parliamentary committees are supported in their PFM functions (Agriculture, Energy, Gender Matters) | 2.1. # of MPs trained per Committee 2.2. Status of reviews of sector strategies in budget by Agri/Ener. Com. 2.3. # of reviews of gender sensitivity of the budget | 2.1. 27 MPs (9 Agri., 9 Energy, 9 Gender) 2.2. None in 2016 2.3. None in 2016 | 2.1. 27 MPs trained 2.2. Min once per year 2.3. Min once per year | 2.1. Project reports 2.2. Committee reports 2.3. Committee reports | 1) Knowledge is sustained and rolled-over 2) and 3) Institutional memory on sector / gender review methods and review reports |
| 3. Capacity building for Parliamentary Budget Office & Committee Clerks | 3.1. # of Policy briefs on budget and responses to MPs request by PBO 3.2. # of budget analysis disaggregated by sectors, gender & geography 3.3. # of reviews of NDP sector strategies implementation by PBO | 3.1. 3 policy briefs in 2016 3.2. None in 2016 3.3 None in 2016 | 3.1. 4 policy brief per year 3.2. One per year 3.3 Twice per year | 3.1, 3.2 & 3.3: project reports | 1) the PBO is stable and has a capable personnel 2) There is an institutional memory on methods, reports and there is an internal training programme / packages |
| 4. Strengthening of citizens participation in parliamentary activities | 4. # of networking activities/media briefings hosted by NAZ thanks to project | 4. 0 | 4. Min 5 per year | 4. Project reports | 1) The Parl has established an official schedule for citizen and CSO consultations on the draft budget, execution and audit reports |
| CSOs : Civil Society strengthened for budget tracking | 5. # of CSO reports on budget execution. | 5. Tbd in the inception | 5. Tbd in inception phase | 5. CSOs reports | 1) Citizen's budgets are introduced for citizens and CSOs |

## 2. Oversight of public spending by the National Audit Office is improved

| Outputs | 1. Staff capacity development and training, exchange of staff with European SAI s covering specialised audit tasks | 1.# of auditors with professional certification and trained to international standards in specialised audits (out of 313 total auditors): IT audit, performance audit (PA), environmental audit (EA), extractive industries (EI), procurement audit, roads/public works | 1.1 Auditors with certification in 2016: 4 IT, 18 PA, 4 EA, 0 EI, 0 proc., 0 roads 1.2 auditors trained in specialised audits: 25 IT, 25 PA, 4 EA, 4 EI value chain, 1 proc., 40 roads | 1.1 Auditors with certification by 2021: 15 IT, 20 PA, 20 EA, 29 EI, 30 proc., 15 roads 1.2 auditors trained in specialised audits: 100 IT, 100 PA, 20 EA, 25 EI value chain, 30 procurement, 80 roads | The audit methodologies are approved |
| 2. Public Audit 2016 is operational, stakeholders were sensitised | 2.1. Number of sensitisation events for performance audits 2.2. # of specialised audits 2.3. # of cases recommended to the director of public prosecution | 2.1. None in 2016 2.2. 2016: 241 regular audits, 15 IT, 6 PA, 1 EA, 1 EI, 1 roads 2.3. none in 2016 | 2.1. 2 annually 2.2. by 2021: 300 regular audits, 20 IT, 12 PA, 4 EA, 3 EI, 20 roads 2.3. 3 per annum by 2021 | 2.1 Project reports 2.2 OAG Annual reports 2.3 OAG reports | The standards (ISSAI, INTOSAI) are introduced at OAG |
### 3. Local Government Audit Directorate staffing and organisational arrangements in place

<table>
<thead>
<tr>
<th>Outputs</th>
<th>3.1. # of staff of the LGA directorate trained out of total LGA staff</th>
<th>3.2. Availability of furniture &amp; equipment</th>
<th>3.3. Status of Human Resource Management system</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Status of Training staff of Intelli. Unit</td>
<td>1.1 Status of Training staff of Intelli. Unit</td>
<td>2. Status of delivery of surveillance equipment</td>
<td>1.2. Tbd inception phase: # of staff trained</td>
</tr>
<tr>
<td>2. Status of delivery of surveillance equipment</td>
<td>2.1. # of complaints received by focal points from private sector</td>
<td>2.2. # of focal points identified &amp; trained</td>
<td>1.2. Tbd in inception phase</td>
</tr>
<tr>
<td>4. Status of OBB in targeted Ministries by project end</td>
<td>4.1. Tbd inception phase: # of staff trained</td>
<td>4.2. OBB adopted and operational</td>
<td>5. Tbd in inception phase</td>
</tr>
<tr>
<td>5. Status of regular meetings and exchange of information</td>
<td>5.1 Tbd in inception phase</td>
<td>5.2 Tbd in inception phase</td>
<td>5.3 Tbd in inception phase</td>
</tr>
</tbody>
</table>

### 3. Fight against corruption is reinforced

<table>
<thead>
<tr>
<th>Outputs</th>
<th>4.1 &amp; 4.2 Project progress reports</th>
<th>3.1 &amp; 3.2 &amp; 3.3 Project progress reports</th>
<th>3.1. Tbd inception phase: # of staff trained</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Supporting investigations and high profile enquiries, forensic Intelligence Unit and support</td>
<td>1.1 Tbd inception phase: # of staff trained</td>
<td>2.1 &amp; 2.2: Project progress reports</td>
<td>1.1 &amp; 1.2: Project progress reports</td>
</tr>
<tr>
<td>2. Support to corruption prevention (training of ACC focal point for private sector representatives)</td>
<td>2.1. Tbd in inception phase</td>
<td>2.1 &amp; 2.2: Project progress reports</td>
<td>1) Institutional memory of ACC is secured</td>
</tr>
<tr>
<td>3. Strengthen media participation against corruption</td>
<td>2.2. Min 10</td>
<td>2) The surveillance procedures are established and the technical means are used efficiently</td>
<td></td>
</tr>
<tr>
<td>4. Strengthen legislation and initiate policy guidelines</td>
<td>3. # of media campaigns organised</td>
<td>3. Project reports</td>
<td>3. Min 3 per year</td>
</tr>
<tr>
<td>5. Strengthen ACC network of collaborators in government agencies</td>
<td>3. None in 2016</td>
<td>4. Project reports</td>
<td>3. Project reports Media reporting is Analysed and lessons learned by the ACC</td>
</tr>
</tbody>
</table>

### 4. Planning, budgeting and management of public resources is improved in MoF and 3 lines Ministries (Health, Agriculture and Energy)

<table>
<thead>
<tr>
<th>Outputs</th>
<th>4.1 &amp; 4.2 Government &amp; progress reports</th>
<th>4.1 &amp; 4.2 Government &amp; progress reports</th>
<th>4.1 &amp; 4.2 Tbd in inception phase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Support to the investment planning function at MNDP</td>
<td>1. Status of a system to coordinate and oversee public investment projects</td>
<td>1. System adopted by MNDP</td>
<td>1. Inexistent</td>
</tr>
<tr>
<td>2. Introduction of Output Based Budgeting (OBB) in 3 line ministries</td>
<td>2. Status of OBB in targeted Ministries by project end.</td>
<td>2. OBB adopted and operational</td>
<td>2. Inexistent</td>
</tr>
<tr>
<td>3. Capacity building to MoF and at the 3 line ministries in budgeting skills</td>
<td>3. Tbd in inception phase</td>
<td>3. Tbd in inception phase</td>
<td>2. OBB adopted and operational</td>
</tr>
<tr>
<td></td>
<td>4.2. # of gender analysis of budgets for 3 target sectors</td>
<td></td>
<td>(a) Institutional memory on the training package is maintained</td>
</tr>
<tr>
<td></td>
<td>4.3. Staff trained on gender budgeting</td>
<td></td>
<td>(b) Budgeting guides and methodologies are endorsed and applied</td>
</tr>
<tr>
<td></td>
<td>4.4. Staff trained on gender budgeting</td>
<td></td>
<td>4.4. Staff trained on gender budgeting</td>
</tr>
</tbody>
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The LGA audit staff is stable and institutional memory is in place for training packages, methods and reports.
| Outputs | 5. Strengthen multi-year macroeconomic and fiscal planning | 5. Status of alignment of strategic plans and medium-term (MT) budgets | 5. Non-existent | 5. Strategic plans and MT budgets aligned | 5. Government & progress reports' MTEF | (a) The forum of macro-economic and PFM experts (MoF, IMF, WB, EU MS agencies) supports the key partners  
(b) A good dialogue between the Government and Central Bank |
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<td>7. Support to the development of a system of management of arrears</td>
<td>7. Status of a system of management of arrears</td>
<td>7. Monitoring of arrears outside of IFMIS</td>
<td>7. System developed and adopted</td>
<td>7. Government &amp; progress reports</td>
<td>Political support by the government to implement the methodologies</td>
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| 9. Strengthen MPSAs use of Integrated Fin. Management Information System /Payroll Management and Expenditure Control, MIS/ M&E systems | 9.1 Status of reports on OBB outputs  
9.2 Status of expenditure commitment controls | 9.1 Reports not based on the MIS system  
9.2 Commitment control system partially effective | 9.1 Reports are based on MIS system  
9.2 Control system fully effective | 9.1 & 9.2: Government reports, progress reports | Political support by the government to implement the methodologies |
| 10. Preparation of monthly, quarterly & annual budget execution statements & variance analysis | 10. # of budget execution statements delivered and published on time | 10. Quarterly reports are issued between 2–4 months after the end of the quarter | 10. Quarterly reports uploaded within 45 days after end of quarter | 10. Government & progress reports | Political support by the government to implement the methodologies. MoF staff is capable of timely delivery of the statements and analyses |

### 5. Domestic Revenue Mobilisation. Revenue base is enhanced

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<tr>
<th></th>
<th>1. Implementation of a Bulk Intelligence Data Analysis (BIDA) System</th>
<th>1. Status of BIDA system</th>
<th>1. Non-existent in 2016</th>
<th>1. BIDA system developed by 2021</th>
<th>1. ZRA data, reports</th>
<th>Internal coordination between agencies is established</th>
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<tr>
<td>2. Establishment of 9 mobile offices</td>
<td>2. Number of mobile offices set-up</td>
<td>2. 1 in 2016</td>
<td>2. 10 in 2021</td>
<td>2. ZRA data, reports</td>
<td>The agencies agree on the financing and maintenance of the mobile offices</td>
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