

Document of  
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Report No: PP1527

PROJECT PAPER

ON A

PROPOSED GRANT

IN THE AMOUNT OF US\$ 0.23 MILLION

TO THE

REPUBLIC OF ZAMBIA

FOR A

Zambia EITI – Post-Compliance Implementation Support II Project (P155224)

NOVEMBER 10, 2015

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FISCAL YEAR  
January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
BoZ	Bank of Zambia
CD	Country Director
CPI	Corruption Perception Index
CPS	Country Partnership Strategy
CQS	Selection Based on Consultants' Qualifications
CSOs	Civil Society Organization
DA	Designated Account
DFID	Department for International Development (UK)
EGPS	Extractives Global Programmatic Support
EITI	Extractive Industries Transparency Initiative
EOI	Expression of Interest
ERR	Economic Rate of Return
FM	Financial Management
FPM	Financial Procedures Manual
GDP	Gross Domestic Product
GPF	Governance Partnership Facility
GRZ	Government of Zambia
HDI	Human Development Index
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
ISDS	Integrated Safeguards Data Sheet
MDTF	Multi-Donor Trust Fund
MMEWD	Ministry of Mines, Energy, and Water Development
NPV	Net Present Value
PDO	Project Development Objectives
PRSP	Poverty Reduction Strategy Paper
SOE	Statement of Expenditure
TA	Technical Assistance
WA	Withdrawal Application
WBG	The World Bank Group
ZEC	Zambia EITI Council
ZEITI	Zambia EITI

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**REPUBLIC OF ZAMBIA**  
**Zambia EITI – Post-Compliance Implementation Support II**

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## APPRAISAL DATA SHEET

*Zambia*

*Extractive Industries Transparency Initiative (EITI) Post-Compliance Implementation Support  
II (P155224)*

### PROJECT PAPER

*AFRICA*

*0000009266*

Report No.: PP1527

Basic Information			
Project ID P155224	EA Category C - Not Required	Team Leader(s) Martin Lokanc	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints [ ]		
	Financial Intermediaries [ ]		
	Series of Projects [ ]		
Project Implementation Start Date 01-Sep-2015	Project Implementation End Date 31-Dec-2015		
Expected Effectiveness Date 01-Oct-2015	Expected Closing Date 31-Dec-2015		
Joint IFC No			
Practice Manager/Manager Paulo De Sa	Senior Global Practice Director Anita Marangoly George	Country Director Guang Zhe Chen	Regional Vice President Makhtar Diop
Approval Authority			
Approval Authority CD Decision			
Borrower: Ministry of Finance and National Planning			
Responsible Agency: EITI SECRETARIAT			
Contact: Telephone No.: 260977611790	Title: Head of EITI Secretariat Email: siforiano2010@gmail.com		

Project Financing Data(in USD Million)										
Total Project Cost:		0.23				Total Bank Financing:		0.00		
Financing Gap:		0.00								
Financing Source						Amount				
Borrower						0.00				
Extractive Industries Transparency Initiative						0.23				
Total						0.23				
Expected Disbursements (in USD Million)										
Fiscal Year	2016	0000	0000	0000	0000	0000	0000	0000	0000	0000
Annual	0.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cumulative	0.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Institutional Data										
Practice Area (Lead)										
Energy & Extractives										
Contributing Practice Areas										
Cross Cutting Topics										
[ ] Climate Change										
[ ] Fragile, Conflict & Violence										
[ ] Gender										
[ ] Jobs										
[ ] Public Private Partnership										
Sectors / Climate Change										
Sector (Maximum 5 and total % must equal 100)										
Major Sector				Sector		%	Adaptation Co-benefits %		Mitigation Co-benefits %	
Public Administration, Law, and Justice				Public administration-Energy and mining		20				
Energy and mining				Other Mining and Extractive Industries		80				
Total						100				
<input checked="" type="checkbox"/> I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.										



Themes		
Theme (Maximum 5 and total % must equal 100)		
Major theme	Theme	%
Public sector governance	Other accountability/anti-corruption	20
Social dev/gender/inclusion	Participation and civic engagement	20
Environment and natural resources management	Other environment and natural resources management	60
Total		100
<b>Proposed Development Objective(s)</b>		
12. The development objective is to improve transparency and accountability in Zambia's extractive sector by supporting the EITI Zambia Secretariat and the Multi-Stakeholder Group to successfully implement the Extractive Industries Transparency Initiative in Zambia.		
<b>Components</b>		
<b>Component Name</b>	<b>Cost (USD Millions)</b>	
Production of Extractive Industries Transparency Initiative (EITI) reconciliation report for fiscal year 2014	150,000.00	
Dissemination of EITI reconciliation report for fiscal year 2014	60,000.00	
Preparation of detailed strategic work plan for EITI Secretariat	20,000.00	
<b>Compliance</b>		
<b>Policy</b>		
Does the project depart from the CAS in content or in other significant respects?	Yes [ ]	No [ X ]
Does the project require any waivers of Bank policies?	Yes [ ]	No [ X ]
Have these been approved by Bank management?	Yes [ ]	No [ X ]
Does the project meet the Regional criteria for readiness for implementation?	Yes [ X ]	No [ ]
<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>
Environmental Assessment OP/BP 4.01		X
Natural Habitats OP/BP 4.04		X
Forests OP/BP 4.36		X
Pest Management OP 4.09		X
Physical Cultural Resources OP/BP 4.11		X
Indigenous Peoples OP/BP 4.10		X
Involuntary Resettlement OP/BP 4.12		X

Safety of Dams OP/BP 4.37			X	
Projects on International Waterways OP/BP 7.50			X	
Projects in Disputed Areas OP/BP 7.60			X	
Legal Covenants				
Name	Recurrent	Due Date	Frequency	
Description of Covenant				
Conditions				
Source Of Fund	Name	Type		
EITI	Extractive Industry Transparency Initiative (EITI) MDTF	Approval		
Description of Condition				
Team Composition				
Bank Staff				
Name	Role	Title	Specialization	Unit
Martin Lokanc	Team Leader (ADM Responsible)	Mining Spec.	Mining Specialist	GEEDR
Wedex Ilunga	Procurement Specialist	Senior Procurement Specialist	Procurement	GGODR
Lingson Chikoti	Financial Management Specialist	Consultant	FM	GGO25
Andrea Maria Castro Astudillo	Team Member	Program Assistant		GEEDR
Helga Treichel	Team Member	Consultant	Operations	GEEX1
Hellen Mbaio Chilupe	Team Member	Senior Operations Officer		AFCS3
Knut Opsal	Safeguards Specialist	Lead Social Development Specialist	Safeguards specialist (Social)	GSURR
Stephen Mugendi Mukaindo	Counsel	Counsel	Lawyer	LEGAM
Svetlana Khvostova	Safeguards Specialist	Natural Resources Mgmt. Spec.	Safeguards specialist (Environment)	GENDR



Extended Team					
Name		Title	Office Phone		Location
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Zambia	Lusaka	Lusaka Province		X	

## I. STRATEGIC CONTEXT

### A. Country Context

1. **Following strong growth in the last decade Zambia has reached lower middle income status.** Zambia's economy grew by over 7 percent annually over the last decade and it was among the 10 fastest growing economies in Sub-Saharan Africa. However, the economy remains mainly dependent on copper—making it highly vulnerable to movements in the world price of copper—and more than 60 percent of Zambians live below the poverty line. Human development indicators lag the Sub-Saharan Africa average and income distribution is highly unequal.
2. **Zambia has had a long period of political stability providing an excellent opportunity to make progress on its overarching development objectives.** The current government, which came to power in September 2011, has identified poverty reduction, jobs creation, and improving governance as its main priorities. Recent presidential elections following the death of President Sata in October 2014 resulted in a win for the ruling party's candidate Edgar Lungu of the Patriotic Front (PF) who will serve through September 2016.

### B. Sectoral and Institutional Context

3. **Zambia's economy is heavily dependent on mining.** Zambia is Africa's largest producer and exporter of copper and cobalt, which directly account for about 10 percent of GDP, about 1/3 of government revenue, and about 70 percent of the country's export earnings. Indirectly, the mining sector accounts for more than half of GDP. The mining sector, which had declined in the late 90s from its peak in the 70s, has been recovering sharply since 2000—with foreign investment playing a major role.
4. **Zambia has been implementing the EITI (Extractive Industries Transparency Initiative) since 2009.** It became an EITI candidate country in May 2009 and underwent its first validation in 2011, when the EITI Board found meaningful progress despite the fact that not all requirements for validation had been met. Following a review, Zambia was declared EITI compliant in September 2012 and the next validation is to begin on July 1, 2016. To date, six EITI reconciliation reports have been issued covering the years 2008-2013.
5. **The multi-stakeholder group overseeing and coordinating EITI implementation in Zambia is the Zambia EITI Council (ZEC).** The council is composed of three stakeholders—the government, mining companies, and civil society organizations (CSOs). ZEC has a total of 18 members—each of the three stakeholders is represented by six members. ZEC is chaired by the Secretary to the Treasury and is serviced by a Secretariat which is located in the Ministry of Mines, Energy, and Water Development (MMEWD). The Secretariat has four full-time staff.
6. **EITI implementation in Zambia has been heavily dependent on donor funding, but financing from the federal budget has increased in recent years.** The World Bank has financed EITI implementation in Zambia through two grants from the MDTF (Multi Donor Trust Fund). MDTF I (US\$309,000) completed on June 30, 2012 and MDTF II (US\$350,000)

completed on December 31, 2014. Both phases of the MDTF comprised a combination of operating costs and technical assistance to ZEITI (Zambia EITI). Implementation was satisfactory. Further support from the World Bank under the Governance Partnership Facility (GPF) facilitated capacity building of civil society organization. Zambia EITI also received financial support from the Mining Basket Fund comprising financial contributions from the European Union, DFID, and Norway, which was mainly used to support the operating cost of the EITI Secretariat. The African Development Bank (AfDB) financed the production and dissemination of the EITI Report for 2011. Budgetary funding for ZEITI increased from about \$80,000/year during 2008-2010 to US\$200,000 in 2012 and 2013 to close to US\$450,000 (more than five times the 2008-2010 level) in 2014. The budgetary contribution in 2014 represents about 30 percent of the total EITI budget, down from between 35-40 percent during 2012-13 as a result of the substantial overall increase in the EITI budget.

7. **Corruption remains an issue in Zambia, even though progress has been made in recent years.** Transparency International's 2014 Corruption Perception Index (CPI) ranks Zambia 85<sup>th</sup> (out of 175 countries). Zambia is ranked 15<sup>th</sup> out of 47 Sub-Saharan African countries with a CPI of 28 (out of 100) in 2014 up from a low of 26 in 2001.

8. **Civil society in general is very active but continues to be limited by a number of factors.** While Zambia's civil society has been working towards greater representation of citizens' voice in government and in this context has promoted the EITI, its influence continues to be limited by a lack of institutionalized mechanisms, inadequate information and knowledge of policy processes, deficiencies in communication strategies, and weak links with other actors.

9. **The Government of Zambia (GRZ) on April 28, 2015 formally requested World Bank grant support in the amount of US\$250,000 for the continued implementation of EITI in Zambia.**<sup>1</sup> The work plan/budget for ZEITI includes a detailed breakdown of funding needs for different activities. The full budget for EITI activities during 2015-16 amounts to close to US\$2.6 million, of which more than US\$1.2 million (48 percent) will be financed by GRZ. This represents an almost 40 percent increase over the 2014 level of funding received from GRZ—indicating continued strong financial support for EITI. However, strong political support/leadership for EITI has been somewhat lacking and will need to be rekindled in order to ensure meaningful continued implementation of EITI in Zambia.

10. **In response to the request of GRZ and recognizing the fact that EITI-MDTF is drawing to a close at the end of 2015, the Bank agreed to a phased approach.** Specifically, an EITI MDTF-financed grant of very short duration is expected to be followed by a longer grant financed from the EGPS. Because of the closing of the EITI MDTF at end-December 31, 2015, any grant that is approved during 2015 will need to be of short duration. While a longer gap between the last and the proposed grant would have been an option (with new funding from the EGPS starting sometime in 2016), this would have deprived Zambia EITI of the funding necessary to produce the reconciliation report for the calendar year 2014 by the end of 2015.

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<sup>1</sup> In consultation with the ZEITI Secretariat, this amount was reduced slightly as activities related to the launch of the strategic work will be shifted to early 2016.

## C. Higher Level Objectives to which the Project Contributes<sup>2</sup>

11. **The implementation of EITI supports GRZ's efforts for improving governance.** The current government, which came to power in September 2011, has identified poverty reduction, jobs creation, and improving governance as its main priorities. Through the implementation of the EITI, the government has an instrument to demonstrate its adherence to an internationally recognized standard and practices of good, open and responsible governance in the mining sector. Greater transparency in the extractive sector can boost prospective investors' confidence. This could also support and enhance competition.

12. **The proposed project is in line and supports World Bank Group's Country Partnership Strategy (CPS) for Zambia (FY13-16) (Report No. 75089-ZM) and the Performance and Learning Review conducted in July 2015 (Report No. 95986-ZM).** Both Outcome 3.1 of the CPS, "Strengthened systems and processes for public sector performance" and Outcome 3.2 "Citizen access to information increased", are supported by the proposed assistance to the Zambian government in implementing EITI. The proposed grant will provide direct support for the production and dissemination of EITI reconciliation reports in Zambia with the objective of enhancing the overall transparency in the extractives sectors as well as increasing the opportunities for non-state actors to engage in the EITI process.

## II. PROJECT DEVELOPMENT OBJECTIVES

### A. PDO

13. **The overarching development objective is to improve transparency and accountability in Zambia's extractive sector by supporting the EITI Zambia Secretariat and the Multi-Stakeholder Group to successfully implement the Extractive Industries Transparency Initiative in Zambia.** This will be achieved through a timely production and dissemination of the 2014 reconciliation report and the development of a strategic work plan. The project will support the issue of timeliness that ZEITI is trying to address in line with the requirement for EITI implementation. . Through wider dissemination, ZEC will have a better chance to influence positively decisions on sustainable management of the extractive sector in Zambia. This will ultimately benefit the wider public in Zambia. Disclosure of payment and revenue flows between the industry and the government through EITI Reports reduces opportunities for corruption and as such the implementation of this project will improve the investment climate and will benefit the GRZ as well as private investors. Moreover, the expectation is that a strategic work plan will be helpful in moving EITI implementation in Zambia beyond the production of EITI reconciliation reports and in bringing about greater political support for EITI implementation in Zambia.

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<sup>2</sup> To avoid the issue of "outdated" information in reconciliation reports, the lag between the end of the reporting period and the publication of the report is supposed to be less than a year. ZEITI published the reconciliation reports for both 2012 and 2013 in December 2014, which was within the accepted timeframe for the latter but not the former.

## **B. Project Beneficiaries**

14. **The project has a range of beneficiaries.** The direct beneficiaries are the Zambia EITI Council (ZEC), the ZEITI Secretariat, and civil society. Indirect beneficiaries include the GRZ, private investors, and the wider public in Zambia. Specific beneficiaries include members of ZEC and civil society who will benefit from the enhanced dissemination activities supported by this project

## **C. PDO Level Results Indicators**

15. **In line with the PDO above, the following PDO Level Results Indicators will be tracked throughout project implementation:**

- (a) EITI reconciliation report for 2014 is published by end-December 2015 (Yes/No)  
Intermediate PDO indicator: Contract issued for the 2014 reconciliation report by end-October 2015 (Yes/No)
- (b) Media training held in November/December 2015 prior to release of 2014 report (Yes/No)
- (c) Draft Strategic Plan submitted to World Bank by end-December 2015 (Yes/No)
- (d) “EITI Policy” report prepared by end-2015 (Yes/No)

## **III. PROJECT DESCRIPTION**

### **A. Project Background**

16. **The ZEITI work plan and budget for 2015/16 includes the following five objectives in addition to financing the staff of the secretariat:**

- a) Production of scoping and reconciliation reports
- b) Capacity building for stakeholders, ZEC and Secretariat
- c) Dissemination of ZEITI reconciliation reports—including printing of reports, dissemination through various media, workshops, website etc.
- d) Production of annual assessment reports—including an audit, activity report, impact assessment and strategic plan
- e) Enacting EITI policy and EITI bill

17. **The proposed grant covers the first phase of a multi-year engagement with ZEITI (Phase 1).** Because of the closing of the MDTF on December 31, 2015, the proposed grant covers only a relatively short period of time. However, the activities in this grant are part of a medium-term engagement with ZEITI that aims to increase the effectiveness of EITI implementation in Zambia. To date, Zambia has successfully produced six reconciliation reports and is engaged in improving the timeliness and content of the reports. The key issue facing ZEITI is how to increase the impact of EITI in Zambia or, put differently, how to use EITI reports as an effective tool in improving the governance of the extractive sector for the benefit of the country. To do this, the proposed grant is expected to be followed by a -year second phase (Phase 2, covering the period April 1, 2016-March 31, 2018). The second phase of the grant is



expected to finance activities as supported by the medium-term strategic work plan that is currently under preparation.

18. **The proposed Phase 1 grant will provide GRZ through the ZEITI Secretariat the financial and technical support to continue EITI implementation through December 2015.** Main activities include the production of the EITI reconciliation report for 2014, dissemination activities, and support in the context of the development of a strategic work plan. As the EITI MDTF mother trust fund closes at the end of December 2015, all activities under this grant have to be completed by December 31, 2015.

19. **Upon successful completion of activities under this EITI MDTF grant and based on a strategic work plan, a second multi-year phase of support to EITI implementation (Phase 2) might be considered under the Extractives Global Programmatic Support (EGPS).** ZEITI is currently preparing a strategic work plan—with partial funding in this context provided by the first phase of the proposed grant (see Component 3). The strategic work plan is expected to be in compliance with the guidance note published by the EITI Secretariat and will be developed in close cooperation with World Bank and Oslo EITI Secretariat staff.<sup>3</sup> As clearly stated in the guidance note, the work plan should set implementation objectives that reflect national priorities for the extractive industries, explore innovative approaches to encouraging high standards of transparency and accountability in public life, government operations and in business, and include measurable and time bound activities to achieve the agreed objectives. The preparation of a strategic work plan, to a level satisfactory to the World Bank, will be a precondition for Phase 2 funding. In other words, once a satisfactory strategic work plan has been developed, it will form the basis for engagement with ZEITI in Phase 2. The EITI Secretariat is encouraged to consult the World Bank regarding the contents and sections that the strategic work plan should include<sup>4</sup>. A new procurement plan would need to be prepared for the additional funding. It is expected that the current project would be amended to include this second financing. A new set of results indicators would be agreed—including indicator(s) that would specifically track outcomes (instead of outputs) that better measure the impact of EITI on increased transparency, accountability and governance of the extractive sector in Zambia.

## **B. Project Components**

20. The following components are proposed:

- a) **Component 1—Production of EITI Reconciliation Report for 2014 (\$150,000):** This will allow for the timely production and publication of a reconciliation report as required by the EITI International Secretariat. Specifically, the grant will fund the recruitment of a

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<sup>3</sup> *Guidance Note 2: Developing and EITI Workplan.* EITI Secretariat, April 24, 2014.

<sup>4</sup> For example, sections that the strategic work plan should include: (i) clear, attributable and measurable outcome indicators; (ii) SWOT analysis; (iii) Zambia EITI effectiveness and performance review; (iv) strategic growth opportunities within Zambia's extractives industries sector for EITI engagement; (v) secretariat structure and human resources plan; (vi) secretariat level key performance indicators; and (vii) budget and finance plan. The development of the strategic work plan should be consultative, making use of structured interviews with the Zambia MSG members as well as other representatives from government, industry and civil society.

firm to gather the relevant information from private and public entities, analyze the data, and draft and finalize the Zambia EITI reconciliation report for 2014.

- b) **Component 2—Dissemination Activities (\$60,000):** The grant is financing the printing of the 2014 reconciliation reports as well as the printing of summaries and brochures. It will also finance the December launch of the 2014 reconciliation report in Lusaka and a workshop for media representatives on EITI issues to be held prior to the publication of the 2014 report. These activities aim at raising the awareness about EITI in particular and transparency in the extractive sectors in general.
- c) **Component 3—Development of a Strategic Work Plan (\$20,000):** A strategic planning process is currently underway at for Zambia EITI. The Secretariat underwent an institutional assessment that provided input into a strategic planning workshop. Stakeholder consultations for the strategic plan have taken place and a working group has been established. The process has benefitted from active involvement of MSG members. In this context, the proposed grant will provide additional funding for a consultant to elaborate an “EITI Policy” statement.

### C. Project Cost and Financing

21. **The proposed grant is a recipient executed TA grant of US\$230,000 to the Government of Zambia from the EITI MDTF.** It will support the implementation of selected components of ZEITI’s 2015 work plan. The duration will be October 1 to December 31, 2015 due to the closure of the EITI MDTF Trust Fund at the end of the calendar year. The GRZ supports several of the project components with its own funding resulting in an EITI MDTF contribution of about 40 percent of total financing requirements across all three components.

Project Components	Project cost	Grant Financing	% Financing
1. Production of EITI report for 2014	\$150,000	\$150,000	100%
2. Dissemination Activities <sup>5</sup>	\$415,000	\$60,000	15%
3. Development of strategic work plan	\$70,000	\$20,000	29%
<b>Total Baseline Costs</b>			
Physical contingencies			
Price contingencies			
Total Project Costs	\$635,000	\$230,000	36%
Interest During Implementation			
Front-End Fees			
<b>Total Financing Required</b>	\$635,000	\$230,000	

<sup>5</sup> According to ZEITI’s work plan, the dissemination activities planned for 2015 include a wide range of activities—printing of the full report and a summary, publication in newspapers as well as radio and TV programs, dissemination workshops, website dissemination, billboards, etc. They require funding of US\$415,000, of which just under 20 percent has been secured from the national budget. ZEITI is in the process of obtaining further funding from donors.

## IV. IMPLEMENTATION

### A. Institutional and Implementation Arrangements

22. **Grant implementation will be managed by the National Coordinator/ZEITI Secretariat and overseen by the multi-stakeholder ZEITI Council.** The project will plan and execute the use of the grant proceeds, according to the agreed ZEITI work plan and related procurement plan. The World Bank team (based in Washington and Lusaka) will provide technical support during implementation, monitor the operational progress, and provide fiduciary oversight/clearances.

23. **The ZEITI Secretariat operates as a semi-autonomous unit within the Ministry of Mines, Energy and Water Development (MMEWD).** It has a limited number of full time staff key among these being the Project Manager and an Administrative Officer. The EITI works under the overall supervision of the Ministry of Mines and therefore relies on regular staff of the Ministry to provide support related to financial management and procurement. For this project a specific Senior Procurement Officer has been assigned to take the lead in procurement.

### B. Results Monitoring and Evaluation

24. **Monitoring of the results will be carried out by the ZEITI Secretariat according to the attached results framework (see Annex I).**

### C. Sustainability

25. **Zambia has been implementing EITI since 2009 and has been largely dependent on donor funding.** Budgetary funding for ZEITI increased from about \$80,000/year during 2008-2010 to US\$200,000 in 2012 and 2013 to close to US\$450,000 in 2014. The budgetary contribution in 2014 represents about 30 percent of the total EITI budget, down from between 35-40 percent during 2012-13 as a result of the overall increase in the EITI budget. ZEITI's annual budgets for 2015 and 2016 amount to about US\$1.2-1.3 million, of which close to 50% is expected to be funded by the national budget.

## V. KEY RISKS AND MITIGATION MEASURES

### A. Overview

The discussion of risks below extends beyond the short implementation period that is envisaged for the proposed grant. Risk mitigation issues will be addressed in more detail in the envisaged second phase of the grant to ZEITI.

Risk category	Rating
1. Political and Governance	M
2. Macroeconomic	S
3. Sector Strategies and Policies	L

<b>4. Technical Design of Project or Program</b>	<b>L</b>
<b>5. Institutional Capacity for Implementation and Sustainability</b>	<b>L</b>
<b>6. Fiduciary</b>	<b>S</b>
<b>7. Environment and Social</b>	<b>L</b>
<b>8. Stakeholders</b>	<b>M</b>
<b>9. Other: program and donors</b>	<b>L</b>
<b>OVERALL</b>	<b>M</b>

26. **Political and Governance:** Zambia has been implementing EITI since 2009 and has to date achieved all milestones as required under the EITI. However, while financial commitment to EITI continues to increase, there has been a lack of government leadership on EITI, in particular in the multi-stakeholder group (ZEC), even though the body appears to have re-engaged in the preparation of the strategic plan. Regardless, the limited support could negatively impact the achievement of some of the project's objectives. This risk applies most to the preparation of the strategic plan, which is the smallest component, but it will be more of an issues in the envisaged second phase of the grant. More generally, in the run-up to the 2016 general elections, there are likely to be fewer incentives for major policy reforms and initiatives.

27. **Macroeconomic:** The current macroeconomic situation is relatively favorable, but external and domestic vulnerabilities remain and might undermine macroeconomic stability. External risks include an appreciating US\$, higher costs of external borrowing and fluctuating metal prices. Given the significant dependence of Zambia on mineral exports, this could lead to external and budgetary imbalances. Domestic risks include continued dependence on rain-fed agriculture, repeat fiscal deficits, increasing levels of national debt and persistent power outages. Coupled with moderate political risks, linked to the 2016 elections, there could be a reduction in the government's financial support and drive for timely implementation of the EITI.<sup>6</sup>

28. **Sector Strategies and Policies:** The government is committed to poverty reduction, jobs creation, and increased transparency, which are all broadly supported by continued EITI implementation.

29. **Project Risk (technical design):** The project risk should be considered low, since the Bank has ample experience in supporting countries in implementing EITI. The Zambia EITI Secretariat also has many years of experience in implementing EITI MDTF grants and the EITI more generally.

30. **Institutional capacity for implementation and sustainability:** The Zambia EITI Secretariat in the Ministry of Mines, Energy and Water Development (MMEWD) will be the implementing agency. This agency has been implementing two other EITI grants. The risk in terms of implementing agency is therefore "low."

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<sup>6</sup> The 2016 budget allocation for ZEITI amounts to about US\$500,000 at an average 2015 exchange rate.

31. **Fiduciary:** The assessment of the financial management arrangements at the ZEITI Secretariat concludes that there are adequate systems in place that satisfy the Bank's minimum financial management requirements. The risk for the project's financial management arrangements has been assessed as "Substantial." Inherent risks are rated as "Moderate" and Control risks are rated as "Substantial".<sup>7</sup> This will be mitigated by quarterly on-site visits for the duration of the project as well as the adoption of a financial management module as part of the PIM as an effectiveness condition. The procurement implementation risk for the project is assessed as "Low".

32. **Environment and Social/Safeguards:** This is a technical assistance grant to the government of Zambia. The main activities are the production and dissemination of an EITI reconciliation report. No physical investments will take place. The social and environmental risks are therefore low, and the project is categorized as C with no appraisal stage ISDS needed.

33. **Stakeholders/Others:** In the past there appears to have been limited engagement of the MSG in the EITI process in Zambia, but this has improved with the activities related to the preparation of the strategic plan. It will be important to monitor this aspect of EITI implementation in Zambia very closely and for the second phase of the grant to pay particular attention to the involvement of the MSG.

34. **Overall risk should be considered "Moderate" based on the above considerations.** While the overall financial risk is considered substantial, this is the third EITI grant to Zambia and the ZEITI Secretariat has long experience managing EITI MDTF grants and the EITI more generally. To mitigate the risks, there is however a need to closely monitor the implementation of the grant in the ZEITI Secretariat.

## **B. Financial Management Assessment**

35. **A financial management assessment of the ZEITI Secretariat under the Ministry of Mines, Energy and Water Development (MMEWD) was carried out** in accordance with the Financial Management Manual for World Bank-Financed Investment Operations, issued by the Financial Management Sector Board on March 1, 2010 and the ORAF Financial Management Draft Interim Guidance Note issued by the AFTFM unit on September 30, 2010. The objective of the assessment was to determine whether the ZEITI Secretariat has the minimum acceptable financial management arrangements as defined in the Bank assisted operations. The assessment complied with the Financial Management Manual for World Bank-Financed Investment Operations that became effective on March 1, 2010 and AFTFM Financial Management Assessment and Risk Rating Principles. The results of the review are documented below.

36. **The overall conclusion of the assessment is that ZEITI Secretariat, which will be in charge of administering the loan, satisfy the Bank's OP/BP 10.00 financial management**

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<sup>7</sup> Inherent risks refer to the country, entity and project level. Control risks relate to budgeting, accounting, internal control, flow of funds, financial reporting and auditing. The FM risk matrix in Annex II provides further details.



**minimum requirements.** The risk rating for the project's FM arrangements has been assessed as "Substantial" (see the full risk matrix in Annex II).

### ***Financial Management Arrangements for the Project***

37. **Budget preparation and monitoring will follow national procedures.** ZEITI Secretariat will prepare AWP, which will be the basis for budget preparation. The Government's current budget preparation process will be followed. The Project budget will be prepared under the Ministry using existing national budget classifications of programs and subprograms linked to IFMIS Chart of Accounts, with EITI separately identified. The approval process will follow government procedures and will be expanded in the Project Financial Procedures Manual to be developed by effectiveness. Capacity within EITI to monitor project budgets in compliance with World Bank FM procedures is weak, and therefore Project staff will receive training from the World Bank Financial Management Specialist to strengthen their skills.

38. **ZEITI Secretariat will initially maintain manual books of accounts for the project using the excel spreadsheets, while possibilities of accounting using the IFMIS, which was introduced in January 2012 and the MMEWD's accounting functions have been computerized under IFMIS, are being explored.** The processing of project transactions will be according to the Public Finance Act 2004 and the government's 2006 financial regulations.

39. **ZEITI Secretariat will develop a project Financial Management Procedures Manual as part of the PIM by effectiveness** that will document the accounting policies and procedures to be used for the Project.

### ***Internal Control and Internal Auditing***

40. **Staffing.** The Project has a qualified and experienced Project Accountant, who will have overall responsibility to account for the project funds; who reports functionally to the Principal Accountant of MMWED and administratively to the Project Administrative Officer of ZEITI Secretariat. The accounting functions are mainstreamed in the accounting department, so that no one individual staff performs all project functions, to ensure adequate segregation of duties.

41. **ZEITI Secretariat processes transactions using the rules and regulations specified under the existing Finance Act 2004 (Act No. 15 of 2004) and Financial Regulations 2006.** While the current accounting regulations are adequate to assure a strong control environment, risks identified include lack of compliance and enforcement. To mitigate these risks and ensure compliance with World Bank procedures, a financial management procedures module acceptable to the World Bank will be produced as part of the PIM to provide guidance to staff. The module will document policies and procedures that are specific to the Project and will identify expenditures that are ineligible for financing under the Project.

42. **Internal Audit.** MMEWD has a functional internal audit unit. There is also an audit committee, which is active and meets regularly, and ZEITI Secretariat will continue to rely on both the internal audit unit and the audit committee of MMEWD.

### ***Financial Reporting***

43. **The project will produce on quarterly basis unaudited interim financial reports (IFRs), as per agreed format, to manage and monitor the use of the advance.** The IFRs should at the minimum show a statement of sources and uses of funds, with the uses of funds analyzed by component and by activities, comparing actual expenditure with budget. The quarterly reports will be submitted to the World Bank 45 days after the end of the quarter.

### ***Auditing Arrangements***

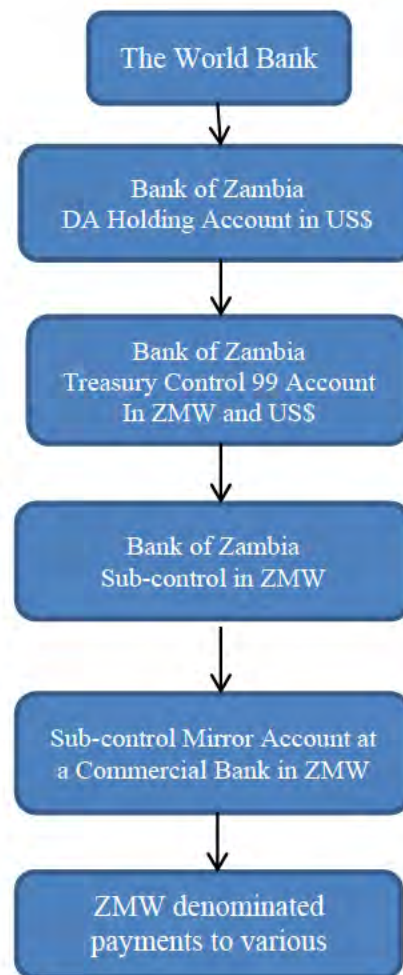
44. **The project's financial statements will be audited by the Office of the Auditor General,** who is the supreme audit institution in Zambia and as outlined in the Constitution of Zambia Act 1996, is responsible for auditing all government funds. All audits should be carried out in accordance with International Standards on Auditing and as per agreed terms of reference (ToR) for audits of the project. Audit reports together with management letters should be submitted to the World Bank within six (06) months after the close of the financial year. Audit reports will be publicly disclosed by the World Bank in accordance within the World Bank's disclosure policy.

### ***Funds Flows***

45. **ZEITI Secretariat will use a system under which funds will flow from the World Bank to a DA or a Holding Account, denominated in USD at the Bank of Zambia (BoZ), to be operated by EITI.** Funds from IDA will be transferred to the DA at the BoZ. MMWED, on behalf of ZEITI, will transfer funds from the DA through Control 99 (treasury account) to a Project sub-account held at BoZ. Funding slips will be issued to MMWED showing the Kwacha equivalent amount transferred to the sub-account. All payments will be made from the sub-account through a mirror account (zero balance) held at a commercial bank. All the bank accounts that will be involved in the flow of funds will be reconciled on a monthly basis, and all non-reconciled items will be dealt with expeditiously.

46. **Some risks related to the flow of funds through the central treasury have been identified.** The channeling of Project funds by the World Bank through the national treasury account system is new, so the procedure has not been in place long enough to allow a determination to be made that it works well and efficiently. A possible consequence could be delays in the flow of funds to the Project, which would need to be mitigated by the BoZ improving on its banking systems. The flow of funds is depicted below:

### Flow of Funds Diagram



47. **The ZEITI Secretariat will open and maintain one Designated Account (DA) in US\$ at BoZ and one operational bank account in Zambian Kwacha at a commercial bank acceptable to IDA, for the purposes of implementing the project.** The operational bank account will be used to make payments to suppliers of goods and services in local currency. Only enough funds to cover the liabilities for the month will be transferred from DA to the operational bank account. Any FOREX losses resulting from transfers from the DA to the local currency account are to be borne by the recipient. The Designated Account will be reconciled on a monthly basis and the reconciliation statements will be checked and approved by the Principal Accountant of MMEWD. Detailed accounting procedures to guide staff will be included in the Financial Procedures Manual (FPM).

#### *Implementation Support Plan*

48. **Financial management supervision will be carried out using the risk based model.** The Financial Management risk for the project has been assessed as Substantial. In line with the

substantial risk, Financial Management Supervision intensity will be quarterly on-site visits per year. In the interim, supervision will be by desk reviews of the financial component of the unaudited quarterly IFRs and audited financial statements.

### ***FM Action Plan***

**49. The following FM actions need to be taken into account to enhance the financial management arrangements of the project:**

	<b>Action</b>	<b>Date due by</b>	<b>Responsible</b>
1	Adopt a PIM acceptable to the World Bank including a Financial Management Module	Effectiveness condition	EITI

### ***Disbursements Arrangements***

**50. The project will use the Advance Disbursement method.** Disbursements of the project will be transaction-based using Statements of Expenditure (SOE) and Summary Sheets. Withdrawal Applications (WA) will be completed by ZEITI Secretariat accounting unit to request IDA to replenish amounts that are spent from the DA. The initial advance to the DA will be made based on the negotiated ceiling. Regular monthly withdrawal applications to document expenditure made from the DA and to request replenishment of the DA will ensure adequate funds are available all the time for project implementation.

**51. Other disbursement methods other than the Advance method such as direct payments and reimbursement of funds will also be available to the Project.** WAs for such payment methods should be accompanied by adequate and relevant supporting documents such as copies of the contract, contractors' invoices, appropriate certifications and evidence of receipt of goods or services. The project will use the direct payment method for all contracts that meet the minimum threshold for this method to apply. Details of withdrawal conditions and requirements will be advised in the Disbursement Letter that will be issued by IDA.

**52. Designated Account (DA) Ceiling and procedures.** During negotiations, the Borrower and the World Bank will agree on the ceiling of the DA.

### **C. Procurement Risk Assessment**

**53. The Procurement Risk Assessment Management System (P-RAMS)** was used to assess the procurement capacity of MMEWD / ZEITI as the implementing agency for the Zambia EITI. The assessment was carried out on July 14, 2015. The assessment gauged the ZEITI's procurement capacity, and it proposed risk mitigation measures needed to carry out required procurement activities under the project.

**54. Given the proposed set of new Project activities and the current capacity in place the Implementation Agency Procurement Risk for the ZEITI is assessed to be "Low."** The staff proposed to provide procurement support is relatively experienced and will be supported by

the regular staff of the ZEITI who over the past many years have reasonably complemented the staff of the Ministry to carry out procurement which is mostly limited to selection of individual consultants, consulting firms and small value procurement of goods mostly under shopping procurement method. It is expected that this will continue to be the case as no large and complex procurement of goods and complex selection of consultants are expected. No works contracts are expected. After implementation of risk mitigation measures, the residual risk rating would continue to be low. Proposed risk mitigation measures include capacity strengthening of procurement staff particularly under bank funded activities and updating of the procurement manual.

**55. The procurement arrangements to be used under the Project, including packaging of procurement, maintaining clarity of accountability over procurement, record keeping, and frequency and scope of prior and post review will be elaborated in the procurement module of the PIM (“the procurement manual”) and in the procurement plans.** The procurement manual will require minor updates to address the institutional organizational structure for the project. It will also include the identified risks and provide risk mitigation actions. It will cover the legal and regulatory framework, roles and responsibilities of the institutions and staff involved in procurement, internal and external controls and quality assurance checks or systems, approval systems and accountability, and contracts register. It will spell out the roles and responsibilities of various players in contract management, based on both Government regulations and as required for prior review of IDA contracts.

**56. With effect from January 1, 2013, all procuring entities have been carrying out procurement in a fully decentralized environment.** This means that the Zambia Public Procurement Agency (ZPPA) has not been involved in reviewing bidding documents and bid evaluation and contract award recommendations. All procurement activities are now carried out internally by the procuring entities using their own institutional arrangements, controls and quality checks, without ZPPA participation. ZPPA has been transformed into a regulatory and oversight body for public procurement in Zambia.

**57. Procurement Post Reviews (PPRs) and Independent Post Reviews (IPRs) by the World Bank.** Based on the assessed agency implementation risk for procurement, which is Low, the World Bank will carry out PPRs or IPRs for all contracts that will be based on the procurement plan not having been subject of prior review by the World Bank using a sample of 5 percent. Based on continuing assessment of risk and the success of risk mitigation measures implemented, the sample size will be reduced as risk mitigation measures are successfully implemented. High Risk represents a sample size of 20%, Substantial risk will represent a sample size of 15 percent, Moderate risk 10 percent, and Low risk 5 percent. Changes if any in the risk assessments over time will be communicated to the MMEWD /EITI as outcomes of the PPR / IPR exercise, which also result in the revisions of the prior review and National Competitive Bidding thresholds. The review thresholds are shown in Table 3.12 below.



**Table 3.12: Prior review and procurement method thresholds - Zambia**

Expenditure Category	Procurement Method	Contract Value Threshold For use of Method (US\$)	Contracts Subject to Prior Review (US\$)
1. Works	NCB	>=200,000 - <1,000,000	As in procurement plan
	Shopping	<200,000	None
	Direct Contracting	All values	All contracts
2. Goods	ICB	>=500,000	All contracts
	NCB	>=100,000 <500,000	As in procurement plan
	Shopping	<300,000 (motor vehicles only)	None
	Shopping	<100,000 000 (rest not motor vehicles)	None
	Direct Contracting	All values	All contracts
	Procurement from UNOPS Agency	All values	None

**Note 1:** Contracts with a cost estimate below US\$300,000 for motor vehicles only may be procured on basis of shopping procurement method

**Note 2:** No Civil works are expected under the project

### ***Additional Provisions and Modifications to National Competitive Bidding***

58. **The procurement procedure to be followed for National Competitive Bidding (“NCB”) shall be the open international bidding procedure** set forth in the Public Procurement Act, 2008, Act. No.12 of 2008, as amended by the Public Procurement (Amendment) Act, 2011, Act No. 15 of 2011 (the “PPA”), and the Public Procurement Regulations, 2011, Statutory Instrument No. 63 of 2011 (the “Regulations”); provided, however, that such procedure shall be subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of Section III, and Appendix 1 of the “Guidelines for Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” (January 2011) (the “Procurement Guidelines”), and the additional provisions in the following paragraphs:

(a) Eligibility: Eligibility to participate in a procurement process and to be awarded an Association-financed contract shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than those provided in Section I of the Procurement Guidelines. No restriction based on nationality of bidders and/or origin of goods shall apply, and foreign bidders shall be allowed to participate in NCB without application of restrictive conditions, such as, but not limited to, mandatory partnering or subcontracting with national entities.

(b) Domestic Preference: No margins of preference of any sort shall be applied in the bid evaluation.

(c) Bidding Documents: Procuring entities shall use bidding documents acceptable to the Association.

(d) Bid validity: An extension of bid validity, if justified by exceptional circumstances, may be requested in accordance with Appendix 1 of the Procurement Guidelines. A corresponding extension of any bid guarantee shall be required in all cases of extension of

bid validity. A bidder may refuse a request for extension of bid validity without forfeiting its bid guarantee.

(e) Qualification: Qualification criteria shall be clearly specified in the bidding documents. All criteria so specified, and only such specified criteria, shall be used to determine whether a bidder is qualified. Qualification shall be assessed on a “pass or fail” basis, and merit points shall not be used. Such assessment shall be based entirely upon the bidder’s or prospective bidder’s capability and resources to effectively perform the contract, taking into account objective and measurable factors, including: (i) relevant general and specific experience, and satisfactory past performance and successful completion of similar contracts over a given period; (ii) financial position; and where relevant (ii) capability of construction and/or manufacturing facilities

## VI. APPRAISAL SUMMARY

**59. A traditional economic analysis (i.e. Net Present Value (NPV) or Economic Rate of Return (ERR)) was not conducted as part of the preparation process of this TA operation.**

However, the possible economic benefits are related to ensuring greater transparency in the mining sector of the Zambian economy. The EITI reconciliation reports released in December 2014 identified exports from the mining sector amounting to US\$7,049.3 million in 2013—up from US\$6,497.6 million in 2012—an 8.5 percent increase. Overall, the mining sector accounts for almost 70 percent of Zambia’s exports, 30 percent of government revenues and almost 10 percent of GDP. The cost of this technical assistance is \$250,000 for one year in support of EITI implementation.

**60. Summary of the key financial management, procurement and safeguards issues:**

Regarding financial management, the description of the project’s overall financial management arrangements above indicates that they satisfy the Bank’s minimum requirements under OP/BO/10.0. The overall FM risk has been assessed as “Substantial.” Regarding procurement issues, the overall procurement risk is rated as “Low.” Regarding safeguards, this is a technical assistance grant to the government of Zambia and the social and environmental risks are therefore low. The project is categorized as C with no appraisal stage ISDS needed.

## Annex 1: Results Framework and Monitoring

**Country: Zambia**

**Project Name: Extractive Industries Transparency Initiative (EITI) Post-Compliance Implementation Support II (P155224)**

### Results Framework

#### Project Development Objectives

##### PDO Statement

12. The development objective is to improve transparency and accountability in Zambia's extractive sector by supporting the EITI Zambia Secretariat and the Multi-Stakeholder Group to successfully implement the Extractive Industries Transparency Initiative in Zambia.

**These results are at** | Project Level

#### Project Development Objective Indicators

Indicator Name	Baseline	Cumulative Target Values									
		YR1	YR2	YR3	YR4	YR5	YR6	YR7	YR8	YR9	End Target
EITI reconciliation report for 2014 (Yes/No) (Text)	No										Yes
Media Training (Text)	No										Yes
Draft Strategic Plan (Yes/No) (Yes/No)	No										Yes
EITI Policy document	No										Yes

(Yes/No - Sub-Type: Supplemental)											
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### Intermediate Results Indicators

Indicator Name	Baseline	Cumulative Target Values									
		YR1	YR2	YR3	YR4	YR5	YR6	YR7	YR8	YR9	End Target
Contract for 2014 EITI reconciliation report (Yes/No) (Text)	No										Yes

## Indicator Description

### Project Development Objective Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
EITI reconciliation report for 2014 (Yes/No)	EITI reconciliation report for 2014 finalized and published by end-December 2015	Once by end-December 2015	Zambia EITI draft report for 2014, comments on draft report by EITI IS and World Bank TTL, finalized published report	EITI Secretariat
Media Training	Media Training workshop held prior to release of 2014 reconciliation report	Once during November/December 2015	Report on media training including number of participants	ZEITI Secretariat
Draft Strategic Plan (Yes/No)	Draft strategic plan submitted to World Bank by end-December 2015	Once by end-December 2015	Draft strategic plan prepared by ZEITI working group	ZEITI Secretariat
EITI Policy document	EITI Policy document prepared and submitted to World Bank by end-December 2015	Once before the end of December 2015	EITI Policy document	ZEITI Secretariat

### Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Contract for 2014 EITI reconciliation report (Yes/No)	Contract issued for the 2014 reconciliation report by end-September 2015	Once by end-September 2015	Contract provided by ZEITI Secretariat	ZEITI Secretariat



## Annex 2: Zambia: Financial Management Risk Matrix

Risk	Initial Risk Rating	Risk Mitigating Measures	Residual Risk Rating
<b>Inherent Risk</b>			
<b>Country Level.</b> <ul style="list-style-type: none"> <li>Lack of accountability; poor enforcement &amp; compliance with existing regulations/ procedures; and lack of, and lukewarm implementation of auditors' recommendations; and the lack of sanctions for offenders</li> </ul>	S	<ul style="list-style-type: none"> <li>The government is implementing a PFM reform agenda supported by cooperating partners which includes the implementation of the IFMIS which has been rolled out to the MMEWD in January 2012 by the MoFNP. Once fully operational IFMIS will improve on the accountability and control environment in the Ministry</li> </ul>	S
<b>Entity Level:</b> <ul style="list-style-type: none"> <li>The Ministry is not adequately funded through the National Budget and can divert project funds for own use.</li> </ul>	S	<ul style="list-style-type: none"> <li>The project will be closely supervised by IDA team and the use of funds will be strictly monitored through the quarterly submission of interim financial reports, which should be adequate to detect any funds diversions</li> <li>Accounting Staff at EITI are trained in financial management and disbursement arrangements in IDA assisted projects.</li> </ul>	M
<b>Project Level:</b> <ul style="list-style-type: none"> <li>Lack of qualified staff in IDA financial management procedures</li> </ul>	S	<ul style="list-style-type: none"> <li>The project has a qualified accountant who is trained in Bank's financial management procedures.</li> </ul>	M
<b>Overall Inherent Risk</b>	S		M
<b>Control Risks</b>			
<b>Budgeting:</b> <ul style="list-style-type: none"> <li>Lack of enough details and a system to monitor budget performance</li> </ul>	S	<ul style="list-style-type: none"> <li>The total budget is fully allocated and all activities have been identified.</li> <li>Any variations from the budgets will require prior approval by IDA</li> <li>Quarterly interim financial reports that will include comparisons of budget to actual with explanations for variations will be a requirement for reporting purposes.</li> </ul>	M
<b>Accounting:</b> <ul style="list-style-type: none"> <li>Inadequate staff capacity to perform project accounting functions.</li> <li>The accounting systems are manual and are error prone, unreliable and inefficient.</li> </ul>	S	<ul style="list-style-type: none"> <li>The project has a qualified accountant who is trained in Bank's financial management procedures.</li> <li>The accounting functions of the project will be main-streamed within the accounting department of the Ministry which ensure existence of adequate segregation of duties and counter checking of transactions by other staff. IFMIS was introduced in January 2012 and the project's accounting functions are expected to be integrated under IFMIS.</li> </ul>	M

Risk	Initial Risk Rating	Risk Mitigating Measures	Residual Risk Rating
		<ul style="list-style-type: none"> <li>There are adequate financial management regulations and procedures and which if properly enforced will reduce the risk</li> <li>The project will produce a Financial Procedures Manual to guide its operations.</li> </ul>	
<b>Internal Control:</b> <ul style="list-style-type: none"> <li>Weak control environment resulting from poor enforcement of existing financial regulations; weak management oversight; and inadequate internal audit function</li> </ul>	S	<ul style="list-style-type: none"> <li>Internal audit staff of MMWED to be trained in risk-based auditing to improve methodologies/practices focusing on risk and systems audit; and production of audit manuals</li> <li>Train audit committees members to perform audit functions of the project</li> <li>Internal auditors to undergo financial management and disbursement training for internal auditors in World Bank funded projects</li> </ul>	S
<b>Funds Flow:</b> <ul style="list-style-type: none"> <li>Delays at Bank of Zambia (BoZ) may affect the smooth flow of funds to the project</li> </ul>	S	<ul style="list-style-type: none"> <li>BoZ to be sensitized to ensure that no undue delays are experienced in transferring the funds</li> </ul>	S
<b>Financial Reporting:</b> <ul style="list-style-type: none"> <li>Untimely submission of the financial reports due to these reports being produced manually outside the computerized IFMIS.</li> <li>Inaccurate accounting figures produced manually.</li> </ul>	S	<ul style="list-style-type: none"> <li>The project has a qualified accountant who is trained in Bank's financial management procedures.</li> <li>Accounting functions of the project are expected to be integrated under IFMIS which was introduced in January 2012.</li> <li>The quarterly financial reports formats &amp; contents and the reporting timetables have already been agreed in the previous project.</li> </ul>	M
<b>Auditing:</b> <ul style="list-style-type: none"> <li>Unacceptable audit and untimely submission of the audit reports and lack of follow up on audit findings.</li> </ul>	S	<ul style="list-style-type: none"> <li>The Auditor General who has the Country's Constitutional mandate to audit all funds, will carry out the audit,</li> <li>The audit will be based on agreed TOR which will specify the approach, scope and timing of the audit</li> <li>As part of supervision ensure planning for the audit is started early; however, audit reports for the years 2010 - 2013 were submitted late and it is unlikely the audit report for the year ending December 31, 2014 will be submitted on time.</li> </ul>	S
<b>Overall control risk:</b>	S		S
<b>Overall risk rating:</b>	S		S

H-High      S-Substantial      M-Moderate      L-Low