Republic of Zambia
Country Programme Evaluation
Executive Summary

1. **Country context.** Zambia is a resource-rich country with abundant copper and cobalt and large tracts of arable land. Recent developments have stabilized and liberalized the economy: investment and production are increasing in the mining sector, and agriculture is performing strongly. Economic growth averaging 5.6 per cent per annum between 2000 and 2012 resulted in annual per-capita income estimated by the World Bank at US$1,350 in 2012. Nonetheless, Zambia has yet to make significant progress in reducing poverty and achieving social and human development. Poverty declined from 69 per cent in 1996 to 60.5 per cent in 2011, mainly in urban areas, but the number of people living on US$1.25/day remains high. The number of poor people increased from 6 million in 1991 to 7.9 million in 2010, mainly as a result of population growth.

2. **IFAD's country strategy and operations.** IFAD's cooperation with the Government of the Republic of Zambia between 1999 and 2013 was guided by country strategic opportunities programmes (COSOPs) in 1997, 2004 and 2011. The focus was the poor smallholder farming household, with an emphasis on support for rural women. The COSOPs also noted that attention would be given to identifying activities for young people. Since 1981, IFAD has provided loans, grants and non-lending support such as knowledge management, policy dialogue and partnership building. It has financed 13 projects costing a total of US$274.2 million: of this, IFAD provided US$188.5 million accounting for 7 per cent of its regional financing and 1.5 per cent of its total financing.

3. Of the approved lending to Zambia in the 14 years under review, 29 per cent was intended to increase the productivity of smallholders and 21 per cent to promote access to markets and value chains, maintain infrastructure and roads and support marketing. The portfolio includes: i) the closed Forest Resource Management Project and the Smallholder Enterprise and Marketing Programme; ii) the ongoing Rural Finance Programme, Smallholder Livestock Investment Project, Smallholder Agri-Business Promotion Programme and Smallholder Productivity Promotion Programme; and iii) the new Rural Finance Extension Project, presented to the Executive Board in December 2013.

4. **Portfolio performance.** The 2013 project status report ratings for the ongoing portfolio are moderately satisfactory at 3.80 overall, which is below the regional average of 4.14. The 2012 rating averaged 3.97 compared with the regional average of 4.21. Two projects – the Smallholder Agri-Business Promotion Programme and the Smallholder Productivity Promotion Programme – are at risk compared with one – Smallholder Agri-Business Promotion Programme – in 2012. The project status report ratings show that the portfolio is consistently below regional performance. The estimated risk factor of 4.0 is substantially higher than the regional average of 2.81, partly because of the "Actual Problem Project" status of two projects. The risk factor could be traced to non-compliance with loan covenants, delays in procurement and audit, and project management limitations.

5. In terms of core performance, the relevance of the seven operations under review is judged to be moderately satisfactory. All projects were aligned with their objectives and with the Government's poverty reduction strategy paper and its fifth and sixth development plans. Follow-up operations took into consideration lessons from previous operations and complied with IFAD's change of focus to markets and value chain development. The objectives of the projects were in line with

documents such as the Strategic Framework (2002–2006) and the three COSOPs under review.

6. Effectiveness was hampered by substantial implementation delays, usually relating to procurement, and by incoherence among project components; it is therefore rated moderately satisfactory, subject to expected improvements. Efficiency was limited by issues such as process delays, project management cost increases and spoilage of goods; it is therefore rated moderately unsatisfactory. Implementation delays also limited efficiency: an average of six months elapsed between Board approval and loan signing for the four ongoing projects. The time between loan approval and the start of disbursement ranged from 33 months for the Rural Finance Programme to 20 months for the Smallholder Livestock Investment Project to 4 months for the Smallholder Agri-Business Promotion Programme.

7. **Rural poverty impact.** Despite concerns as to the quality of data, which were essentially descriptive and qualitative, the portfolio helped to reduce rural poverty, particularly by helping to increase household incomes and assets in project districts and by promoting improvements in productivity. The portfolio contributed to building the social capital of target groups, particularly in terms of gender equality and the empowerment of women. The portfolio also provides to some extent a framework for dealing with HIV and AIDS issues among beneficiaries and for raising environmental concerns, but it continues to be difficult to attribute poverty reduction to the portfolio.

8. **Sustainability.** The sustainability of some components was limited, partly because of weak commitment by the Government to future financial obligations and limited capacity in ministries. The sustainability of most activities in the closed Forest Resource Management Project and Smallholder Enterprise and Marketing Programme is limited; the sustainability of the ongoing projects is uncertain and varies with the activities. In particular, the country programme evaluation was concerned about the nature of support for the livestock sector: it is unlikely that the improvements in disease control achieved in the Smallholder Livestock Investment Project will be sustainable because the budget is limited and the cost-recovery strategy is inadequate. Lack of access to credit and lack of technical support for business development constitute risks to the sustainability of the Smallholder Agri-Business Promotion Programme and Smallholder Productivity Promotion Programme.

9. **Non-lending activities.** IFAD's non-lending activities in Zambia are relatively new but likely to have positive effects. Successes were recorded in terms of policy dialogue with regard to developing the rural finance and agriculture policies; IFAD also participated in policy dialogue through the Agricultural Cooperating Partners' Group and the United Nations country team. IFAD's partnership with the Government remained strong; its partnerships with other development partners were largely consultative. Co-financing was weak, but there are good prospects in the Smallholder Agri-Business Promotion Programme and Smallholder Productivity Promotion Programme. Partnerships with private-sector companies and trade associations are a recent development, especially in the Smallholder Agri-Business Promotion Programme; many private-sector operators are showing interest in working with small farmers. A number of activities were concerned with knowledge management, but the drafting of a national knowledge-management strategy and recruitment of a manager are recent developments.

10. **COSOP performance.** The country programme evaluation observed that the three COSOPs were appropriate and provided clear guidance. They were relevant in that they supported interventions aligned with the Government's development plans, reflected the needs of the economy and were aligned with IFAD's policies.
The strategies were also aligned with the activities of the United States Agency for International Development, the Swedish International Development Agency and

the African Development Bank. The COSOPs consistently promoted women's access to technologies, assets and market opportunities; specific measures were included to alleviate constraints that affect women in particular. The COSOPs also reflected IFAD's shift from dependence on cooperating institutions to direct supervision. Although there was some progress towards the objectives of the COSOPs, there was limited success in developing a cohesive country programme: in terms of relevance and effectiveness, therefore, COSOP performance is rated moderately satisfactory.

11. **Overall IFAD-Government partnership.** Table 1 shows the CPE's overall assessment of the IFAD-Government partnership on the basis of the ratings of portfolio performance, non-lending activities and COSOP performance. The final score is not a simple average of these scores over the 14 years under review: it is based on the informed and objective judgement of the evaluation team, taking into account improvements in recent years.

CPE overall assessment ratings

Assessment	*First cohort (COSOP 1997)*	*Second cohort (COSOP 2004, 2011)*	*Overall assessment*
Portfolio performance	3	4	4
Non-lending activities	3	4	4
COSOP performance	3	4	4
IFAD-Government performance	**3**	**4**	**4**

Recommendations

12. **Recommendation 1. Improve programme cohesiveness.** Despite the intention to create a synergistic portfolio, especially in the 2011 COSOP, coherence among projects has so far been sub-optimal. To maximize its impact, IFAD should prioritize the development of a cohesive country programme with synergies among its components. Coordination and communications systems must be established at the various stages of the programme cycle – COSOP preparation, project design, start up and implementation. There must also be clarity as to the profiles and objectives of projects and as to the roles and responsibilities of stakeholders to ensure that the programme is concerted.

13. **Recommendation 2. Sharpen the focus on poverty and geographic issues.** The focus on poverty and on geographic issues needs to be refined in the next COSOP to reflect Zambia's middle-income status and to ensure that poor smallholder farmers are included in the economic transition. Targeting should be based on a combination of income criteria and geography. The self-targeting approach needs to be balanced by greater attention to the poverty gap to ensure that extremely poor but capable smallholder farmers are included.
And there should be deeper engagement in fewer areas so that impacts are not constrained by spreading IFAD's limited resources too thinly.

14. **Recommendation 3. Support the development of Government capacity.**To eliminate the implementation delays caused by limited government capacities, IFAD must factor capacity-building into its intervention processes, and allow for the time required. It should also help the Government to establish an enabling policy and an institutional environment for agriculture and rural development: this is as important as increasing investments in the sector. IFAD may also need to increase capacity development for its own project staff and for other stakeholders to optimize implementation processes and ensure transparency and compliance with government procedures.

15. **Recommendation 4. Promote private-sector involvement.** To maintain private-sector interest and engage all players in the agricultural sector, IFAD and the Government should use lending and non-lending activities to create and maintain an enabling environment for public-private partnerships. This will include discussion of the next COSOP, and the roles and responsibilities of the Government and private-sector entities in current operations; it will also involve approaches to eliciting future private-sector support, and consideration of the risks affecting the parties.

16. **Recommendation 5. Ensure sustainability.** A combination of approaches in various areas will be required to ensure sustainability: i) the projects must optimize their mechanisms for sustainability; ii) IFAD must engage in policy dialogue, knowledge management and communication to promote visibility and its achievements with a view to obtaining public commitment in terms of financial obligations; and iii) public-private collaboration should be explored with a view to funding aspects of the programme such as a vaccination drive to eradicate contagious bovine pleuropneumonia.

17. **Recommendation 6. Increase support for value chains and open up to new partners.** IFAD should increase its support for interventions that promote the development of value chains. Three approaches are required – IFAD should: i) allocate substantial resources to attract and educate the rural private sector in value chain development; ii) build partnerships with the Government and other development partners to ensure that resources and technologies are available on a scale that would be beyond the scope of a single provider; and iii) improve its monitoring and evaluation tools to cover the impact of value-chain development on poor smallholder farmers; this would include the establishment of an effective learning tool.

18. **Recommendation 7. Build farmers' institutional capacity.** The focus on value chain development and private-sector promotion means that IFAD must pay more attention to building farmers' capacities, for example by organizing them into groups and building institutional capacity to enable them to benefit from the development of agri-businesses and to develop commercial and business-management skills. This organization is also essential in view of the high unit costs of reaching smallholder farmers in areas of low population density and the need for them to share the risks and benefits of products and financial consolidation. IFAD should improve the flow of information, train staff to evaluate markets, and provide the technology, infrastructure and finance to access the markets.

19. **Recommendation 8. Mainstream environmental issues, with particular attention to climate change.** The effects of climate change on the rural smallholder economy, evident in the intensity of recent droughts, must be addressed. An assessment mechanism should be developed to study price and yield risks facing smallholder farmers, and innovations that reduce transaction costs and spread risks – examples are index-based insurance and commodity price hedging – must be adopted more widely. Index-based insurance can cover smallholder farmers against weather-related losses more effectively than the current fiscally burdensome mechanisms for responding to natural disasters. By promoting partnerships with development partners, IFAD could help the Government to design and test mechanisms to deal with the above mentioned risks in rural area