



<b>1. Project Data:</b>		<b>Date Posted :</b> 08/19/2002	
<b>PROJ ID:</b> P003218		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Agric Sector Investment	<b>Project Costs (US\$M)</b>	350.0	248.7
<b>Country:</b> Zambia	<b>Loan/Credit (US\$M)</b>	60.0	53.6
<b>Sector(s):</b> Board: RDV - Agricultural extension and research (49%), Micro- and SME finance (30%), Central government administration (16%), Agricultural marketing and trade (3%), Irrigation and drainage (2%)	<b>Cofinancing (US\$M)</b>	290.0	195.1
<b>L/C Number:</b> C2698			
	<b>Board Approval (FY)</b>		95
<b>Partners involved :</b> GTZ, UNDP, EU, AfDB, IFAD, NORAD, FINNIDA, Dutch AID, JICA, SIDA, Belgium, USAID	<b>Closing Date</b>	12/31/1999	12/31/2001
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
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<b>2. Project Objectives and Components</b>			
<b>a. Objectives</b>			
<b>Original</b> - The program had objectives at two levels : a new implementation concept for sector development aid and government's medium and long term policy goals for agriculture :			
1. <b>Program design and management features:</b> (a) embracing all public investment for the agricultural sector in a pool of funding; (b) implemented within the existing frameworks of public agencies (with no PIU/PMUs and minimal long-term foreign TA), which would be decentralized; (c) standardized procedures for all funding agencies for procurement, reporting, and accounting and auditing; (d) use a flexible design with annual reviews and adjustments; and (e) promote private/beneficiary participation.			
2. <b>Agricultural policy objectives:</b> (a) improve household food security, (b) promote better use of natural resources, (c) generate incomes and employment, and (d) increase export earnings.			
<b>Revised</b> - Following negligible implementation under the program concept, a project for IDA support independently of the program was defined in 1998 (Year 3 of 4) with seven objectives:			
<ul style="list-style-type: none"> <li>● Increase <b>farm incomes and export earnings</b> ;</li> <li>● Develop and disseminate <b>new technology</b> for the main crops;</li> <li>● Establish an institutional structure for <b>cost-effective agricultural services</b> ;</li> <li>● Establish a <b>decentralized implementation mechanism with participatory approaches</b> ;</li> <li>● Assist <b>institutional development</b> including for training, policy formulation, and monitoring and evaluation;</li> <li>● <b>Privatization</b> of agricultural enterprises; and</li> <li>● Promote <b>agribusiness and farmers organizations</b> .</li> </ul>			
The description in the legal document was not amended as the agricultural policy objectives were unchanged .			
<b>b. Components</b>			
<b>Original</b> - Four program components were defined:			
<ul style="list-style-type: none"> <li>● <b>Policy and institutional improvements</b> (US\$28.4 million, of which US\$11.5 million from IDA) (including institutional reforms in marketing and standards, food security, rural finance, land use and tenure, livestock and reform of agricultural organizations);</li> <li>● <b>Public investment program</b> (US\$182.7 million/US\$34.0 million) (research, extension, livestock, fisheries, irrigation, farm power and mechanization, and training);</li> </ul>			

- **Private sector investment program** (US\$85.6 million, none from IDA) (seed multiplication, rural finance and new product development); and
- **Pilot investment schemes** (US\$53.3 million/US\$14.5 million) (rural investment fund and privatization of state farms).

Revised - IDA project components were defined as follows :

- **Agricultural services** (US\$34.0 million, 64% of appraisal base cost, actual US\$32.6 million) (in districts not supported by other donors);
- **Rural investment fund** (US\$10.0 million, 18%, US\$17.1 million) (to expand the ASIP program to more farmer groups); and
- **Capacity building** (US\$11.5 million, 19%, US\$3.9 million) (support to the Ministry of Agriculture and Cooperatives - MAC - for sector analysis, M&E and staff training).

### c. Comments on Project Cost, Financing and Dates

Of total program costs/financing of US\$350.0 million over four years, IDA took US\$60.0 million (of which US\$53.6 million was disbursed). Donors were to finance US\$150.0 million ((US\$105 million) and government and beneficiaries the balance of US\$140.0 million (US\$89.0 million). The closing date was extended by two years .

### 3. Achievement of Relevant Objectives:

Achievements against the first set of objectives were negligible since the multi -donor sector program approach was abandoned after about a year for lack of commitment from most donors and government . Achievements against the objectives of the redefined IDA contribution appear substantial as reported, but attribution is an issue as the ICR is unclear on the scope of the IDA project (as between funding only districts not funded by others and countrywide services and impacts). Hence the fair level of attribution to the IDA project may be debatable (compared with the influence of external factors and the efforts of other aid agencies ). With this caveat, the main sector achievements reported in the ICR are: export earnings from agriculture tripled by value from 1995 to 1998 and have diversified; agricultural extension is being transformed from the costly T&V system to a more viable locally driven and financed service; public/private partnerships are breathing new life into agricultural research; a farmer -based seed production system is looking promising; smallholders are diversifying away from the dominant maize crop into other subsistence and cash crops and are adopting low input sustainable cropping systems; decentralized implementation with local empowerment is taking hold with district agricultural committees; the rural investment fund has promoted 1,800 sub-projects (mostly small scale rural infrastructure and livestock and fish enterprises ), including a good share going to women, and has helped create local capacity for undertaking development projects; and agricultural agencies have been strengthened, with M&E and MIS systems introduced and improved procurement and financial management capacity (although this is qualified by conflicting comments about MAC 's continuing weaknesses).

### 4. Significant Outcomes/Impacts:

Overlying all physical achievements, the most important change (in the IDA-assisted districts at least, we don't know about elsewhere) is the emerging local capacity to initiate and implement improvements in rural areas despite grave handicaps (droughts and flooding, a collapsing currency, the death of productive people as the HIV /AIDS pandemic continues, widespread cattle disease, and policy failure and mismanagement at the macroeconomic level ).

### 5. Significant Shortcomings (including non-compliance with safeguard policies):

(i) Only a small part of the original project concept was implemented (little is reported in the ICR on the fate of the remainder of the original sector program).

(ii) Quality at entry of the project was awful (the multi-donor approach was unsound due to weak preparation and appraisal including failing to identify or disregarding some obvious obstacles ): the concept of a sector investment program with pooled funding from the 12 cofinanciers was not in fact supported by many of those major donors (ICR 3.5) when it came to implementation, contrary to statements in the project documents (weak communication with cofinanciers was an alleged factor); appraisal was overoptimistic on government commitment (depending on a few keen "champions", who soon left, rather than on broad stakeholder support); the macroeconomic and institutional environments were not supportive of program objectives; objectives were too broad, complex and ambitious for a four year program, and were beyond the capacity of weak agencies (major policy changes included withdrawal of government from maize marketing, credit and fertilizer supply ); program implementation at the same time as restructuring of agencies was not feasible; decentralization modalities had not been defined; risks had not been identified and minimized; and priorities were not established .

(iii) The Bank was indecisive such that rescue of the moribund operation took too long (from Year 1 when the problem was identified to Year 3) and should have been recognized as a major restructuring with amended documents. High turnover of Bank task managers contributed to problems . Inexplicably, Bank supervision reports rated Implementation Progress as Satisfactory throughout (14 times over 7 years), indicating poor management oversight.

(iv) Agricultural productivity continued its long -term decline with the food production index and net agricultural incomes both falling.

(v) MAC's implementation capacity remains limited and it has serious management problems .

(No information in ICR on compliance with safeguard policies .)

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome:</b>	Unsatisfactory	Unsatisfactory	Following OED practice, when an operation is restructured for non-performance reasons, the rating is based mainly on the objectives of the original operation. The project would have been rated Highly Unsatisfactory had not the rescued rump operation been reasonably successful.
<b>Institutional Dev .:</b>	Modest	Modest	ID <u>impact</u> was more than modest in the residual area funded but not for the sector as a whole (the original target), and achievement of some major institutional objectives was partial.
<b>Sustainability :</b>	Likely	Unlikely	The aid program management concept was unworkable as few donors supported it with their funding. MAC's capacity remains weak with substantial management deficiencies and the probability that it will continue to be ravaged by HIV/AIDS. Hence the resilience of project activities to future risk, when not backed up by strong and capable leadership, is low.
<b>Bank Performance :</b>	Satisfactory	Highly Unsatisfactory	The ill-conceived sector approach was the cause of much costly delay and wasted effort during which other urgent assistance might have been provided, including 8 years from PCD to appraisal (18 staff years of work) and \$1.4 million in preparation and appraisal costs to the Bank (see block 5 for more details). Making constructive changes to rescue something from an unworkable operation took too long. The Satisfactory PSR rating throughout for Implementation Progress was grossly misleading and may have contributed to lack of prompt management action.
<b>Borrower Perf .:</b>	Satisfactory	Unsatisfactory	Borrower shares some responsibility for failed sector program approach .
<b>Quality of ICR :</b>		Satisfactory	

**NOTE:** ICR rating values flagged with '\*' don't comply with OP/BP 13.55, but are listed for completeness.

### 7. Lessons of Broad Applicability:

(i) A multi-donor sector investment program must be genuinely backed by both donors and the government and cannot be muscled into being by a single major contributor; and (ii) Institutional reform must precede implementation of investments.

### 8. Assessment Recommended? Yes No

**Why?** (i) How this major innovative approach got onto the books despite apparent donor and borrower apathy needs more explanation. What and who was driving it? (ii) Parts of the story are missing, e.g. how exactly did it fail so quickly after approval and what do the donors have to say? (iii) The revised IDA operation appears to have been largely successful but attribution is worrying. (iv) Some ICR deficiencies (see next block).

### 9. Comments on Quality of ICR:

Generally satisfactory, well written and mostly comprehensive, but offers inadequate explanation of how and why the sector program approach failed so abruptly after approval, lacks clarity on attribution and MAC performance, and costs are incomplete, perhaps because of the complex menu of objectives and the changes made .