

## **ANNEX 2 CAP preparation process**

### **Summary**

Preparations for the Country Assistance Plan started in late 2002, and have included a range of studies and workshops, many in collaboration with others. Plans to complete the CAP in mid-2003 were delayed by policy uncertainties that caused Zambia to go 'off-track' with the IMF. Extended preparation has allowed us to develop our analysis further, and consult widely to test our proposed priorities – with the Government, civil society, the private sector, bilateral donors, the World Bank and EC. In late 2003, collaborative work with the World Bank on diagnostic studies for their Country Assistance Strategy also contributed to our thinking, particularly on: public financial management reforms, poverty and social impact assessment, and country economic analysis. Despite continuing uncertainties, planning has reached a stage where key priorities, possible scenarios and potential responses are clearer.

### **Details of CAP design and consultations**

Team workshops were held in 2002 and early 2003 to review our past programme, existing and proposed donor support to the PRSP, and to design a number of analytical studies. A draft Comprehensive Development Framework produced by the Bank – against PRSP themes and sectors – helped this process, as did country strategies produced by other donors (in particular, the EC, Sweden, Ireland, and Germany). A number of areas in which other donor support was (and is) evident were identified, and where our comparative advantage appeared limited. These included support to transport and communications, and other services such as water. Some PRSP priorities actively supported by other donors were also questioned, and we continue to see them as longer-term ambitions rather than realistic priorities for the CAP period. Decentralisation is an important example, on which the UNDP leads.

Given the UK's established policy dialogue roles, and good access to the Government of Zambia concerning public sector management, social sector reforms and combating HIV/AIDS – and our analysis of the importance of these areas to successful PRSP implementation – a priority was placed on continuing contributions to these areas. These priorities were tested with change forecasting exercises, resulting in the tables in Part 3 of the CAP.

However, analysis of the PRSP and risks identified a number of critical issues needing further work, in particular on understanding the:

- i) drivers of change;
- ii) prospects for joint donor PRSP financing through budget support;
- iii) constraints to private sector growth and the potential for pro-poor growth through commercial agriculture;
- iv) lessons to be learnt from the food crisis and emerging concerns about increasing vulnerability.

During the first half of 2003 studies on (i) and (ii) were commissioned from Oxford Policy Management (OPM). The former improved our analysis of the political economy – and heavily influences conclusions on constraints to the PRSP. The latter was a lengthier process, managed through the joint donor Quality of Government Expenditure Working Group, with particular assistance from Norway and the Netherlands. It provided a vehicle for consolidating thinking amongst like-minded bilaterals on PRSP

alignment and building a common analysis with the EC and World Bank of reforms needed. Parallel negotiations with the Government and like-minded donors on the Harmonisation in Practice Agreement, and later with the World Bank, have further developed co-ordination and policy coherence amongst the most significant of Zambia's cooperating partners. The OPM assessment of poverty orientated budget support was only completed in November 2003, once a common position was achieved, particularly with the multi-laterals. Conclusions in the CAP on governance, public sector management, risks, scenarios and aid effectiveness objectives have been largely derived from these two studies and consultative exercises.

During the first half of 2003 we also undertook reviews and consultations on iii) and iv). These included a co-funded 'FIAS study' with the IFC on administrative barriers to business, and a private sector scoping study. The latter confirmed that agricultural value-chains offer the best prospects for employment creation and export-led growth. Additional studies were commissioned with help from regional and HQ advisers on: drivers of change in agriculture, land issues, rural infrastructure, and the socio-economic impacts of commercialisation on vulnerable groups. These confirmed the pro-poor potential of commercialisation, but the need for the enabling environment approach which now constitutes CAP objective 3. This objective was developed in several workshops with Zambian stakeholders (Government, donor, NGOs and private sector) during the latter half of 2003. The approach was then validated during a three-day strategy workshop with local stakeholders, and advisers from the Policy Division Pro-Poor Growth Cluster.

However, CAP objective 3 design also highlighted the lack of markets in much of the country, and the extent to which many of Zambia's poorest farmers will be unlikely to benefit from private sector and agriculture led growth. Such conclusions were reinforced by lessons about chronic food insecurity that emerged from the 2002-03 humanitarian crisis. These lessons added impetus to work commissioned for what is now the fourth CAP objective on reducing the vulnerability of the poor to key risks, and the need for more emphasis on social protection. Consultations with the NGO and donor community (particularly CARE, GTZ and the World Bank) identified a real gap in Government and donor efforts. An audit of the HIV/AIDS response in Zambia, and the extent to which we and other donors are mainstreaming prevention and mitigation across our work, also identified additional ways of strengthening the response. Such analytical work was synthesised in a strategy workshop in November 2003 with local representatives. Support from the Reaching the Very Poorest PD Team was provided periodically over 2003.

In January and February 2004, discussions were held in London with senior management, Policy Division and FCO, on a detailed consultation document, and draft summary CAP. The latter was then circulated in Lusaka. The Ministry of Finance and National Planning held an inter-ministry consultation to review the draft, and a donor meeting was held shortly after. While the draft was widely welcomed, a number of recommendations on substance and presentation led to revisions to the final analysis and the content of objectives. Finally, the draft was submitted to the Honourable Minister of Finance for his agreement.

## ANNEX 3 Portfolio Performance

Project Title	Risk	Review in last 12 months	Performance Rating
<b>Cap Objective 1</b>			
ACCES	Low	Not yet due	3
PMECP	Low	22/07/2002	2
PEPC/ ACC	Low	10/05/2003	2
RIZES	Medium	01/10/2003	2
Support to PEM	Not stated	< £1m	< £1m
ZANACO	Not stated	< £1m	<£1m
ACF Grant		< £1m	<£1m
Support for PRSP Monitoring	Not stated	< £1m	<£1m
CSPR Strategic Plan	Medium	Not yet due	<£1m
Direct Budget Support	Planned		
PEMFAR	Planned		
PRSP Monitoring/CSO	Planned		
<b>CAP Objective 2</b>			
Zambia Health SWAP	Medium	12/08/2003	2
Zambia Family Plng & HIV/AIDS Pr	Medium	14/08/2003	1
HIV/AIDS Care Component	Low	17/06/2003	2
Primary Reading Programme	Low	17/02/2003	1
BESSIP TA	Not stated	< £1m	<£1m
Imprv Eng/Mths/Sci-AIEMS	Low	03/12/2003	1
Education SWAP	Not stated	Not yet due	New Project
<b>CAP Objective 3</b>			
Administrative Barriers to Investment	Not stated	< £1m	<£1m
International Business Advisory Council	Low	< £1m	<£1m
Peri Urban Small Enterpri	Medium	14/04/2003	2
CETZAM Ph II (AW 002)	Medium	26/02/2003	4
ZERG Monitoring/Consultancies	Not stated	< £1m	<£1m
Agriculture Growth and Pov Red	Low		Planned
<b>CAP Objective 4</b>			
PROSPECT (Other)	Medium	11/03/2003	2
Venture Capital Fund (ZHABS)	High	17/04/2003	2
Community Food Project (CARE)	Low	Not yet due	2
Agricultural Recovery Programme	Low	Not yet due	2
Enriched Food Basket	Low	<£1m	<£1m
Food Security and Nutritional Surveillance	Low	<£1m	<£1m
Zambia HIV/Aids	Medium	Not yet due	New Project
Social Protection	Planned		
WFP EMOP 2003-04	Planned		
CARE PPA	Planned		
<b>CAP Objective 5</b>			
Harmonisation in Practice	Planned		

## ANNEX 4 Support From Other Parts Of DFID

Issues for lesson learning and support	PD Teams and other Departments
HIPC Completion Point Assessment and potential re-visiting of Debt Sustainability Analysis.	<ul style="list-style-type: none"> <li>• IFID</li> <li>• UKDEL</li> </ul>
Ensuring appropriate joint donor DBS MOU in line with corporate policy and procedures, including advice on design of Public Financial Management programme which addresses issue of acceptable fiduciary risk.	<ul style="list-style-type: none"> <li>• Public Financial Management (PFM); and possibly the</li> <li>• Aid Effectiveness Team.</li> </ul>
Corporate advocacy and inputs on design of World Bank Poverty, Risks and Vulnerability Assessment in Zambia, before 2 <sup>nd</sup> PRSP; and finalising DFID's social risks management / protection strategy as part of CAP.	<ul style="list-style-type: none"> <li>• Reaching the Very Poorest; and possibly the Poverty Reduction in Difficult Environments team;</li> <li>• DFID Malawi.</li> </ul>
Professional support to Micro-finance portfolio, particularly one problematic project (CETZAM) which is suffering major administrative and reputational problems.	<ul style="list-style-type: none"> <li>• Financial Sector Development.</li> </ul>
Strategic planning on private sector, agricultural and wider growth, and design of innovative commercialisation programme.	<ul style="list-style-type: none"> <li>• Financial Sector Development;</li> <li>• Agriculture team.</li> </ul>
Drivers of change for public financial management reforms (PFM) analysis and PFM programme design – incorporation of Zambia into wider multi-country study and tailoring work to country context.	<ul style="list-style-type: none"> <li>• Drivers of Change;</li> <li>• PFM team.</li> </ul>
Quality assuring, benchmarking and strengthening HIV/AIDS mainstreaming (specific inputs yet to be defined – awaiting scoping work).	<ul style="list-style-type: none"> <li>• HIV/AIDS team.</li> </ul>
Benchmarking of anti-corruption initiatives in Zambia with others across regions.	<ul style="list-style-type: none"> <li>• Anti-Corruption team;</li> <li>• FCO.</li> </ul>
Ensuring effective co-operation between (centrally managed) CUTS project with Zambian initiatives on removing administrative barriers to business, also potential engagement in private sector and agriculture growth strategy formulation.	<ul style="list-style-type: none"> <li>• Investment, Competition and BDS team.</li> </ul>
Harmonisation of aid procedures, donor co-ordination, aid policy frameworks (in addition to DG / PED involvement in joint monitoring of Harmonisation in Practice Agreement).	<ul style="list-style-type: none"> <li>• Aid Effectiveness;</li> <li>• PED;</li> <li>• DG Corporate Performance &amp; KS.</li> </ul>
Developing stronger quality monitoring strategies in education, and greater impact on girls' participation in primary/secondary school.	<ul style="list-style-type: none"> <li>• EFA team.</li> </ul>
Improving decentralised service delivery in education (and health?), accountability, and capacity building for management.	<ul style="list-style-type: none"> <li>• Service Delivery Team.</li> </ul>