

Evaluation of Sector Approach

WORKING DOCUMENT

ZAMBIA

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MAIN REPORT

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INTRODUCTION

In July 1999, the House of Representatives of the Netherlands approved both the selection of countries for structural bilateral co-operation (so called 17+3 list) and the sector-wide approach as method to increase aid effectiveness. The approach has been described as an 'organising principle of bilateral aid'¹. The Minister for Development Co-operation announced the evaluation of this restructuring in the House of Representatives on December 17th, 2003. The independent Policy and Operations Evaluation Department (IOB) of the Netherlands Ministry of Foreign Affairs conducts the worldwide evaluation. The IOB has formulated the evaluation's objective as follows:

To assess "*whether and to what extent the introduction of the sector-wide approach has improved conditions for achievement of the main objective of Dutch development policy, namely poverty reduction*". To this end, the following key questions have been formulated:

- *To what extent have the desired changes in Dutch policy been achieved and what explanatory factors can be given for the findings?*
- *To what extent have the desired changes in the aid recipient country been achieved and what were the most influential factors?*

As part of the research methodology, case studies in five selected countries -among them Zambia- have been conducted. This internal working document presents the results of the study on the Zambia case.

A preparatory mission was carried out in March 2004, while during the period August 16th through September 1st, 2004, an evaluation team visited the Royal Netherlands Embassy (RNE), partner institutions, co-operation partners and key informants in Zambia. The team consisted of the following researchers, contracted by IOB:

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This report starts with an introductory chapter on Zambia, a subsequent chapter on the change process towards the sector-wide approach in the Dutch bilateral aid, and is subsequently structured along the lines of the building blocks of the sector-wide approach. The report ends with some overarching concluding remarks.

Disclaimer: *The report is the sole responsibility of SEOR BV. The report contains contributions by mission members employed by other institutes, but only SEOR BV can be held responsible for the contents of this report. Neither the main report nor any of the annexes reflect the views or opinions of either IOB or the Royal Netherlands Embassy in Lusaka.*

¹ Source: Sector-wide Approach Support Group [SSB], 2000:5.

ABBREVIATIONS

ACF	Agricultural Consultative Forum
AIDS	Acquired Immune Deficiency Syndrome
ADB	African Development Bank
ASIP	Agricultural Sector Investment Programme
BESSIP	Basic Education Sub-Sector Investment Programme
CAS	Country Assistance Strategy (World Bank)
CBoH	Central Board of Health
CDF	Comprehensive Development Framework
CG	Consultative Group
CIDA	Canadian International Development Agency
CFAA	Country Financial Accountability Assessment
CHAZ	Churches Health Association of Zambia
CPAR	Country Procurement Assessment Review
CPIA	Country Performance and Institutional Analysis
CSO	Civil Society Organisation
DAC	Development Assistance Committee (or: District Agricultural Committee)
DCI	Development Co-operation Ireland
DfID	Department for International Development (UK)
DHB	District Health Board
DHMT	District Health Management Team
DG	Directors General
EC	European Commission
ECZ	Environmental Council of Zambia
EFA	Education for All
EISTP	Entrepreneurship and Informal Sector Training Programme
ESAF	Enhanced Structural Adjustment Facility
ETC	Economic and Technical Co-operation Department (of the Ministry of Finance)
ERM	External Resources Mobilisation Department (of the Ministry of Finance)
FAMS	Financial and Administrative Management System
FAO	Food and Agriculture Organisation (of the United Nations)
GART	Golden Valley Agricultural Research Trust
GDP	Gross Domestic Product
GIDD	Gender in Development Division
GNI	Gross National Income
GRZ	Government of the Republic of Zambia
HIP	Harmonisation in Practice
HIPC	Heavily Indebted Poor Countries Initiative
HMIS	Health Management Information System
HSC	Health Sector Committee
IDA	International Development Agency (World Bank)
IMF	International Monetary Fund
IOB	Policy and Operations Evaluation Department, Ministry of Foreign Affairs
ISOA	Institutional and Sector Organisational Analysis
JICA	Japanese International Co-operation Agency
JIP	Joint Investment Programme
JSA	Joint Staff Assessment

LDT	Livestock Development Trust
LMDG	Like Minded Donor Group
MACO	Ministry of Agriculture and Co-operatives
MAFF	Ministry of Agriculture, Forestry and Fisheries
MDG	Millennium Development Goal
MFNP	Ministry of Finance and National Planning
MMD	Movement for Multi-party Democracy
MoE	Ministry of Education
MoESP	Ministry of Education Strategic Plan
MoH	Ministry of Health
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
MSTVT	Ministry of Science, Technology and Vocational Training
NCDP	National Commission for Development Planning
NGO	Non Governmental Organisation
NHSP	National Health Strategic Plan
NRDC	Natural Resources Development College
NZTT	National Zambian Training Trust
(T) NDP	(Transitional) National Development Plan
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PEMFA	Public Expenditure Management and Financial Accountability Reform
PER	Public Expenditure Review
PHC	Primary Health Care
PFM	Public Finance Management
PRGF	Poverty Reduction Growth Facility
(I-) PRS(P)	(Interim-) Poverty Reduction Strategy (Paper)
PRP	Poverty Reduction Programme
PSCAP	Public Sector Capacity Building Project
RNE (HMA)	Royal Netherlands Embassy
RIF	Rural Investment Fund
SAP	Structural Adjustment Programme
SB	Sector approach
SIDA	Swedish International Development Agency
SNV	Netherlands Development Organisation
SOPs	Standard Operating Procedures
SWAp	Sector wide approach
TA	Technical Assistance
TAG	Technical Assistance Group (Agriculture)
TDP	Training Development Programme
TESSIP	Technical Education Sub Sector Investment Programme
TI	Transparency International
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
USD	United States dollar
WEPEP	Western Province Education Programme
ZCSS	Zambia Community School Secretariat
ZEGA	Zambia Export Growers' Association
ZERP	Zambian Education Rehabilitation (or Reform) Project
ZNFU	Zambian National Farmers Union

1 Context for the introduction of the sector-wide approach

What context factors have been of influence upon the introduction of the sector-wide approach?

Next to unique country factors, the determining context factors are political and economic stability; public sector reform (institutional capacity); and the degree of donor dependency.

1.1 Zambia

Some 30 years ago, Zambia was a middle-income country. In the mid-1970s, only 33 percent of the Zambians lived below the poverty line. From 1975 onwards, the decline in copper prices resulted in a rising proportion of poor up to 73 percent of the population by 1998 (83 percent in rural areas and 56 percent in urban areas) (PRSP, 2002). The per capita income halved from USD 752 in 1965 to USD 351 in 2002. In 2003, some 58 percent of the approximately 10.3 million Zambians was classified as 'extremely poor' (EIU Country Profile 2003). Income poverty in rural areas is compounded by poor connectivity and poor access to public services and markets in a sparsely populated countryside.

Currently, the most destructive and devastating country specific factor is the HIV/AIDS pandemic. Zambia has one of the highest HIV/AIDS rates in the world. In 2004, an estimated one million Zambians were HIV positive, with 100,000 new cases registered each year. Some 22 percent of the adult population (15-49 years) is HIV-infected; life expectancy at birth has fallen below 40 years. There are over 570,000 orphans and it has been estimated that the number will increase to 1.7 million by 2010 (World Bank, 2004:2). The relationship between poverty and HIV/AIDS is mutually reinforcing. Poverty increases the vulnerability to HIV and AIDS-related diseases, while the manifestations of AIDS lead to poverty (social exclusion, no capacity to work). Impacts are profound. The extended family system, the most important social safety net available to the poor, is under strain having to care for growing numbers of children orphaned by HIV/AIDS (DfID, 2004:3-4). Since dependency ratios increase, people are less able to invest in education, health or to deal with unforeseen circumstances. HIV/AIDS has weakened the public sector as well, both in terms of resource allocation for combating HIV/AIDS, as in staff turnover.

1.2 Political and economic stability

Zambia has been in the forefront of democratisation in Africa and is an open society with –by African standards- a high tolerance of conflict. The first multi-party elections of 1991 brought the Movement for Multi-party Democracy (MMD) into power. The MMD government was committed to economic liberalisation and modernisation. During the second parliamentary period of president Chiluba (1996-2001) prominent MMD leaders resigned, while accusations of corruption, especially the large-scale theft of the cobalt output from the mines, as well as the president's attempt to force a constitutional amendment that would allow him to run for a third term, debilitated the political

credibility. Broad opposition among the population as well as in his political party avoided president Chiluba to run for a third term. The MMD candidate, Levy Mwanawasa, won the elections with a narrow margin among –donor-supported- protests that the election had not been fair. However, president Mwanawasa made serious attempt to curb corruption and to increase transparency. While the first years of the government of president Chiluba seemed the beginning of a more plural society and political constellation, this was hardly realised in the end. Political parties are weak and focused on the person of the political leader (RNE track record, 2005). Within the political arena there was an increasing dominance of the Executive and as a result, the old patterns of political dominance and patron-client relationships persist (Rakner, 2003).

Good Governance (transparency, accountability) is an important aspect of an enabling environment for development and hence for the application of the sector-wide approach. The World Bank Country Policy and Institutional Analysis (CPIA) indicators for 2002 and 2003 rate Zambia above the average for Sub-Sahara Africa in respect of accountability, political stability and the rule of law. Nevertheless, on a scale from 0 to 100 Zambia's rank in the World Bank Governance Research Indicators in 'control of corruption' was only 19.9 and on 'government effectiveness' 26.9 (PEMFA Review, 2003:xiv). According to Transparency International (TI), Zambia's Corruption Perception Index (CPI) deteriorated between 1998 and 2004. Notwithstanding an absolute improvement since 2001, the relative ranking among all countries surveyed by TI was in 2004 still below the (relative) 1998 ranking. Over the last years there has been a noteworthy higher commitment in curbing corruption (RNE track record, 2005). In general, public financial management (PFM) has improved, but is still weak and fiduciary risk high, particularly in procurement. Good and systematic management information systems to both Cabinet and Parliament are lacking. Oversight by the Auditor General and parliamentary committees is limited (DfID, 2004:6).

Since 1975, Zambia has experienced a protracted decline of the economy, mainly as a result of continuously deteriorating copper prices and a lack of alternative export commodities or manufactured goods. It is only since the year 2000 that some economic growth (on average 3.8 percent of GDP) has been registered. Since the early 1990s, in an attempt to reverse the economic decline, government implemented an extensive adjustment programme of liberalisation and deregulation (amongst others, the privatisation of state enterprises and the liberalisation of agricultural prices and marketing) and downsized the public sector in favour of social service delivery. Progress towards liberalisation stagnated during the period 1996-2001. Macroeconomic and structural policies are largely an 'in-house' debate between the Executive and IMF/WB without further public debate or accountability towards Parliament (RNE track record 2005). The structural adjustment programme did not result in a clear impact in terms of economic growth, due to market imperfections, exogenous factors (copper prices, el Niño) and internal factors, such as a slow public sector reform and lack of fiscal discipline.

The fiscal discipline, did improve in 2004 mainly as a result of a reduction in public spending and in domestic financing. The fiscal deficit (after loans and grants) reduced from 5 percent (2003) to 2 percent (2004) of the GDP. The Royal Netherlands Embassy (RNE) describes Zambia as a "status quo country" (HMA Lusaka, 2004b:2).

1.3 Institutional reform of the public sector

In the past, one of the donors' motives to establish parallel structures for service delivery was the poor capacity and performance of the public sector, usually in combination with low transparency and accountability. Over the years this has contributed to a fragmented organisation of the public sector. A requisite for successful implementation of the sector-wide approach is the clear definition of the mandates and tasks of both public and private sector in service delivery, as well as a public sector that has been reformed (or is in the process of being reformed) towards the effective accomplishment of its role in policy making, normative and control functions. This should have led (or should lead) to an efficient and witty public sector.

The change of government in 1991 gave impetus to public demand for good governance, transparency and accountability in the conduct and management of public affairs.

- In 1993, the Public Service Reform Programme (PSRP) was launched as a systematic long-term programme to restructure the Public Service in order to improve the quality of service delivery.
- A new Public Sector Capacity Building Project (PSCAP; 2000-2013) focused on 'right-sizing and pay' reform of the Public Service; improved financial management, accountability and transparency; improved capacity of judicial and legal systems and decentralisation (with participatory governance).
- The National Capacity Building Programme for Good Governance (1999) was aimed at the strengthening of the rule of law, the respect for human rights and transparency of the judiciary by material and capability strengthening of the Ministry of Justice, the Auditor General, the Human Right Commission, etc.
- The Public Expenditure Management and Financial Accountability Reforms (PEMFA, 2001-2004) were established.

The various reform programmes aimed at coming to an efficient and effective public sector were never entirely implemented or did not produce the envisaged results, also since the private sector had no capacity to fill in the new openings in service delivery. On top, many of Zambia's laws and regulations are not enforced and have led to a breakdown of administrative systems and procedures (including the public finance management) (PEMFA Review 2003:xi). RNE Lusaka characterizes the public sector as "weak in quality and capacity" (RNE track record, 2005).

1.4 International development assistance

With the deteriorating exports of raw material, and in consequence of government revenues, the opportunities of the Government of the Republic of Zambia (GRZ) to provide services adequately diminished over time. Since Independence, Zambia has received sizeable development assistance, in the form of both grants and loans. Over time these loans became unsustainable as a result of the persistently over-optimistic estimations of the growth rate of the economy. For funding the public budget (including debt service), Zambia became more and more dependent on foreign aid. Zambia was granted debt relief under the enhanced Heavily Indebted Poor Countries Initiative (HIPC) when the Decision Point was reached at the end of 2000. The (floating) Completion Point was reached in April 2005, after a one year delay. Nonetheless, Zambia continues to depend heavily on donor grants and concessional loans in order to finance many of its development programmes. In 2002 alone, almost 85 percent of the capital expenditure

and 39.5 percent of the central government expenditures were financed through foreign grants and loans (World Bank, 2004: 1; MNFP, 2002).

Bilateral agencies regularly halted aid because of governance issues. This resulted in differences of opinion between multilateral and bilateral donors on governance issues (in 1996 bilateral donors, unlike the multilateral institutions, suspended aid disbursements). The multilateral donors put pressure on the bilateral ones and tended to take a more positive view in their assessment of the economic situation than the bilateral donors. This was not entirely free from self-interest, since bilateral aid contributed –directly or indirectly- to multilateral debt servicing (IOB, 2003; Rakner, 2003:165).

Gradually, aid became more and more crucial for both macroeconomic stabilisation and fiscal balance. Donors put as condition (1991) that at one third of the discretionary central government budget would be allocated to education and health. The mutual interests of GRZ, multilateral and bilateral donors alike contributed to a much more stable relationships between Zambia and the donor community than the regular standoffs between the partners would suggest. As far as it concerns the development relation with Zambia, there has been a strong sense of continuity within the donor community.

1.5 Country eligibility

When in 1999 the Netherlands recomposed its list of partner countries in development, Zambia was placed on the list of “17+3” selected countries, but with observations (the so-called ‘yellow card’). That status of ‘observation’ implied no guarantee for the immediate future of the relationship. The reservations on general governance issues were aggravated by ex-president Chiluba’s attempt to alter the Constitution, as well as tense relations between government and the World Bank on the topic of the validity of the Zambia’s poverty strategy as document required for debt reduction under HIPC (1999). Although Zambia was eligible for debt reduction and disposed of a poverty strategy, the World Bank considered the document insufficiently elaborated to recognise it as a Poverty Reduction Strategy Paper (PRSP) in order to start debt reduction negotiations. GRZ was very much interested in continuing the relation with the Netherlands, since it feared a domino effect among the like-minded countries if the Netherlands would withdraw its assistance.

In 2000, the Dutch Cabinet decided to maintain Zambia on the list of countries for structural development assistance. The Annual Report 2001 stated that the selection of Zambia as partner country was based on sound progress on governance matters, such as the launch of the National Capacity Building Programme for Good Governance; the report on torture and abuse of human rights in relation to the coup of 1997; the launching of a law against money laundering and the privatisation of the Zambian Copper mines company (ZCCM). In practice, the testing of eligibility remained a continuous process. The Ministry of Foreign Affairs’ country support team (Landenteam, 2003) stated that in the case of Zambia the conditions at the input side (policies, corruption) prevailed over outcome performance and that the yardstick for (the continuation of) the development programme would be the progress registered on good governance (including the reduction of corruption).

A more elaborate Country Context description is provided in Annex C1.

1.6 Assessment

Were the main context factors conducive for the introduction of the sector-wide approach and how did these factors develop over time?

In 1999, when the sector-wide approach was made official policy by the Netherlands' Ministry of Foreign Affairs, the context factors were hardly enabling for the introduction of the sector-wide approach.

First, at the end of the second governmental period of president Chiluba, there were manifestations of serious mismanagement, suspicion of corrupt practices and intents to alter the Constitution for personal interest. Some bilateral donors even froze their development assistance for a period of time.

Second, the macroeconomic circumstances were far from conducive. The economy showed a protracted deterioration, while the structural adjustment reforms implemented had not been able to stop the economic decline. Government's revenues were persistently at a level too low for responding to the demand for nationwide service delivery.

Third, notwithstanding the 1993 Public Service Reform Programme, the public and private sectors in Zambia had not been able to spell out each other's functions and roles both in the economy and in service delivery. Although liberalisation and privatisation had reduced the role of the public sector in the economy, government remained to be the almost exclusive deliverer of social services.

Fourth, despite appearances to the contrary in the period 1999-2001, government-donor relations in Zambia remained relatively stable. Although due to governance issues there had been periods of standoffs in government-donor relations, the underlying mainstream was one of stability and continuity. Zambia's dependency on donor assistance was –and still is- high.

Over the period 1999-2004, almost all above-mentioned factors improved considerably. In 2004, Zambia could be considered as a politically stable country that pursues an active policy against corruption and has registered significant progress (although still with deficiencies [Mulenga, 2004]) in the accountability of its public finance management system. Despite the improvements over time, RNE Lusaka refers to factors like mismanagement, corruption, patron-client relations and an overall lack of drive amongst decision makers (RNE Lusaka 2004: 2-4) and assesses the political and fiduciary risks in Zambia as 'high' (RNE track record, 2005).

Since the year 2000 the economy has shown a modest, but sustained, growth and can be characterised as 'stable'. Despite the massive international financial support to Zambia, little progress was registered in uplifting the living conditions of the majority of the population.

It is in the institutional part where the obstacles for sound results of the sector-wide approach are found. The balance between the public and private sector has not been crystallised out, leading to a situation whereby the public sector is still very dominant. The World Bank Evaluation of the Country Assistance Strategy (2002) suggested that the Zambian population relies too much on the public sector and that massive aid might have taken away incentives to the private sector to act as a 'driver of change'. Zambia is still highly dependent on donor aid.

2 CHANGES IN THE IMPLEMENTATION OF DUTCH DEVELOPMENT CO-OPERATION

Were the policy changes sought by the introduction of the sector-wide approach to Dutch bilateral aid in Zambia achieved in terms of:

- *Choice of sector* and sector support. Was the choice of sectors and sector support in line with the preferences and priorities of GRZ?
- *Concentration on sectors*. Has the delegated bilateral aid been concentrated on a maximum of three sectors? Was this support 'substantial' and what kind of activities were discontinued ('exit')?

2.1 The Netherlands programme prior to 1999

Over decades, development co-operation has been (and still is) the most important component of the bilateral relations between Zambia and the Netherlands. Prior to 1999, the Dutch development assistance was characterised by a range of projects and activities -almost all either health or agriculture related- implemented in a limited number of districts, mainly in the Western Province. The districts provided the administrative frame for the integrated rural development approach that had been pursued by the World Bank since the mid-1970s. This concentration was de facto an effort to coordinate donor activities within a geographical area. The Netherlands programme had mainly developed in the areas of rural development and health services. Education was added at a later stage. The resource allocation to these areas is presented in table 2.1.

Health

Together with rural development, the health sector was the main component of the Dutch funded development programme. The programme focused at the district level where primary health care services were supported, as well as secondary health facilities (rural district hospitals). Dutch medical doctors were employed at district level and various Dutch funded projects were instrumental to their work. This matched the decentralisation policy of the Ministry of Health (MoH), initiated in 1990. In addition, at the national level, the Netherlands supported a Human Resource Development programme; the supply of medical equipment; and facilitated the import of essential drugs. The Netherlands also funded some drinking water supply projects in the Western Province, and supported the National Tuberculosis Programme. Annex B1, table B1.1 presents an overview of the activities in the health sector.

Education

At a relatively late moment in time (1996), activities in education were added to the Dutch country programme. The support focused on basic (primary) education and vocational training. Most of the activities were implemented in the Western Province. The 1999 Western Province Education programme (WEPEP, see for a description Annex B2) was implemented entirely through the Ministry of Education (MoE). In the frame of the preparation of the general sector support in a joint donor programme: the Basic Education Sub-Sector Investment Programme (BESSIP; see for a description Annex B2), WEPEP served as a kind of geographically restricted pilot in 72 schools. The Netherlands supported BESSIP from the start on (1998), both financially in the preparatory stage, as well as in the implementation (from 1999 onwards). In addition,

projects with non-governmental organisations were supported (for example the Forum for African Women Educationalists) and the Zambia Community Schools Secretariat. Annex B2, table B2.1 presents an overview of the activities in the education sector.

Rural development

Since the early days of the bilateral co-operation the Netherlands has been involved in the agricultural sector, mainly in the Western Province. Major activities comprised the Livestock Development Project (combating the tsetse fly), the provision of technical assistance to the Animal Production and Health services, the National Animal Draught Power Programme and Smallholder Mechanisation Services. Also projects in the field of water and sanitation have been implemented. At the district level integrated programmes had been developed with other donors (the District Development Support Programmes). The Netherlands supported the District Planning in the Western Province. Out of those coordinated activities emerged the World Bank initiative for the Agricultural Sector Investment Programme (ASIP). The Netherlands supported this programme from the very early stages of its inception (1994). Within the frame of ASIP, the Netherlands supported the Animal Production and Health sub-programme, and brought a number of projects under the policy umbrella of ASIP, such as the Technical Support to the Food Reserve Agency. See for an overview of the activities in rural development, Annex B3, table B3.1.

Gender, environment, HIV –AIDS, Good Governance and others

Special areas of attention in the Dutch development assistance, such as gender, environment and (later on) good governance and HIV/AIDS, all formed part of the programme in Zambia. In gender, the Local Fund for Women and Development was operative from 1995 onwards, while a special programme to provide women better access to credit facilities was developed and supported over a longer period of time. In environment, the Wildlife Monitoring Unit was supported; anti-poaching programmes were funded; as well as the natural resource management in the Western Province. Good Governance and HIV-AIDS prevention programmes were added at a later stage and were implemented through thematic projects from 1998 onwards. See for an overview of the activities in gender, environment, HIV /AIDS, good governance, Annex B4, table B4.1.

2.2 The sector choice

Traditionally, donors made their own choices about what activities, themes or sectors to support, depending on their own development policies, usually reflected in the respective 'country strategies'. According to the philosophy on the sector approach, coherence of the sector choice with the Poverty Reduction Strategy (PRSP) is a pre-condition for an effective contribution to poverty reduction. In 1999, when the Ministry of Foreign Affairs of the Netherlands instructed the embassies to concentrate activities in three sectors only, there existed neither a national long-term vision or National Development Plan, nor a Poverty Reduction Strategy (PRSP) in Zambia. In absence of these documents, the 'match' between the choice of sectors and the national policies was based almost exclusively on documentation elaborated by GRZ for the Consultative Group meetings.

Neither a comparative study of potential sectors, nor any Institutional Sector Organisational Assessment (ISOA) preceded the sector choice by RNE Lusaka. The Ministry of Foreign Affairs in The Hague insisted on applying ISOAs, but RNE Lusaka argued that institutional analyses had formed part of the diagnostics carried out in

preparation of the sector policy documents in both health and education. RNE agreed to conduct an ISOA for the economic development – agriculture sector, which was planned for 2003 (but not implemented).

Only sporadic consultation on the sector choice took place between the Ministry in The Hague and RNE Lusaka. The coordination concerned mainly the 'observed' status of Zambia. This status invited to pay additional attention to good governance matters. RNE made an almost 'automatic' choice for the sectors education, health and economic / agricultural development. Only in one instance the Ministry in The Hague provided feedback on the sector choice: since the activities in the educational sector had been added at a later stage, RNE requested advice whether 'education' or 'environment' should be maintained as a sector. The Ministry responded that environmental activities could be incorporated into 'agriculture', while the Basic Education support programme (BESSIP) was due to start at the time and would imply a natural take-off of the sector approach in education (RNE files).

RNE Lusaka's arguments for the sectors chosen were based on ongoing developments in policy formulation in the various sectors, as well as on its own experience in these sectors.

- The health sector was chosen because “from 1991-96, the Zambia Health Sector was a model for health reforms and sector-wide approach. One of the major achievements had been the pooling of GRZ and donor funds into a 'district basket' for support to basic health services at district level”. Although since 1997 progress had slowed down due to a lack of focus in the reform agenda, RNE referred to “a renewed momentum” (Annual Plan 2000) at the time since GRZ and co-operating partners were in the process of coming to a Memorandum of Understanding for support to the National Health Strategic Plan (NHSP).
- For education, MoE had formulated its policy “Educating Our Future” (1996) that covered all levels of education, and addressed issues like gender, the teaching profession and organisational and management aspects of educational delivery. Basic education was identified as the highest priority. In 1999, a multi-donor sub-sector support programme for basic education (BESSIP) was in preparation, while WEPEP would function as the geographically concentrated pilot in support to that national programme.
- For the agricultural sector, RNE pursued the recommendations of the 1998 mid-term review of ASIP and supported the 1998 establishment of the Agricultural Consultative Forum (ACF), comprising the private sector, NGOs, donors and Government. ACF had facilitated continuous consultation among key stakeholders. RNE considered it indispensable to sustain that new multi-actor platform. In addition, based on disappointing experiences with ASIP and the Review's recommendation to promote public - private collaboration, RNE aimed at the establishment of –and support to- trusts, for which the already funded Golden Valley Agricultural Research Trust (GART) served as example.
- The over-arching poverty reduction objective played a marginal role in the sector choice. Under influence of the UN Development Goals (at that time not yet the Millennium Development Goals) most donors focused on health and education. Since poverty reduction is to be achieved by both improved access to social services and increase in income, RNE Lusaka chose deliberately for one

productive sector, next to the service delivery sectors health and education. But within that productive sector –aimed at supporting income generating activities- there was no targeting on the poorest strata of agricultural producers, but on ‘emerging commercial farmers’.

Ex post, the sectors choice happened to match well the PRSP (2002) priorities. With its choice for economic development – agriculture, the Netherlands contributes to the first priority of the PRSP, being ‘productivity with equity’. The health and education sectors both matched the PRSP’s second priority, being the enhancement of the service delivery capacity and effectiveness.

RNE informed GRZ about the sector choice, but the choice was not made subject of any formal discussion and was never formally agreed upon with GRZ². At the time, GRZ did neither dispose of a Comprehensive Development Framework (CDF), nor of any other external aid organising instrument, so it was not equipped to guide RNE “in which sectors it wanted to have the Dutch”³. The first CDF was elaborated in 2002 (see summary sheet Annex C2).

The 2003 policy

The 2003 White Paper “Aan Elkaar Verplicht” (AEV) indicated that in each country “two or maximum three sectors” would be supported. To the interpretation of RNE Lusaka there was no need to reduce the number of sectors. Nevertheless, in the progress letter to Parliament (16th July 2004) on the concentration on countries and sectors, only health and education were mentioned as sectors, while agriculture was referred to as an example to improve the enabling environment for the private sector (DGIS-046/2004: 27, 28).

The areas of special attention, referred to in AEV (15 percent of the ODA budget to education; 12.5 percent to water; 0.1 percent of the Gross National Product to environment and 0.85 percent to HIV/AIDS) did not have any impact on the sector choice in Zambia. Gender and HIV/AIDS “are dealt with within the sectors” (DGIS-046/2004: 27). The increasing allocations for the environment (from € 0.5 million in 2002 to € 1.9 million in 2006) demanded from RNE new initiatives⁴.

Under pressure of the Millennium Development Goals most donors had chosen for the social sectors. Only few donors remained in the productive sectors, like agriculture. The issue of sector choice was not taken up until early 2004, when a donor working group was established (in which RNE is represented), with the aim to elaborate proposals for a more equally balanced external support over the various priority sectors identified in the Poverty Reduction Strategy Paper.

² No evidence of any formal or informal discussion on the sector choice could be traced in the files.

³ In a 2000 policy dialogue between RNE and the Ministry of Finance and National Planning (MFNP), the overall sector programme support was exposed, but the dialogue focused on governance issues in relation to the “yellow card” position of Zambia on the country list. RNE files; report Landenteam.

⁴ The budget for environment will be € 0.5 million in 2005 and € 1.2 million in 2006. The Country Team called this ‘a fourth sector’, but RNE stated that the resources will be no ‘new set of activities’ thanks to mainstreaming and silent partnerships.

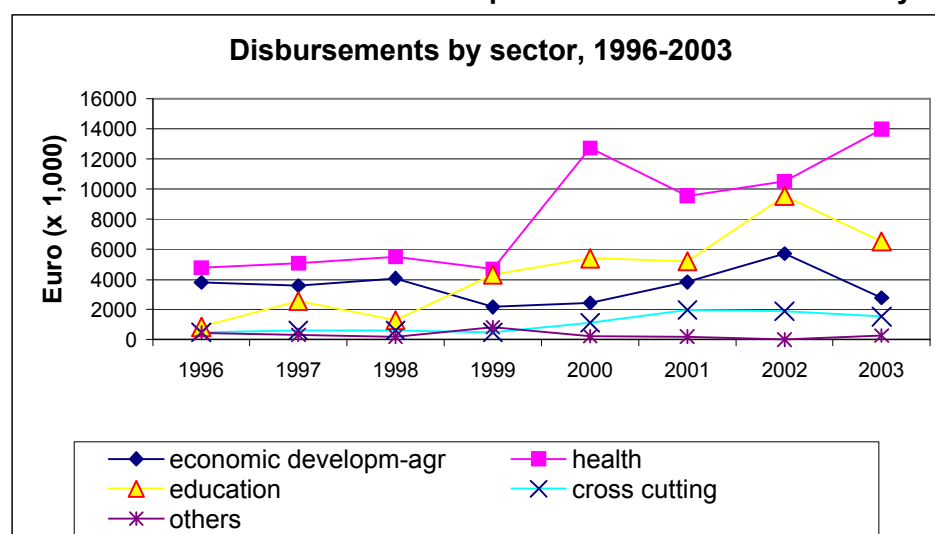
2.3 Changes in the assistance programme

In 1999, the sector approach was no novelty to RNE Lusaka, but as official policy did cause a gradual change in the composition of the portfolio of funded activities. Table 2.1 and graph 2.1 show the changes over time.

Table 2.1 Dutch development assistance to Zambia, 1996-2003

€ 1,000	1996	1997	1998	1999	2000	2001	2002	2003
economic developm-agr	3,813	3,596	4,063	2,179	2,449	3,831	5,714	2,781
health	4,765	5,071	5,503	4,689	12,710	9,551	10,518	13,970
education	847	2,569	1,294	4,303	5,398	5,190	9,523	6,530
cross cutting	478	625	610	476	1,108	1,977	1,873	1,520
others	452	315	212	832	225	205	10	260
total	10,355	12,176	11,682	12,479	21,980	20,754	27,638	25,061

Graph 2.1 Distribution of Dutch development assistance to Zambia by sector



Source: MIDAS – Pyramid.

Health

The health reform started with the first multi-party elections of 1991. Since then, GRZ had been implementing a decentralisation of the health sector and had coordinated support by multi- and bilateral donors for district level health services. This multi-donor programme support originated as an administrative reform implementing new public management ideas, whereby policy making was separated from execution. The policy making remained with MoH, while implementation was delegated to an agency: the Central Board of Health (CBoH). The district levels were empowered, but were undermined by political instability from 1997 onwards. Although the coordinated donor support to the district level started as a donor initiative, MoH took over thanks to a very active minister at the time. In 1994, the government and its co-operating partners worked together in formulating the first national Health Strategic Plan (“from Vision to Realities”). In the same year MoH and its co-operating partners officially launched the Health Sector Support Policy (Phiri, 2003). Through basket funding at district level basic health care was strengthened, by means of an integrated approach encompassing both curative and

preventive health care. The 1997 initiatives to come to a similar approach at a national level stagnated due to changes in senior staff at MoH and different interpretations among government and donors.

GRZ and a group of donors signed a Memorandum of Understanding (MoU) in 1999⁵, expressing the partners' commitment to support the comprehensive process of health reforms and to move towards a joint sector funding in function of the agreed upon National Strategic Health Plan (2001-2005). In the meantime, subsequent changes of Minister made the GRZ's commitment to reforms ebb away (IHSD Ltd 2001:37,38). A joint appraisal mission (2001) by five 'poolers' (the Netherlands, DFID, Sida, Danida, and Irish aid) concluded that the Strategic National Health Plan (2001-05) lacked costing; a plan for human resource development; an implementation plan and indicators for monitoring progress. When a first effort to formulate a Joint Investment Plan (JIP) 2001-2006 (2001) did not produce the desired results, a Health Sector Committee (HSC) was launched (2001) based on a proposal by RNE. This paved the way for an expanded, national level, sector support programme. With the signing of a new multi-donor agreement for sector support to primary health care and district funding (2001), well over 50 percent of all external support to the sector was brought under a common policy framework. The Arrangement was amended with an Addendum in July 2003 in order to enable a (1) horizontal extension to include cost items like capital expenditure, technical assistance, drugs and others and (2) vertical extension to include 2nd and 3rd level hospitals.

The Netherlands joined the initiatives to come to sector support programmes (SWAps) next to the continuation of project support in specific areas. After the introduction of the sector approach as official policy, it became RNE's explicit intention that all support should match with the policies and strategies laid down in the National Health Strategic Plan. Considering the fact that it was unclear whether Zambia would definitely enter the list of '17+3', RNE initially entered into a bridging arrangement for a period of one year (September 2000) that would be "followed up by either an arrangement covering 2 years (2001-2003) ..[...] or for the full period of the new NHSP (2001-2005) [...]".⁶ After the position of Zambia as partner country had become final, an Agreement was signed with MoH (2001) for an amount of € 27.9 million⁷ and for a period of 5 years (July 2001 – June 2006). This covered five major projects that had been in operation before:

- District Health Services
- Community Health Innovation Fund
- Provincial health offices
- Human resource development
- District health management course

Since 2000, the main Dutch funded activities have been:

- Health sector support programme:
 - Essential drugs programme;
 - District Basket and Expanded Basket;
 - Community Health Innovation Fund;
 - Provincial Health offices;

⁵ Signatories: Danida, DfID, GTZ, Irish Bilateral Aid, JICA, Sweden, EC, the Netherlands, USAID, UNICEF, World Bank-IDA, UNFPA, UNDP, UN Fund on HIV/AIDS, WFP and WHO.

⁶ Internal Memorandum TD Lusaka, 15th September 2000.

⁷ Later € 29.4 million.

- Human Resource Development – medical licentiates / clinical officers
- Human Resource Development – District Health management course
- Employment House
- Zambian Health Workers Retention Scheme
- Zambian Italian Orthopaedic Hospital.

The 1998 and 2001 policies of the Ministry of Foreign Affairs on Technical Assistance had an impact on the Dutch medical doctors programme. A new programme was elaborated with CBoH (the Medical Doctors Retention Scheme) aimed at raising the interest of Zambian medical doctors to work in rural areas through improvement of secondary and tertiary employment conditions (started in 2003).

Next to the sector programme, RNE's portfolio in the health sector continued to comprise quite a large number of projects. This was due to:

- The fact that the initial sector programme only comprised basic health care. Activities outside the primary health care were funded through the project modality. This has changed gradually with the extended basket of 2001.
- The funding of some activities had its roots in special programmes managed by the Ministry in The Hague, such as the commodity aid programme (the origin of the essential drugs deliveries) and the programme for development relevant export transactions (supply of medical equipment).
- The special themes indicated in the White Paper AEV invited to start new projects, such as for HIV/AIDS.

For an overview of the portfolio of funded activities during the period 2000-2003, see Annex B1, table B1.2 and Annex B4, table B4.2 HIV/AIDS.

Education

During the 1990s, the Dutch support to education was in the form of project support and co-financing of the Zambia Education Reform Programme (ZERP). By the end of the 1990s, the support to education has been focussing on basic education (BESSIP and WEPEP) and vocational training (EISTP). From 2003 onwards the bulk of Dutch financial assistance has been placed in the frame of the Ministry of Education Strategic Plan (MoESP).

The Western Province Education Programme – WEPEP - was a partnership programme of MoE, RNE and UNICEF, implemented between 1998 and 2002. WEPEP was formulated during the ongoing formulation process of the Basic Education Sub Sector Investment Programme (BESSIP). WEPEP, approved in 1998, was composed of four components: quality in education; decentralisation in management; programme for the advancement of Girls' Education (PAGE); and technical assistance. Although a bilateral project (with UNICEF technical assistance), it was implemented by MoE. WEPEP was designed to support the introduction of national policies through a regional programme by providing assistance at provincial, district and school levels.

BESSIP was a national programme and made operational through a four-year Implementation Framework. The priority remained with basic education, for which 60 percent of the resources was set aside. Four bilateral donors (the Netherlands, Norway, Ireland Aid and DfID) financed a Preparatory Fund to facilitate MoE to contract technical assistance, finance studies and to purchase some hardware as a run up to the formal start of a sector support programme. A Joint Appraisal (September 1998) produced the

framework for an integrated sector approach for the development, improvement and reform of basic education. After the joint appraisal, other donors like Danida, Finland, USAID and JICA joined the consortium. Due to its slow 'take off' (in 1999 only 19 percent of the pooled funds had been spent) and since the new Strategic Plan for the period 2003-2007 was still under preparation at the time, the duration was extended with one year to end 2003.

There has been a deliberate choice (suggested by the World Bank) to delink the components education and vocational training. The Ministry of Science, Technology and Vocational Training came with a similar initiative as BESSIP: the Technical Education Sub-sector Investment Programme (TESSIP). After several appraisal missions, started implementation in 2002 supported by the World Bank, Danida, Jica, EC and a contribution by the Netherlands.

BESSIP ended late 2003. In the meantime, MoE together with the BESSIP partners and through a broad consultation process (2002) with ministries, NGOs, pupils, parents and teachers, elaborated a strategic plan for the years to come. The 2003-2007 Strategic Plan's overarching objective is the achievement of the Millennium goals for education: universal primary education by 2015 and elimination of gender disparity in primary and secondary education by 2005. The development goal defined by the Plan is "increased skills for poverty reduction, employment and economic growth", with sector goals anchored around four themes: access/equity; quality; administration and financial management and HIV/AIDS. The Strategic Plan focused on 12 major programmes (planning and information; infrastructure; teacher education; human resources; standards; curriculum; distance education; procurement; community; special issues; financial management and university) and 40 sub-sector programmes. A Five Year Strategic Programme was subtracted from the Education Strategic Plan for an amount of USD 1,226 million. In 2003, MoE signed a Memorandum of Understanding (MoU) with eight donors (Denmark, Finland, Ireland, Netherlands, Norway, UNICEF, DfID and the World Bank) to come to a joint donor support based on the Sector Plan. This comprehensive SWAp in the education sector started in 2004.

The Netherlands' contributions to the sector can be summarised as follows:

- Active participation in (sub-)sector programme support mechanisms for primary education: WEPEP, BESSIP and MoESP based on the principles of the sector-wide approach. The Netherlands is one of the major donors, advocating for the sector-wide approach and funding through the pool as from the start of BESSIP. RNE is an active and leading partner and fulfils many functions in committees and coordination groups. With the Ministry of Science, Technology and Vocational Training, first the TEVET and later the Technical, Vocational and Entrepreneurship Training Development Programme (TDP) was developed in 2003. The Netherlands committed € 1.1 million to that programme.
- Since 2002, RNE tries to mobilise like-minded donors (DfID, Irish Aid, Norway and Oxfam) in supporting NGOs with relevance to education. These NGOs are: the Forum for African Women Educationalists of Zambia (FAWEZA), the Zambia Community Schools Secretariat and the People's Action Forum. The support is increasingly based on the principle of basket funding.
- The Community Schools movement developed very fast. The community school movement provides an alternative for poor children dropping out of school because of financial constraints. In 2000 there were 64 schools and in 2004 already some 1,900. Schools are registered by the Zambian Community Schools

Secretariat - ZCSS. RNE has entered into a silent partnership with GTZ in the Community Schools Work Programme. Other donors involved are UNICEF and the VVOE (Flemish).

- In 2004, RNE funded for € 9.2 million an additional activity aimed at increasing the number of active teachers by funding the retirement benefits of elderly teachers; the appointment of new young teachers; and the strengthening of the personnel administration of the MoE.

For an overview of the activities in the education sector, see Annex B2, table B2.2

Economic development – agricultural sector

The Netherlands support to the agricultural sector comprised the Livestock Development Project; the provision of technical assistance to the Animal Production and Health Services; the National Animal Draught Power Programme; and Smallholder Mechanisation Services. In coordination with other donors integrated programmes were developed at the district level. The Netherlands supported both the District Planning in the Western Province and the various District Development Support Programmes. Based on experiences at district level, the Ministry of Agriculture, World Bank and bilateral donors agreed upon aiming at a single policy approach at national level. In 1994, the agricultural sector investment programme (ASIP) was launched on paper, being the first Zambian Sector Wide Approach (SWAp) labelled as such. “ASIP became the Bank’s flagship project and is a sector-wide, multi donor assistance program costing USD 350 million with a USD 60 million credit from the Bank” (World Bank 2002:58). Since the start of ASIP was delayed, RNE launched a pre-ASIP of one year. ASIP started in 1996 with 12 donors, bringing greater coherence to nearly 180 donor-funded projects in the sector. ASIP turned out to be a disappointment. In 2002, the Bank concluded that it had failed to achieve most of its objectives (World Bank, 2002b: 58). The Netherlands was one of the few donors that fully supported their component (Animal Health and Production) of ASIP, as initially envisaged.

A mid-term review (June 1998) observed “considerable disagreement and dissatisfaction on the part of the Ministry of Agriculture, Food and Fisheries...[...] since donors have not been willing to undertake changes to past modes of operation to bring their activities in line with the management objectives of ASIP and to contribute to a basket funding arrangement” (1998: 55). Coordination problems had originated from within the donor community, where the World Bank positioned itself as the lead donor albeit its own contributions remained accounted for separately (1998:57). Also the Netherlands expressed concern regarding serious shortcomings in ASIP. RNE files refer to problems like:

- inconsistency in Government actions in intervening in input supply (fertiliser), which frustrates the private sector;
- erratic and low Government disbursements;
- lack of access to and control of production factors among smallholder farmers;
- lack of information on and access to credit and market;
- lack of capacity with regard to gender analysis and gender-sensitive planning in MAFF.

The mid term review concluded that agriculture touches upon many issues dealt with by non-government actors and was positive over the establishment of the Agricultural Consultative Forum (ACF) that had started to act as an institutionally independent advisory body for the Ministry of Agriculture, Food and Fisheries (MAFF). ACF counted

with a full time secretariat funded by contributions from both government and the private sector, while donor aid (NORAD, USAID, and the Netherlands) was made available to improve the coordination of stakeholders (government, donors, private sector) for planning and policymaking.

ASIP was formally concluded in 2002, although only a small part of the grants and World Bank loan had been disbursed. There have been some attempts to formulate an ASIP II, (the World Bank has announced a follow-up sector support project in 2004), but most donors were not interested in renewing investments in the sector. In addition, the Millennium Declaration had lured donors to invest in the social sectors. RNE Lusaka continued funding projects, while looking for opportunities to join new initiatives for a sector support programme. In line with the recommendations by the mid-term review of ASIP, the focus shifted towards the public-private partnerships.

- As an 'inherited' activity from ASIP, RNE supported the strengthening of institutional capacity of the ACF and its Secretariat;
- At national level, the public-private relationship was fostered through the establishment of trusts. This support is provided in the form of (joint) project aid in 'block funding'. In 2004, RNE Lusaka supported three trusts:
 - The Golden Valley Agricultural Research Trust (GART; research and development conservation farming; innovative farming systems, market linkages and smallholder dairy systems);
 - The Natural Resources Development College (NRDC) / Zambia Export Growers (ZEGA) National Zambian Training Trust (NZTT; training and monitoring of the horticultural / floricultural sector);
 - Livestock Development Trust (training and research and development livestock sector).
- The focus on the private sector is also underpinned by the project support to the Zambia Business Forum.

Next to RNE's support to the trusts, other projects continued to be funded in the agriculture sector. For example, the smallholder agricultural mechanisation project was renewed in the year 2000 entering its third phase, and a new programme in the Southern Province was started with the FAO in 2002. By later 2004, those projects had been phased out.

An overview of the portfolio of activities in the economic development – agriculture sector during the period 2000-2004 is provided in Annex B3, table B3.2.

Cross-cutting issues and others

RNE Lusaka's activities in cross-cutting issues good governance, environment, gender and HIV/AIDS are implemented according to the project modality. In 'good governance', the focus is on the transparency and democratic operations of political and public sector institutions, the fight against corruption and the improvement of the balance between the legislature, executive and the judiciary powers. In addition, support is provided to the constitutional reform initiative, the strengthening of parliament, the local branch of Transparency International, the Supreme Audit and the public expenditure reforms. In order to improve the entrepreneurial environment, the Netherlands support Dutch private sector initiatives, mainly in agriculture (Letter to Parliament, 16 July 2004).

See for an overview of the activities in the cross cutting themes and others, Annex B4, table B4.2.

2.4 Concentration

According to the policy guidelines, Dutch presence in any sector had to be ‘substantial’ (no definition) (Ministerie van Buitenlandse Zaken, 2000). In financial terms, the presence in the three sectors selected has been ‘substantial’ in health and agriculture, but less in education as a result of the large number of donors in that sector (table 2.2):

Table 2.2 The Netherlands’ share in external financing by sector

	2001	2002	2003
% of external funding	7.2	3.9	3.6
% of bilateral aid	9.5	10.6	8.4
% of ext.support health		38.9	19.7
% of ext.support education		3.5	7.3
% of ext. support programme-based agriculture		59.1	10.8

Source: Based on RNE-OS/2003/171 and MFNP “Donor Flows 1998-2006”.

The sector approach would also lead to a concentration of activities within the sectors chosen, while within the sectors the number of activities would diminish as result of concentration into a few larger sector programmes.

In Zambia, the sector approach did lead to a concentration of activities into the three sectors. The resources spent in activities outside these sectors (such as in youth projects and urban development) had always been rather small, so there were no major changes as a result of the introduction of the sector approach. The second form of concentration is expressed by the number of activities by sector. It took to August 2002 before RNE started to develop an active policy to reduce the number of activities. The new –and usually small -projects that started after 2002 happen to be mostly on cross-cutting issues (good governance). Data on numbers are misleading as far as it concerns the number of activities for the year 2003, since in that year no activities could be administratively closed (introduction Pyramid). After the system had become operational, the number of activities was reduced from about 160 (end 2003) to approximately 80 (July 2004)⁸.

The number of activities attributed to the selected sectors during the period 2000-2003 is shown in table 2.3. In 1999, a few activities were ‘re-labelled’ as far as it concerns the sector they belonged to in order to continue these projects (at least up to the planned date of finalisation).

However, the number of activities by sector happens to be a poor indicator for deducing any trend in concentration. The number of new activities that started each year (approximately 45) balanced out the activities closed (incl. activities with a budget less than € 100,000). In the sector economic development – agriculture the number of activities reduced as a result of the focus on the four trusts. But from 2003 onwards – from the perspective of private sector development- new activities have been added, such as the support to the Zambia Business Forum. In the health sector the sector support programme has become broader (from primary health care to secondary and tertiary hospitals), but this was not reflected in any change of number of activities.

Table 2.3 Number of activities in selected sectors

⁸ Most of these projects are small: 62 percent had accumulated expenditures of less than € 100,000.

	2000	2001	2002	2003
Health		26	29	26
Education		4	6	9
Econ.Development - Agriculture		21	15	9
Cross-cutting		13	21	20
Others and exit		5	3	2
Total		69	74	66

Excl. projects for an amount less than € 100,000. Including the small projects, during the period 2000-2003 there were approximately 160-180 projects per year.

Of all co-operation expenditures by the Netherlands in Zambia during the period 2000-2003, 15 percent went to economic development / agriculture; 49 percent to health; 28 percent to education and 4 percent to cross-cutting issues. Concentration can also be expressed by the share of programme aid within total aid (table 2.4). This would be 57 percent in the case of economic development –agriculture, 75 percent in health and 90 percent in education.

Table 2.4 Expenditures 1996-2003

Expenditures 1996-2003 (x1,000€)										
Sector/theme ¹	1996	1997	1998	1999	Total 1996-1999	2000	2001	2002	2003	Total 2000-2003
Economic development - agriculture										
Sector Programme aid	0	227	0	0	227	1,484	3,112	2,813	1,003	8,412
Non Programme aid	3,813	3,369	4,064	2,179	13,434	965	719	2,901	1,778	6,363
Health										
Sector Programme aid	0	0	0	0	0	5,128	7,815	9,462	12,718	35,123
Non Programme aid	4,765	5,071	5,503	4,684	20,023	7,582	1,736	1,056	1,252	11,626
Education										
Sector Programme aid	0	0	0	3,335	3,335	725	691	9,469	6,027	24,125
Non Programme aid	847	2,569	1,294	968	5,678	4,673	4,499	54	503	2,516
Cross cutting and others										
Good Governance Sector Programme aid	0	0	0	0	0	0	0	200	150	350
Good Governance Non Programme aid	0	93	152	75	320	625	1,201	967	1,172	3,965
HIV / AIDS	0	0	115	640	755	192	350	567	44	1,153
Gender	478	532	344	24	1,378	291	426	139	154	1,010
Others	452	315	212	852	1,831	225	205	10	260	700
Total	10,355	12,083	11,683	12,757	46,971	21,890	20,754	27,638	25,061	95,343

Source: MIDAS and 'Programmahulpbrieven'

2.5 The exit strategy

Most activities outside the three sectors were discontinued at a relatively late moment in time (2001 and 2002). According to the Annual Reports (1999 -2004), RNE Lusaka did

not apply any specific “exit strategy”, or at least no resources were set aside to that end⁹. Some projects were re-labelled as cross-cutting themes in order to be continued. Others were discontinued prior to the anticipated finalisation date:

- In 1997 started a support to the Wildlife Resource Monitoring Unit (environment), while in 1998, a new RNE environmental programme was designed (Environmental Support Programme) based on the National Environmental Action Plan. As a result of the introduction of the sector approach, it was decided to discontinue the environmental activities in 1999;
- Although the Annual Report 1999 stated that activities related to the Urban Livelihood Programme (Copper Belt) would be discontinued, new commitments were made for an exit-phase up to 2006;
- The relatively small activities in youth programmes and support to micro-finance activities were phased out gradually.

2.6 Technical assistance

Prior to 1999, Technical Assistance (TA) formed either part of the budgets of co-operation projects or was funded by headquarters (HPI) on top of the country allocation. The share of technical assistance within projects was estimated to be 40 percent of the total budget, while the HPI component represented 8-9 percent of the country budget (Interview Head Development Co-operation, RNE).

Health

In the health sector, technical assistance had a high profile: the Dutch medical doctors for the district level health care formed one of the backbones of the co-operation programme. RNE Annual Report 2000 stated: “TAs are well integrated in the National Health System and perform a mix of different tasks (implementing tasks, capacity building and transfer of knowledge). Besides, TAs are important for the Embassy in providing feedback from the districts”. In the same year, RNE intensified its relation with SNV in order to safeguard and expand the programme for the strengthening of civil society organisations, with a view to the health SWAp implementation at provincial/district level¹⁰. The Netherlands Ministry of Foreign Affairs’ vision on TA changed and in the year 2002 HPI ceased to exist. The provision of TA was decentralised to the Embassies and would be further funded from the decentralised budgets. The decennia-long support by Dutch medical doctors was reduced from an average of 18 to 5 (2004) per year and the programme will come to its end in 2006. Zambian doctors, supplemented by the Rural Doctors Retention Scheme¹¹ (56 Zambians by August 2004), have replaced the Dutch TA.

RNE Lusaka does not provide or fund technical assistance to the sector programme in health. This is done by USAID and DCI (Development Cooperation Ireland) that each fund a Zambian economist, who as a team operate the health SWAp secretariat¹².

⁹ Sources: 1999 and 2000: Tweede Kamer, vergaderjaar 2000-2001, 26433, nr.28; EZ/BZ Jaarverslag 2003.

¹⁰ In 2000, the Personnel Department (HPI) in its paper “Future of TA in Zambia” suggested to conduct an HRD analysis and needs assessment, and to strengthen institutional capacity at provincial and district level through TA. It encouraged co-operating partners to pool TA.

¹¹ This will involve a small supplement on salary, improved housing, access to a loan scheme and each year of service contributes towards eligibility for further training.

¹² The health SWAp secretariat is responsible for the (financial) administration and coordination of the sector support programme. It forms part of MoH, but is integrated in the CBoH structure.

Education

RNE does not provide or fund technical assistance to the sector programme in education¹³ at central level. SNV provides technical assistance at decentralised (provincial and district) level.

Economic development - agriculture

Technical assistance in agriculture was linked to the various rural development projects at district level, while 'supplementation' experts worked at the Ministry of Agriculture headquarters. In 1997, RNE decided to disentangle technical assistance from the management of (project) funds, and agreed –with other donors- to 'pool' technical assistance (Technical Assistance Group) to ASIP. Since after ASIP only few donors remained active in the agricultural sector, the TAG became an empty shell. RNE does not provide technical assistance to the various trusts, although trusts may contract expertise with the 'pooled' resources made available to them.

2.7 Conclusions and explanatory factors

Were the policy changes sought by the introduction of the sector-wide approach achieved in Zambia, in terms of choice of sector and sector support?

Prior 1999, almost all Dutch-funded projects were either health or agriculture related and geographically concentrated in districts. The shift towards sector programme funding was a sequential step in a process that had started years before through coordinated efforts at district (health) and national level (agriculture).

RNE Lusaka did not underpin its sector choice by any additional comparative study or institutional analysis.

In the health sector, basket funding started in support of the decentralisation policy in 1991, while since 1994, government and its co-operating partners had worked together in formulating the first national Health Strategic Plan. The introduction of the sector-wide approach fitted well in an ongoing process in the health sector. No significant changes were made, apart from RNE's more energetic stand to convince other donors of the merits of joint approaches.

In agriculture, sector support had been pursued as early as 1993/94. RNE had been one of the co-funding partners of ASIP. Although the initiative failed, ASIP paved the way for new multi-donor efforts in Zambia. RNE did not pursue the sector-wide approach in a strict sense, but applied the principles of the approach to a number of public-private arrangements (being the Agriculture Consultative Form and three trusts). The shift was away from the sector-wide approach as a result of the disappointing experiences with ASIP.

In education, joint activities had got off the ground later (1996/7). The 1999 preparation of BESSIP opened up the opportunity for a fluent move towards programme funding in the sector. Next to BESSIP, the Netherlands had embarked on a 'pilot' project in the Western Province (WEPEP) directly implemented by MoE. Although WEPEP had a well

¹³ The sector support programme in education employs only one person as technical assistance: an educational planner. The head of the basket financial management unit is also on separate conditions of service.

defined function next to BESSIP, it was disadvantaged in the sense that it continued to be perceived as a separate project at a time when the co-operating partners shifted their attention to sub-sector programmes (Ministry of Education, Royal Netherlands Embassy, 2003:15). The 2003 signing of the support arrangement for the broader Ministry of Education Strategic Plan implied the winding up of WEPEP.

Poverty reduction, the over-arching objective of the Dutch development co-operation, was a marginal consideration in the sector choice. In fact, it had been of importance when the RNE programme was gradually built up during previous years. But in the 1999 choice, continuity was the first consideration. However, RNE Lusaka did include deliberately a productive sector (income generation) next to the service delivery sectors. But in that productive sector, the poverty reduction argument became as a derivative of the economic growth argument: the focus moved away from support to smallholder producers towards 'emerging commercial farmers'.

Overall, the introduction of the sector approach in 1999 built on the cornerstones of the portfolio of projects and programmes at the time. The move towards the sector approach implied more a reaffirmation and a formalisation of an ongoing evolution in the development cooperation with Zambia rather than a significant change. This does not deny the pro-active role of RNE Lusaka to push the sector approach forward, as was the case in the educational sector.

The sector choice was not made official between RNE Lusaka and GRZ.

The Ministry of Foreign Affairs required that the sector choice would grant a 'substantial' presence of the Dutch development co-operation in that particular sector. Although the term 'substantial' was not further defined, in financial terms the Dutch presence in the sectors selected in Zambia has been 'substantial' in health and agriculture, but less in education.

Were the policy changes sought by the introduction of the sector-wide approach achieved in terms of concentration on sectors?

The total resource envelope by the Dutch Ministry of Foreign Affairs made available to Zambia showed considerable fluctuation over time. During the first years after introduction of the sector approach, the total resource envelope (including incidental aid and technical assistance) became smaller, although the delegated resources (those resources channelled through the embassy) did increase. A cut in the Netherlands' budget for development co-operation affected the initial commitment to the basket in education (2002). In 2004, the Ministry of Foreign Affairs allocated additional funds to RNE Lusaka.

Overall, over the period 1999-2004, the number of activities was halved (from approximately 160 to 80), although the bulk of that reduction was registered in the category "other" activities and less in the sectors chosen.

In the health sector, RNE's portfolio continued to comprise quite a large number of projects, due to the fact that initially the sector programme comprised basic health care at district level only, so that activities outside that area had to be funded separately. Also the thematic focus on HIV/AIDS (AEV) triggered the elaboration of new projects.

In agriculture, where no sector approach was pursued in a strict sense, the number of projects hardly changed.

In education, the number of activities is determined by projects outside the public sector (for example for community schools). In the relation with the public sector there was a clear concentration towards one single programme for formal education with the Ministry of Education and one other programme for Technical, Vocational and Entrepreneurship training.

What kind of activities was discontinued (exit) and what happened to technical assistance?

There was no formal 'special' exit programme in Zambia. In 1999, there were only few projects with subject matters outside the sectors chosen (youth, urban development) and the cross-cutting themes gender, environment and HIV/AIDS. Since most activities outside these sectors were winding up anyhow, only few projects (mainly in wildlife) have been finalised or transferred earlier than envisaged. Most projects that did not match the sector choice were finalised at the moment of contract expiry.

The sector approach did imply the elimination of 'hands-on' implementation projects and hence the need for 'hands-on' technical assistance. It became Dutch policy to reduce technical assistance (1999) in general, while the decennia old Medical Doctors scheme will be finalised in 2006. Technical assistance changed in nature and does not automatically refer to expatriate expertise anymore. The Medical Doctors Retention Scheme provides incentives that are –apparently- required to attract national medical doctors. Secondary and fringe benefits attract national medical doctors to work in rural areas. Zambian medical doctors are replacing Dutch physicians for about a quarter of the costs. The scheme lured some Zambian doctors back from Namibia. It is known that effectively the Dutch medical doctors are now being replaced by Zambians. It is unknown whether the same results are achieved by the Dutch funding of the human resource department of the MoE. Both Dutch funded scheme are temporarily and palliative in character and do not 'enforce' the system to adopt structural solutions.

In relation to poverty reduction, it should be observed that some of the underlying problems that in the past gave origin to the need for technical assistance have remained unchanged with the sector approach. One of those basic problems is the remuneration of professionals and managers. The reason why in the past Dutch medical doctors were recruited for the rural districts was that few Zambian doctors were willing to work in remote rural areas for both remuneration and career opportunity reasons. The same arguments explain why are 9,000 vacancies for teachers. Training capacity for teachers has been insufficient, but it is in the interest of (qualified) teachers to stay as close as possible to the administrative centres (for career reasons, but also for i.e. being able to get cash in the pay cheque).

3 TOWARDS LESS EARMARKED FINANCING

According to the sector-wide approach, project aid should be phased out where possible and the use of non-earmarked forms of aid should be increased, while a long-term commitment by the donor will improve the predictability of foreign financing.

In Zambia, did less earmarked forms of funding aid increase as a proportion of total aid to the sectors?

3.1 Long-term commitment

Since in less earmarked forms of funding, the (financial) planning of the execution rests predominantly with the partner country, the predictability of the resource flow is of utmost importance. A long term commitment by the donor enables the partner country not only to plan, but also to comply with obligations to third parties. This is the case when government enters into long term contracts with third parties (for example in major infrastructure works or multi-annual contracts for the delivery of medicines).

In the past, the bilateral co-operation programme was agreed upon during (annual) bilateral negotiations between the Ministry of Foreign Affairs of the Netherlands and GRZ. Since 1998, these 'negotiations' have been delegated to RNE. In the spirit of the sector approach, RNE decided that policy discussions would be held as much as possible at sector level (RNE files, 2000). To a large extent, the various Memoranda of Understanding at sector level have replaced the national bilateral agreements of the past.

Since a Memorandum of Understanding is not a legally binding instrument, a bi-party Agreement (for example between RNE and MoH) is signed to indicate the Dutch financial support over time. These 'gentlemen agreements' are not a legally binding instrument neither, but do imply a more direct commitment. The Agreements use to be signed for an extended period of time, for example five years¹⁴. A contract is the only legally binding document and may have a runtime of up to 60 months. In the case of agriculture, contracts have been signed with each of the Trusts involved. But neither agreements nor contracts are useful indicators for commitment. The long-term commitment is best expressed by instruments as:

- the five year duration of the Arrangements with the main partners;
- the Strategic Multi Annual Plan 2004-2007 (HMA Lusaka, 2004a);
- the information provided by RNE to the MFNP on multi-annual budget projections over a period of three years.

Illustrative in that respect is the appraisal memorandum for the Health Sector Support, Zambia 2001-2005, stating that at least 25 years of Dutch support to the sector will be required.

Commitment is not equal to predictability. Long delays in disbursements by co-operation partners implied that in the health sector on average only 30 percent of the budgeted

¹⁴ The Agreement between RNE and MoH is for the period 2001-2006

external resources were actually disbursed¹⁵. Also the predictability of the Dutch support is not always high: the total resource flow is volatile (for example, the 2004 additional resources for environment), while the 1999 sector choice has not granted a prolonged support to the sector: for example, economic development – agriculture got a much broader perspective in 2003.

3.2 Funding modalities

It has been RNE Lusaka's intention to gradually abandon the project modality in the selected sectors and to opt for programme-based funding, whenever feasible. This implies a gradual shift to 'less earmarked' forms of funding, such as basket funding (in an array of forms), sector budget support, and eventually general budget support. Whether that approach will be pursued in economic development – agriculture is unlikely, considering the limited options for a broad sector approach in that sector. Although titles of activities in health and education (2000, 2001) may suggest otherwise, no delegated resources have been used for budget support¹⁶.

The shift towards less earmarked forms funding is mainly expressed by the basket funding in the health and education sector support programmes. The funding in the economic development – agricultural sector changed from basket funding to ASIP to 'block funding' to the trusts.

Co-financing refers to either parallel or joint co-financing of programmes with the World Bank or a Regional Development Bank. Prior to the formation of 'consortia' of donors, that mainly applied basket funding mechanisms, sector investment programmes were launched by –mainly- the World Bank. Bilateral donors were invited to co-finance these programmes. During the period 2000-2003, the share of sector programme support in the total Dutch aid portfolio to Zambia increased from 33.5 percent to 79 percent (table 2.4).

Overall, the following major changes in resource allocation have taken place after the introduction of the sector approach in 1999:

- The annual expenditures on economic development – agriculture have decreased after 1999;
- In health the expenditures per year have doubled after 1999;
- The total expenditures on education have increased significantly;
- From 1999 onwards, activities have been classified more into sector programme aid and non sector programme aid. The reclassification of activities makes it hard to compare programme and project aid between the two periods;
- As a result of the concentration into sectors, there are less expenditures in the category "others" after 1999;
- The expenditures to specific gender activities diminished as a result of 'mainstreaming'.

Table 3.1 presents the activities listed in the HGIS Annual Reports as sector programme aid in Zambia.

¹⁵ RNE files. Message from EC Delegation to RNE 16th April 2003.

¹⁶ MIDAS data contain some files that are not correct. The erroneous information was later on used in the HGIS Programmahulpbrieven.

Table 3.1 Overview of sector programme funding

2000	2001	2002	2003	2004	Description	Financing (€ 1,000)
Health Sector						
5,127.7					Sectoral Budget support	Cofinancing*
	4,537.8	8,092.8	8,200.0	1,858.4	District Health Services	Basket
	201.8	177.6	406.0	170.1	Health Sector Supp 2001	Basket
	317.6	536.7	389.0	543.9	Health Sector SuppZam2	Basket
		126.3	150.0	250.0	CHIF	Basket
	2,758.2	528.4	2,614.0	3,200.0	CIS-Essential Drugs 2001-2006	Basket
			960.0	498.9	ZHWRS	Cofinancing
Education sector						
725.5	691.0	883.7			Western Province Education	Basket
		4,746.2			Basic Education Investment, ext	Basket
	3,630.0				Sectoral Budget support	Basket*
			500.0	598.5	TEVET Dev. Prog.	Basket
			5,500.0	5,400.0	MoEduc Sector Programme	Basket
		17.2	27.0	27.1	Accelerat Decentralisation	Basket
		3,777.5			BESSIP-FPE	Basket
Rural Productive sector						
	136.1	210.6			D-Washe support Project	Basket
226.9	785.4	898.8			Animal Production and Health Subsector	Basket
772.8	1,223.7	771.5			RIF Activities Western Province	Basket
405.1	655.2	628.3	196.1		Conservation Tillage (GART)	Basket
			400.0	500.0	GART r&d innovative farming	Basket
	243.9	230.0	90.0		Support NRDC ZEGA Training Trust	Basket
79.2	67.9	73.9	0.00	0.0	Support Agr. Consultation Forum	Basket
			277.0	265.0	Support ZEGA, phase 2	Basket
			40.0	80.1	Support Agr. Consultation Forum, phase 3	Basket
Cross cutting issues						
			388.0	318.6	Auditor general	Cofinancing
			300.0		Gender Capacity building in public sector	Basket
		200.0	150.0	150.0	Support Task Force	Basket

Note: * In the Programmahulpbrieven listed erroneously as sector budget support.

Source: DVF Programmahulpbrieven and HGIS Annual Reports.

3.3 Co-financing and basket funding

Prior to the introduction of the sector-wide approach, co-financing (either parallel or joint co-financing) of programmes with the World Bank or a Regional Development Bank was the most frequent form of funding with other development partners. In Zambia, basket funding at district level emerged relatively early in time.

Health

After Zambia was admitted definitely to the list of partner countries (2000), the first Agreement between the MoH and the Netherlands was on the national health sector

support programme¹⁷. Within the context of the decentralisation policy of MoH, basket funding was initiated at district level in order to coordinate the efforts of donors and Ministry alike. The district pooling could overcome the difficulties experienced in the past by tying donor funding to a particular district. With the joint basket funding for District Health Services all district would receive funding. The programme funded recurrent costs and minor investments in primary health care. During the first years, the Dutch aid remained earmarked to the Western Province. The Health Sector Committee provided special authorisation of funding out of this basket for subjects like: planning and budgeting; FAMS, HMIS; application of rules and regulation governing procurement; provisional supervision and performance assessment; audit plans, reports and follow-ups.

In 2003, the Arrangement was extended by means of an Addendum in order to enable the horizontal extension (to include cost items like capital expenditure, technical assistance, drugs and others) and vertically extension (to include 2nd and 3rd level hospitals). The Agreement (2nd July 2003) illustrates the complexities and refers to three baskets:

- District basket: pooled funding for district level health service;
- Hospital basket: pooled funding for 2nd and 3rd level hospitals;
- Expanded basket: pooled funding available for all health institutions as approved for pool funding by the Health Sector Steering Committee.

The extended programme comprises both poolers (DfID, SIDA, DANIDA, Ireland Aid and the Netherlands), a programme loan by the World Bank as well as earmarked project aid (USAID, JICA, and the Global Fund). The 2003 extension implied that about 120 bilateral projects could be incorporated within the common policy frame. Some projects continued separately (such as the Dutch funded essential drugs deliveries).

Although the basket funding implies that the resources are not earmarked for specific expenditure items and are formally administered by the MoH, administratively the resources from GRZ and those by donors are kept strictly separated. Resources are being made available directly to MoH and do not pass through the MFNP.

Education

The variety in funding options is well illustrated by BESSIP. BESSIP counted with four different funding modalities. The first option was pool funding. Different co-operating partners deposited their funds into a common bank account controlled by the Ministry of Education. These 'pooled funds' were made available to all programme components. A second option was that co-operating partners deposited funds in a separate bank account, also controlled by the MoE and made available for all BESSIP components. The third option was that funds from specific co-operating partners were deposited in a separate bank account, controlled by the MoE, but to be used for specific (earmarked) BESSIP components only. The fourth option was project funding under the common policy framework of BESSIP. These funds were not controlled by MoE and were not made available for all BESSIP components, but for specific targets only. The Netherlands was one of the initial six 'poolers'. In 2003, MoE signed a Memorandum of Understanding (MoU) with eight donors (Denmark, Finland, Ireland, Netherlands, Norway, UNICEF, DfID and the World Bank) with pool funding in support of the Sector

¹⁷ Since the status of country was 'observed' in 1999, RNE first entered into a 'bridging arrangement' for a period of one year only (September 2000), indicating that it would be "followed up for the full period of the new NHSP (2001-2005)". Internal Memorandum TD Lusaka, 15th September 2000.

Plan 2003-2007. While BESSIP had mainly a co-financing form, the new programme has a more far-reaching common funding structure.

Economic Development - Agriculture

Prior to 1999, basket funding had been introduced in agriculture (ASIP). RNE Annual Plan 2001 referred to the gradual implementation of programme funding by grouping on-going project activities under a single investment plan. However, after ASIP had been discontinued, the modest initiatives to come to a new sector-wide programme in agriculture received little support from the donors. Also the Netherlands had decided not to strive for any new sector wide initiative anymore and opted for 'block funding' to agricultural trusts.

3.4 Silent partnership and delegated co-operation

Delegated co-operation refers to a distribution of tasks among donors, without a flow of resources among them. Two donors agree to increase or decrease their presence in a certain sector or programme with the same amount in exchange for the same increase/decrease of the partner in another sector. Both donors may claim to have contributed to both sectors, for example in order to comply with international agreements (environment, HIV/AIDS, education). This method is applied by the Netherlands and Norway on gender issues. While both countries formally support both the public sector and the non-governmental organisations, the 'division of labour' is that the Netherlands supports financially the Gender Secretariat, while Norway funds the non-governmental organisations on gender. A comparable 'deal' was considered (but not yet approved in 2004) between Japan and the Netherlands on essential drugs. Since it is hard for Japan to provide non earmarked aid, it could procure essential drugs, while the Netherlands could increase the equivalent in non earmarked resources on behalf of Japan.

Silent partnership concerns the transfer of resources from one partner to another with the aim that the recipient donor will manage the resources on behalf of the first donor. Silent partnerships are the best expression of the diminishing attention to "planting flags". In Zambia in 2004, there were some 15 delegated co-operation agreements among the like-minded donors. In 2004, there were three silent partnerships between the Netherlands and Norway¹⁸ and one between the Netherlands and Ireland. The most important delegated co-operation is the one in which Norway channels € 8.5 million through the Netherlands to the agriculture activities in support of public-private partnerships in agriculture. It should be observed that the Dutch ministerial administrative system Pyramid was not equipped for delegated co-operation, since it did not allow receiving funds. The Norwegian contribution could not be deposited on the Dutch co-operation account. Norway has a similar arrangement with Sweden for the smallholder agriculture.

3.5 General budget support and sector budget support

Apart from incidental macro budget support (such as balance of payment support / debt relief), the Netherlands has not provided either sector or general budget support to

¹⁸ Between Netherlands and Norway: support to the Auditor General (Norway lead); Agriculture (Netherlands lead); NGOCC (division of labour; Dutch the public sector, Norway civil society) and a fourth one coming up: HIV / AIDS (Norway has the lead).

Zambia¹⁹. At the time of the mission (2004) discussions among the co-operating partners were ongoing to move towards budget support. According to the RNE Strategic Plan for the health sector 2004-2007, it is the intention to “gradual expand the basket funding leading to conditions sufficient for direct health budget support by 2007”.

Up to 2004, (most) bilateral donors assessed the fiduciary risk too high, notwithstanding the IMF’s assurance that “important progress has been achieved on public expenditure management, namely through the extension of a computerised financial management system to all ministries and provinces and the effective implementation of a strengthened commitment control system (IMF, 2004.para 8).

The Ministry of Foreign Affairs’ country team stated “budget support is still a bridge too far” considering the poor transparency and the high corruption risk. In Zambia, only the EC provides budget support (both general budget support and sector budget support) the total of which is expected to be € 117 million over the period 2004-2006 under rather strict conditions²⁰.

Co-operating partners in Zambia varied in their opinion whether budget support should be granted at all and formed a working group. RNE joins the working group (DfID, EC, Sweden, Norway, the Netherlands) on budget support. RNE, together with Norway, Sida and DfID carried out a Joint Fiduciary Risk Assessment (Dec.2004) that came to the following overall assessment: “ The overall levels of fiduciary risk in Zambia are considered to be high but with a positive direction of change in the majority of dimensions. Although the country is commencing from a low base, several recent developments and currently high levels of political commitment to public finance reform, provide the basis for optimism that significant improvements in several of the key dimensions of fiduciary risk can be expected in the short-medium term”.

The Netherlands will not provide budget support until 2006 (and only when Zambia remains ‘on track’ with the IMF). Up to 2004, the co-operating partners had not taken initiatives to come to a multi-donor budget support ‘pool’.

3.6 Conclusions and explanatory factors

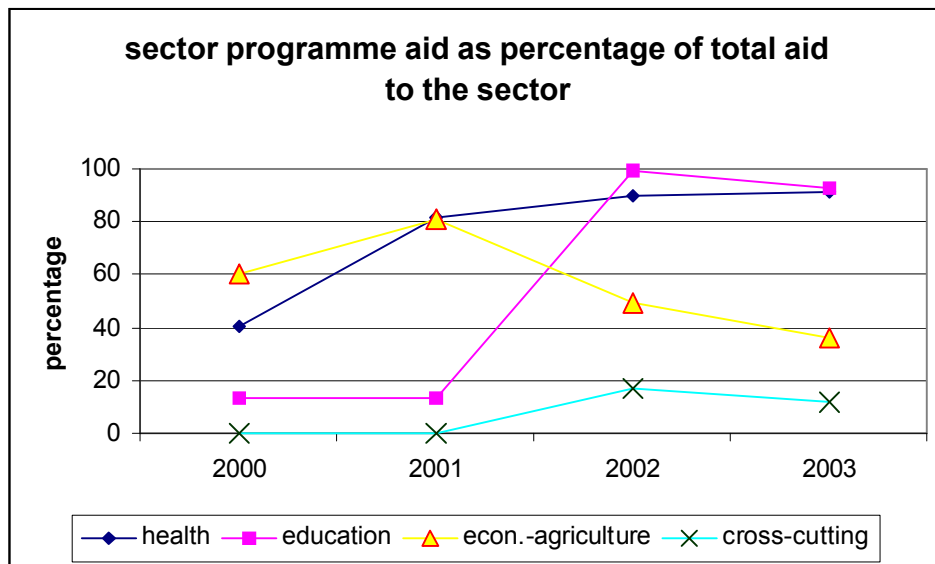
Have less earmarked forms of funding aid increased as a proportion of total sector aid to the sectors?

As percentage of the total portfolio of delegated bilateral aid to Zambia, the less earmarked forms of funding have increased from some 33 percent in 2000 to almost 80 percent in 2004. This shift is mainly the result of the basket funding in the health and education sector support programmes. The funding in the economic development – agricultural sector has followed a different path, being ‘block funding’ to four trusts. The share of programme aid as percentage of total support by sectors over the period 2000-2004, is shown in graph 3.1.

¹⁹ According to the ‘Programmahulpbrieven’, sector budget support was granted to both the Health (2000) and Educational (2001) sectors. However, file research revealed that the titles of these activities (“budget support”) were not covering the contents.

²⁰ EDF IX. Financing Agreement between the European Commission and the Republic of Zambia ZA/003/03.

Graph 3.1: Percentage of less earmarked funding in total funding by sector, 2000-2004.



Source: IOB database.

Co-operation partners in the health and education sector support programmes can be either 'poolers' (with or without earmarking) or provide project funding under the common policy arrangement, or do both at the same time. The Netherlands combines pooled funds (basket) with project funding in the health sector and pools funds (basket) in the educational sector. In the education sector some projects were implemented by non-governmental organisations, while also the support to community schools are separate projects.

Other co-operating partners consider the Netherlands a leading donor in health and education. The recognition of RNE's qualities is based on decennia-long experience in the health sector by the medical doctor's scheme and support to primary health care at district level. With the phasing out of the medical doctor's scheme and the discontinuation of 'own' projects in the rural district, the comparative advantage of having 'grassroots'-level experience is swiftly eroding away.

Basket funding through accounts managed by line ministries implies less financial control by the Ministry of Finance. The advantage is the implicit ring-fencing against re-allocation by MFNP, and the relation to conditionality within the mandate of the line ministries, but the disadvantage is that sizeable amounts of external funds are made available 'off budget' and administered through separate accounts.

Line ministries are not particularly keen on budget support, also since they have little confidence in MFNP as a result of the low transparency in real resource allocation made by the MFNP-committee on cash budgeting (Dinh, Adugna and Myers, 2002:6). In 2004, the functions of this former committee were transferred to Cabinet.

In economic development - agriculture, the failure of ASIP made donors shy away from joint programme funding. RNE opted for making 'block funding' available to three

agricultural trusts. The downward trend in allocating less earmarked funds in this sector is depicted in graph 3.1.

Up to the moment of mission (2004), RNE Lusaka had not entered in any sector or general budget support modality of funding. Only the European Union had done so. Opinions on the feasibility of doing so varied widely. RNE staff referred to flaws in the Public Finance Management, governance problems (including corruption), but (notwithstanding Zambia's persistent low position on the Transparency International Corruption Perception Index) RNE-staff is confident that the situation has improved substantially in those areas. The Joint Donors assessment of the fiduciary risk was "high, but with a positive direction of change".

RNE's first concern was the fungibility risk. However, in an aid dependent country like Zambia, this can be a moderate problem only. Fungibility would imply the eventual funding of the 'next marginal priority' and this is supposed to be among the priorities agreed upon between GRZ and donors. But this seems to be the Achilles heel. So far, donors have shown little capacity to look beyond the limits of the PRSP (interview DfID), while GRZ has more concerns than just the PRSP. This is evidenced by the remark in the First PRSP Progress Report that: "*one of the reasons, among several, for inadequate disbursements was due to the existence of other competing interests, which were able to exert greater pressure on the budget*" (2004:57). RNE's stand to be reluctant in providing sector or budget support is justified as long as GRZ's real interests (priorities) are not (all) made explicit and as long as there are doubts about the quality of the public finance management system.

4 DONOR COORDINATION AND HARMONISATION

Among the major changes pursued by the introduction of the sector-wide approach are the intensified donor coordination and harmonisation. Harmonisation is the agreement on operational rules, procedures and working methods among donors. The matching with policies, strategies and operational procedures of the partner country is called alignment.

In Zambia, what has been the scope and intensity of the Dutch efforts to enhance donor coordination at national level and within the sectors? Is the conditionality of Dutch financing being reduced in favour of a joint donor approach and have policies and procedures been aligned with those of the government of Zambia?

4.1 External aid

Since 1991, there has been continuity in the relations between donors and the Government of the Republic of Zambia (GRZ), although with fluctuating mood. After Zambia's transition towards a multi-party democracy and the strict implementation of the structural adjustment programme (SAP), donors expressed their assent by making sizeable support available. Official Development Assistance (ODA) to Zambia increased from an average of USD 300-400 million prior to 1991 to an average of USD 950 million during the period 1991-1995. In reaction to governance issues during the second parliamentary period of president Chiluba (1996-2001), most bilateral agencies suspended aid disbursements and ODA to Zambia dropped well over 70 percent in 1996/97 (MNFP). After his election president Mwanawasa made a sweeping attempt to curb corruption and donors re-gained confidence in government. ODA stabilised to the magnitude of USD 600 million per year. According to OECD/DAC 2001 statistics, bilateral aid accounted for 61 percent and multilateral aid for 39 percent of total net ODA. For an overview of external financing, see annex C3.

In 2004, 43 different donors were active in Zambia (DfID, 2004). Despite the fact that sector support programmes had been operative in sectors like health, education and transport, these 43 donors funded some 1,200 projects. That is about 400 projects less than in 2000. The net ODA per capita to Zambia is € 50.24. According to the amount of overall net ODA disbursed, the World Bank (IDA), the United Kingdom (DfID), Germany and the European Commission (EC) have been the principal donors to Zambia. Over the period 1998-2003, the Netherlands ranked 7th among the external financiers of Zambia (see annex C3). There is no (financial) concentration in just a few co-operation partners, neither at national level, nor in the sectors health and education. In the agriculture sector the Netherlands is, together with Sweden and USAID, the leading development partner.

4.2 Donor coordination

National level

Prior to 2001 the formal mandate for aid management and donor coordination rested with the External Resources Mobilisation Department (ERM), succeeded in 2001 by the

Economic and Technical Co-operation Department (ETC) of the Ministry of Finance and National Planning (MFNP) (see for details Annex C4). The internal structure of ETC has not been adapted to the intensified need for coordination as a result of the sector-wide approach. In fact, there is no structure for “a disciplined process’ to ‘receive’ multi-donor support (Liebenthal 2003:2). As a result donors set the agenda for what subject matters should be ‘coordinated’ and how that should be done. Efforts to address that situation (Liebenthal, 2003 and interview MFNP) have not been very successful. One of the reasons for that lack of success is that Zambia does not count with an agreed upon policy on external aid. In 2004, MFNP was taking steps to improve donor co-ordination by providing guidelines and procedures for the provision of aid to Zambia through a Code of Conduct.

At the moment of introduction of the sector-wide approach by the Netherlands, the main ‘vehicle’ for coordination at national level was the Consultative Group. The Consultative Group meetings showed little activity, due to understaffing of MFNP at the time. The participative elaboration of the PRSP (2001/2002) was an incentive to refresh donor coordination in the context of the Consultative Group. The PRSP process not only implied participation of both multilateral organisations and bilateral co-operating partners in numerous working groups, it also implied consultation with the civil society (social dialogue).

In the frame of the Consultative Group (CG), in July 2002²¹, a new coordination mechanism was agreed upon between GRZ and co-operating partners. Quarterly meetings of the heads of mission would be held, chaired by the Minister of Finance, to address general policy and overall resource mobilization issues. Social and thematic groups would address technical coordination issues and would be chaired by Permanent Secretaries from line ministries. In practice, the ‘mini CGs’ were badly prepared, lacked a clear agenda, happened to be (almost) annual meetings and were usually of a short duration only (RNE Annual Report 2004, 2005:18). Heads of mission were invited to learn about new initiatives, but with little opportunity to discuss them or to open up real dialogue. A group of donors worked out a new structure for consultation in 13 sector groups (by August 2004 not operative yet). Positive are the higher accessibility of the political and administrative top-level and the willingness to listen to and attend criticism (RNE trackrecord, 2005).

Sector level

Health

In Zambia, the operational coordination among donors and between GRZ and donors emerged from implementation necessities at district level. The World Bank stayed aloof of the 1999 MoU, while the bilateral (like minded) donors –in a joint effort- set the tune. This, however, did not marginalize other donors at all. The coordination was very intense during the preparatory stages of the sector support programme. When the frequency and intensity of coordination remained high during implementation as well, once the programme came on stream, partners looked for forms of operation that were less demanding, such as more reliance on the first focal point of contact between GRZ and the consortium of donors. After the signing of the expanded basket (2003) the meetings scheduled for all co-operating partners were (2004):

- Health Sector Meetings;
- Annual consultative meetings (review of reports, all stakeholders);

²¹ This has been most recent CG meeting at the moment of the mission, August 2004.

- Ministers and Head of Missions meetings;
- Monthly policy meetings (all co-operating partners);
- Implementation Review Steering Committee;
- Monitoring and evaluation (technical).

Although officially there is no lead donor, de facto the RNE Lusaka sector specialist was recognised as such in 2003. This leadership required from RNE a very active role in coordination both towards MoH and towards the consortium partners. The leadership was commissioned to RNE partly on grounds of recognised expertise, and partly on the rotating function of 'first contact'-donor (in 2004 DfID took over from RNE Lusaka). The co-operation partners took the initiative to propose a reorganisation of the twenty working groups regrouping them into thirteen (proposal June 2004).

The joint programme concerning the National Health Strategic Plan (NHSP) of 1999 (extended in 2003) with sixteen co-operating partners required intensive coordination in both the preparatory stage and in monitoring of the implementation. In order to support the coordination machinery, MoH set up a special Health SWAp secretariat (funded with donor resources), physically located in the Central Board of Health²². Since RNE was lead donor, it spearheaded the process of coming to an expanded basket and has been in the forefront of the elaboration of a Code of Conduct for the consortium partners in NHSP. To that end it had to work intensively with and through the Health SWAP secretariat. However, RNE did not contribute financially to the technical assistance to Health SWAp Secretariat.

Neither the formal set-up of the coordination mechanism, nor the frequency of meetings established in the agreements grant satisfactory operations. Co-operating partners (like Danida, 2004) complained about the lack of information received on GRZ budget allocations and expenditures; about the lack of "position" taken by the co-operating partners; and the lower than agreed upon frequency of meetings (many meetings were postponed). RNE files reveal (May 2004) that RNE shared those complaints and on top of that considered itself insufficiently informed by GRZ on issues like financial flows and decision-making on these flows (district basket – hospital basket). However, RNE did not share those complaints with MoH.

Education

Also to the educational sector, donor coordination was already ongoing in 1999. As part of the national Consultative Group structure, there is a Sector Advisory Group for education composed of ministries, civil society organisations and co-operating partners with as main task the monitoring of PRSP progress in education. Its functioning has been disappointing: the meetings were badly prepared and attendance has been poor.

The relations between MoE and co-operating partners have changed over time. After a period of disenchantment of bilateral donors with the way the World Bank sought to lead the process, BESSIP contributed to a strong donor co-ordination mechanism through both formal consultative committees and through monthly informal donor group meetings. With the start of the MoESP the informal donor meetings became more formalised to monthly meetings. But the weaknesses in the implementation capacity of the MoE called for a renewed intensity of coordination among the consortium partners.

²² Policy making, monitoring and control function pertain to the domain of the Ministry of Health; implementation functions are the responsibility of the Central Board of Health (with boards at provincial and district levels). In 2004, GRZ indicated that it intended to re-unify the Ministry and the Board.

Also for the vocational training programme (TDP) a Joint Steering Committee has been established, as well as a technical committee and a stakeholder forum. The informal donor group meets when needs arise. The latter has not functioned well.

Economic Development - Agriculture

At national level ASIP (1993) was the first sector-wide approach based on policy agreements. In consequence, donor coordination was well founded in 1999. During the life-time of ASIP, the consortium members coordinated frequently, although part of these contacts were rather stressed as a result of the World Banks' solitary acting as leading partner. In addition, tensions on competence between the Ministry of Agriculture and the ASIP Steering Committee dominated the agenda. When ASIP came to its end in 2002, most donors felt it as a relief; and coordination crumbled. Donors reacted with caution on the prominent role given to agriculture in the PRSP (in the same year that ASIP ended). Only the World Bank (2004:24) has indicated an interest in pursuing further the concept of a sector-wide support programme in agriculture. The Ministry of Agriculture and Co-operatives (MACO) has not displayed initiatives in that direction.

Since there is no sector support programme in agriculture, at national level most coordination among donors takes place within the working groups under the Consultative Group arrangement. At the level of the various trusts, there is a regular consultation among the partners (mainly the trust management with the donors). NORAD and RNE are increasingly working together, sharing a common policy outlook towards development of the agricultural sector.

4.3 Harmonisation and alignment

Harmonisation

As a follow up of the Donor Accountability Study (Crown Agents, 2001), the Directors General (DG) for development co-operation decided to contract a consultancy study to carry out a 'mapping exercise' in order to identify the issues for harmonisation among (like minded) donors and between donors and GRZ. Building on the development principles endorsed in the Rome Declaration on Harmonisation (February 2003), the first DG mission took place in March 2003. Seven donors (Denmark, Finland, Ireland, The Netherlands, Norway, Sweden, and United Kingdom) launched the 'Harmonisation in Practice' (HIP) initiative. HIP is "a pilot to be extended to other countries on co-operation with Northern European Donors". The HIP "Coordination and Harmonisation of GRZ-Donor Practices for Aid effectiveness in Zambia" was signed between GRZ and co-operation partners (2003). A follow up took place in April 2004 and the agreement was replaced by a new Memorandum of Understanding signed by ten cooperating partners representing 80 percent of the donor flow to Zambia²³ (see box 4.1). By late 2004 USAID, the World Bank, some UN organisations, Canada, Japan and Germany have joined the harmonisation process, while the EC was likely to follow (www.aidharmonisation.com). See for details Annex C4.

²³ Signatories are: Denmark, Finland, Germany, Ireland, The Netherlands, Norway, Sweden, the United Kingdom, the United Nations and the World Bank. Zambia was one of the thirteen partner countries attending the meeting of the Task Team (TT) on Harmonization and Alignment in Paris (February 2004).

Box 4.1 Memorandum of Understanding. Coordination and Harmonisation of GRZ - Donor Practices for Aid Effectiveness in Zambia. 1st April 2004.

The *principles* refer to the ideals of promoting, through the leadership of GRZ, the strengthening of government decision-making. To this end the alignment of donors' development efforts to national policies and implementation procedures is cardinal. The *processes* refer to initial and intermediate stages of developing national strategies and policies such as reforms, reviews and capacity building processes, which constitute the framework within which aid coordination and harmonisation can take place. The *procedures* spell out how to implement the various processes resulting in national policies. At the core of the activities lies the Zambia Aid Policy (being developed), and efforts aimed at donor/donor harmonisation.

Commitments by developing partners comprise –amongst others:

- alignment with GRZ systems such as national budget cycle and financial systems;
- working towards delegated cooperation and silent partnerships;
- further formulation of a division of labour, based on the PRSP themes and objectives and formatted as a Comprehensive Development Framework (CDF).

In theory, both harmonisation and alignment efforts are led by GRZ (HIP, April 2004). However, GRZ lacks an 'aid policy'. Seven bilateral donors and the World Bank are collaborating with the GRZ to develop such an aid policy that would focus on guidelines and procedures governing ODA agreements, technical assistance, debt and disbursement modalities. The presentation of such a policy was due by March 2005. GRZ has mandated ETC to work on harmonisation issues through the HIP Secretariat. That Secretariat does not have the mandate to either coordinate the PRS policy or the Medium Term Expenditure Framework (Liebenthal 2003:5), a responsibility resting with the Planning and Economic Management Department. The pilot is –in the first place– aimed at harmonising procedures, reporting systems, procurement and audit requirements among donors. The Netherlands' Ministry of Foreign Affairs was among the active donors pushing the implementation of the HIP Action Plan. The Netherlands, together with SIDA was the lead donor during the first year (2003/2004). Interviews with co-operating partners reveal that some observe the Dutch activity with some scepticism and would have preferred a more leading role of the HIP Secretariat in stead²⁴.

At the sector level

Health

Harmonisation in the health sector has been restricted to the sector support programme and has focused on operational practices, such as information sharing, procurement, reporting, monitoring and evaluation, audit and management systems. Donor-donor coordination has led to creative forms of harmonisation, such as, the Netherlands – Japanese (proposed in 2004) arrangement that the supply of essential drugs will be taken over by Japan releasing Dutch resources for additional basket funding on behalf of Japan.

²⁴ In a reaction to the draft document, RNE Lusaka stated that in 2004 RNE handed over the lead to other development partners, so became less prominently active in this field.

Education

In the course of time, MoE has stressed the importance of joint efforts in planning, reporting, monitoring and review. The first annual work plan of the MoESP and its budget (in line with the government's Medium Term Expenditure Framework) has been elaborated jointly between GRZ and donors. Harmonisation also comprises the funding mechanisms. Various options still persist, but the number of separate accounts in the sector decreased from about 800 to about 10. Donors coordinate inputs and missions. MoE and donors agreed upon information sharing, a single narrative reporting system, a single financial reporting for pool-funders, a single monitoring and evaluation system and a single auditing system (by the Auditor General).

Economic development - agriculture

Although there is no sector support programme in economic development – agriculture, the silent partnership with Norway is a direct result of the Harmonisation in Practice initiative. NORAD and RNE agreed to harmonise their support to ACF, GART and the NRDC/ZEGA Training Trust through an Agreement on Delegated Cooperation (2004), in which the Netherlands is the lead donor and NORAD the silent partner. During the period 2004-2008, NORAD will channel its contribution of € 8.5 million through the Netherlands. NORAD counts with a comparable delegated co-operation agreement with Sweden for support to the smallholder sub-sector. The Agreement not only establishes the joint funding to the trusts, but also harmonises procedures, such as a single inception report, information sharing and narrative and financial reporting (including interest bearing bank account), procurement, audit, monitoring and evaluation, and final reporting. It also contemplates the use of indicators on HIV/AIDS, gender, environment and how to act in the case of corruption.

Progress in harmonisation compared

Most achievements in harmonisation have been registered in the sectors health and education. Nevertheless, both in health and education the financial administration of the basket is kept separate from the 'regular' GRZ administration. Accounts are different and different financial reporting systems still prevail. The MoE observed that even for those co-operating partners that do join the common basket (the 'pool-funders'), in some cases special financial reports still have to be elaborated (for example on bank abstracts and interests generated by donor).

Progress in harmonisation in the sectors supported by the Dutch development co-operation is summarised in table 4.1. Being a 'pool funder', RNE Lusaka has harmonised its procedures accordingly:

Alignment

In Zambia, donors have aligned mainly around PRSP and sector policies. Up to 2004, donors had seldomly endorsed GRZ procedures and financial and administrative systems. In practice, donors suggested (and imposed) changes in GRZ procedures and systems according to their requirements. Subsequently, these new procedures were 'accepted' as if they were 'Zambian' and were subsequently called 'aligned' procedures (PEMFAR, 2003). This caused confusion. In the health sector, for example, different administrative procedures for Zambian revenue resources and for external resources are being applied, while some of these procedures have been called 'aligned' by donors (see next section on OECD-DAC Survey).

Real alignment has been almost absent: the funds for the sector support programmes are administered in separate accounts and are 'off budget'. The only donor providing budget support is the European Commission (both general budget support and sector budget support). The sector support programmes for education and health are linked to specific expenditure items (and exclude part of the recurrent costs, such as salaries).

Table 4.1 Progress in harmonisation in health, education and agriculture

	Health National Health Strategic Plan (1999)	Education Ministry of Education Sector Plan 2003-2007	Agriculture Programme based support (no SWAp)
Programme activities budgeted for in national budget?	In part. In addition projects	Due to an error not budgeted	In part
Information sharing GRZ- donors	Yes	Yes	Yes
Coordinated policy making	Yes	Yes	In part
Funding arrangements	Various options to donors. Netherlands pools funds. Account administered by MoH	Various options to donors. Netherlands pools funds. Account administered by MoE	Project modality with block funding
GTZ-donor coordinated input delivery	yes	Yes	No
Implementation defined by GRZ	Plan of Operations approved. Some donor implemented activities	Plan of Operations approved. Some donor implemented activities	No
A single procurement system	Yes. For ICB GFMAT and UNICEF systems	?	Not applicable
GRZ-donor coordinated definition performance indicators	In progress	In progress	Indicators agreed upon between Trusts and donors
Single narrative reporting system	Yes for "wider" HIP-partners	Yes for "wider" HIP-partners	Yes
Single financial reporting system	Yes, but with additional reports for some donors	Yes to pool donors. Accounts from poolers separated from those of GRZ with different reporting systems	Donors and GRZ separated
Single monitoring system	yes	Yes	Yes
Single review / evaluation	yes	Yes	Yes
Single audit	yes	Yes	Yes
TA - pooling	no	?	Yes

OECD-DAC Survey on progress in Harmonisation and Alignment

The 2004 OECD-DAC Survey on Progress in Harmonisation and alignment reported on Zambia that the process of donor coordination was not yet fully established, although it improved around the PRSP (2004:2). The Survey reports on coordination that GRZ is not pro-active in that process and is not really guiding the coordination. However, steps are being undertaken for improvement (aid policy). Regarding alignment, a PRSP indicator framework has been put in place, while GRZ expects more budget support for the years to come.

The OECD-DAC survey used a number of indicators for harmonisation, for which the results for Zambia have been summarised in table 4.2:

Table 4.2 Harmonisation based on OECD-DAC indicators

Indicator used	Survey results of 12 co-operation partners
Common arrangements	Harmonisation of Donor Practices for Aid Effectiveness in Zambia (MoU signed by 9 donors)
Streamlining of conditionality for development assistance	Only in education and health, the only two sectors with pooled funding for joint programmes (other sectors with a programme approach are water, transport and agriculture)
Number of donor missions to Zambia in 2003	120, excl. World Bank and IMF. 10 percent were joint missions (7 missions by the Netherlands)
Diagnostic reviews undertaken	Country Financial Accountability Assessment (CFAA); Public Expenditure Review (PER). Country Procurement Assessment Review (CPAR). Only the PER was conducted jointly
Delegated Co-operation	Donors indicate to be party in delegated co-operation: Germany and the Netherlands. To a certain extent DfID, Norway, Ireland, and the UN.
Indication of multi-annual indications of aid flows	Yes: 4 out of 12 countries Yes, "but": 8 out of 12 countries (amongst them the Netherlands)
Disclosure about actual disbursements (per annum)	Yes: 2 out of 12 countries Yes, "but": 10 out of 12 countries (incl. the Netherlands)
Information sharing on country analytic work	Yes: 2 out of 12 countries Yes, "but": 5 out of 12 No, "but": 3 out of 12 (incl the Netherlands) No: 1 out of 12

Source: OECD-DAC Survey on Progress in Harmonisation and Alignment. Zambia Country Chapter (draft, 2004).

The OECD-DAC survey reveals that government and donors have different views as far as it concerns the extent to which government systems are used in the sector support programmes. Donor support within SWAs makes use of procurement, disbursement, reporting and monitoring and evaluation arrangements mutually agreed upon between government and the consortium partners. These may include new systems that did not exist before. While donors use to understand these procedures as being those of government, GRZ perceives them as different from its standard operating procedures (SOPs). About half of the co-operation partners believes they use Zambian SOPs in auditing (52 percent), monitoring and evaluation (49 percent) and procurement (52 percent), while GRZ reports that in none of these areas GRZ SOPs are being used (OECD-DAC, 2004).

4.4 Conclusions and explanatory factors

What was the scope and intensity of the Dutch efforts to enhance donor coordination? Was the conditionality of Dutch financing reduced in favour of a joint donor approach, and were policies and procedures aligned with those of the government of Zambia?.

Coordination

Donor coordination was well founded before the sector approach became Dutch policy in 1999. There are still substantial differences among donors as far as it concerns the way and the extent in which the sector approach has to be understood and is to be applied. These differences reflect the visions held by their respective Headquarters, as well as the trust in the capacities and financial management of the Zambian government (fiduciary risk). Beyond doubt coordination among donors has intensified over the last five years. RNE Lusaka has always been an active partner in that coordination process, mainly at sector level (health, education). At national level RNE took initiatives to enhance coordination during its chairmanship periods of the European Union. The result of the intensified coordination is that donors who traditionally 'wanted to plant their own flag' have increasingly agreed upon joint approaches, while most of them signed one or more sector Memoranda of Understanding (UNICEF, USAID, Japan). Peer pressure among donors has been an important tool in controlling individual donor behaviour: deviations from agreements by one donor have to be justified to the others.

At the sector level, the different stands by donors have not led to a two-tier effect of "more SWAp dedicated" and "less SWAp dedicated" co-operating partners. Neither exists a 'weighted voice' between those donors that do fund through common baskets and those who do not, nor a hierarchy determined by the amount of resources pledged by each donor (interview USAID). This is a remarkable achievement of the donor community guided by a the challenge to get as much partners as possible 'on board'.

Notwithstanding the continuity in the relations between Zambia and its donor community, coordination has always been –and still is - a product of the donor community. One of the reasons is that ETC lacks an aid policy and is not equipped and structured to deal with multi-donor efforts or multi-annual budgeting. As a result donors set the agenda for what subject matters should be 'coordinated' and how that should be done. But, since coordination is 'the logical thing to do', with or without sector-wide approach, that process seems to be irreversible.

Harmonisation and alignment

The Harmonisation In Practice initiative was planted in fertile soil, since different processes in health, education, transport and agriculture had started long before. Initially just aimed at "eliminating duplications" in procedures, it developed into a broader streamlining exercise among donors and between GRZ and donors. Substantial progress has been made in harmonising those procedures depending on co-operating partners only, such as reporting and audit requirements. However, the implementation of the action points as laid down in the HIP 2003 agreement remained below expectations, in particular where leadership of GRZ was required, such as in the elaboration of an Aid Policy. Since the Director Generals of the respective Headquarters of the like-minded donors are directly involved, the high level implies that these partners drive the process. Also the RNE has been very active in that sense. MFNP observed cynically that donors duplicated projects in the past, but now face the challenge of not duplicating efforts in

the area of harmonisation. “There is a feeling of marginalisation on the part of the government regarding the Harmonisation in Practice Initiative, resulting in some fear of ‘donor ganging up’ whereby government is being invited to participate” (Saasa and Claussen, 2003:5). MFNP recognizes the importance of harmonisation, but sector ministries like MoH and MoE are hardly involved (RNE Annual Report 2004; 2005:5).

In principle, the harmonisation process would imply that Dutch procedures are left aside to the benefit of joint procedures. This is the case for instruments like narrative and financial reporting standards. But to a large extent these ‘different’ procedures are just those applied by international organisations, like the World Bank. Acceptance of those procedures is nothing new, since these were always acceptable according to framework agreements (for example in the case of joint co-financing agreements). There is little evidence that –apart from reporting formats- Dutch procedures have really been abandoned in the benefit of joint procedures.

Harmonisation of procedures is not an exclusive attribute of the sector-wide approach. The silent partnership between RNE Lusaka and NORAD shows that harmonisation is applied outside the context of the sector support programmes.

Government and donors have different views on the extent to which alignment is being achieved. While donors may to understand agreed upon procedures as being those of government, GRZ perceives them as different from its standard operating procedures.

5 CHANGES IN THE RECIPIENT COUNTRY

The sector-wide approach would bring about the following changes in partner countries:

- 1) ownership, with the recipient country's government controlling policy and financing;
- 2) government capacity to implement sectoral poverty reduction policies.

This chapter explores the extent to which those changes have occurred and to what extent the Netherlands have contributed to encourage those changes.

5.1 Ownership at national level

The sector-wide approach aims at a change from 'donorship' (whereby the donor controls the aid process) to 'ownership' (whereby the recipient government leads the aid process), based on partnership. The question is not whether 'ownership has been achieved', but to which extent there is a process is ongoing that will lead to ownership (with associated concepts as commitment, legitimacy, and leadership). Ownership goes beyond government and should rest on non-governmental partners and civil society as well.

According to Foster *et al* (2000) evidence of ownership may be based on the assessment of who initiates the process; who takes the lead in securing an agreement and financing for it; and who takes the responsibility for implementing it. First, the 'owner' should know 'what is going on' in order to be in a position that allows taking initiatives. That means that –as an ex ante condition- government should have an oversight over the development efforts. In Zambia, ETC made substantial progress in getting this oversight, but information on donor grants and projects has been often incomplete or obsolete. The Estimates of Revenue and Expenditure (the so-called Yellow Book) does not contain all official external funding made available to implement public sector activities. Since in Zambia the gap between donor pledges and disbursements may be as high as 70 percent (interview MFNP), MFNP started in 2003 to ask donors for information on disbursements, as well as their multi-annual budget estimates (as input to the 2003 Medium Term Expenditure Framework).

Second, to initiate the (sector) process and to lead it, government should have a clear agenda so that donors can align around that agenda. The OECD-DAC survey (2004) revealed that most donors do think that GRZ has an agenda, but not all of them are willing to support that agenda. For example, not all donors endorse GRZ's stand that macro-economic stability has to prevail over (new) poverty reduction programmes (First PRSP Progress Report, 2004).

Third, the Government agenda should be legitimate. The Public Expenditure Management and Financial Accountability Review²⁵ (PEMFAR, 2003) reported that

²⁵ PEMFA refers to the Reform Programme while PEMFAR refers to the World Bank Report 'the *Public Expenditure Management and Financial Accountability Review*, 2003.

parliamentary endorsement of major development policies should be considered as weak. 'Societal ownership' rests mainly on the social dialogue in the context of the PRSP, but SWAPs were characterised by poorly developed participation mechanisms, both in their formulation and implementation stages. Next to the public sector service delivery, only few NGOs are directly involved. Only those directly involved NGOs, such as Churches Health Association of Zambia (CHAZ)²⁶, do join the various coordination groups. Despite the enhanced level of interaction and consensus-building between the Government and the civil society, mutual suspicion still prevails (Seshamani, 2002:17).

Fourth, the responsibility for implementation –at least in the sector programmes- rest with GRZ. Those donors that provide basket funding in health and education are not directly involved in implementation of activities.

RNE Lusaka has contributed to ownership by placing the Dutch support in function of the GRZ at sector level policies and strategies (NHSP and MoESP). RNE has pursued an active policy of winding up separate bilateral projects in the health and education sectors and by withdrawing technical assistance (for example, the discontinuation of the medical doctors scheme) and by interchanging the Dutch expertise for Zambian expertise (Medical Doctors Retention Scheme).

Ownership as reflected by domestic expenditure

One indicator of GRZ's ownership over its own policies as reflected in the PRS, is the allocation of budget resources to its priorities identified. There are two weaknesses of this indicator. First, the GRZ budget does not count with a social budgeting classification (in order words no separate 'pro poor spending' classification). Second, GRZ does not exercise full and independent control over its budget, since international financiers and donors set conditions²⁷. On top, GRZ cannot implement its own policies by means of own revenue funding, since an important share of the total budget (in particular for education and health) depends on external funding.

But if one assumes that government's real priorities' were revealed by the domestic expenditures, the First PRSP Progress Report comes to an appalling conclusion: "one of the reasons, among several, for inadequate disbursements was due to the existence of other competing interests, which were able to exert greater pressure on the budget" (2004:57). In other words: the priorities as laid down in the PRS were – apparently- not by definition government's real priorities! It might have been a sloppy formulation in the document, but the World Bank CAS (2004) underlines the statement, and GRZ has recognized that expenditures in the social sector remained below the targets set and agreed upon with the donors (RNE track record, 2005). Allocations to the agricultural sector were volatile over time.

Although social sector spending increased from 22 percent of the discretionary budget in 1991 to 38.5 percent in 2001, in real terms the expenditures have fallen due to a high inflation rate (Zambia PER, 2001). The HIPC completion point triggers required that the expenditure on health should increase to 15.5 percent of the discretionary budget, but in practice it dropped from 12 to 10.5 percent (2003). While the approved basic health care

²⁶ CHAZ is responsible for over 50% of formal health care to the rural areas. CHAZ provides services under a Memorandum of Understanding with GRZ.

²⁷ For example, the Poverty Reduction Support Credit by the World Bank requires that GRZ allocates at least 36 percent of the domestically financed discretionary budget on social sectors.

package (NHSP) has a costing of USD 12 per capita, the real resource allocation is only USD 10 per capita (interview assistant director of budgeting and planning MoH). In education the HIPC completion point trigger aimed at 20.5 percent, the actual share in the domestic discretionary budget was 20.6 percent in 2004 (according to the HIPC Completion Point documentation 2005).

Frantz, Mpuku and Wright (2004:13) stated that government seeks to ensure that all of its essential functions are adequately funded. In absence of general budget support in combination with high donor willingness to contribute to a limited number of sectors only, the sensible response of GRZ is to be reluctant and 'economic' in its contributions from local revenue to the same sectors. This creates a kind of contradiction: while the conditionality for donor support in a particular area or sector is usually the increase in GRZ's discretionary budget contributions to the same activities, the logical thing to do is to be cautious in doing so. This boils down to the essential notion the larger the donor contributions to a few sectors only (even in 'off budget' circumstances) the higher the temptation to government to free own resources for its next marginal priorities. See for an overview of domestic expenditure Annex C5.

5.2 Ownership at sector level

Health

The World Bank Country Assistance Evaluation was positive on government's ownership over and commitment to the health sector, despite the vagaries of political leadership at MoH (six ministers during the 1994-01 period) (2002b: 65). The RNE sector rating 2003 qualified the effective commitment of the health officials as "unsatisfactory, threatening progress, but adequate measures are being proposed". This low appreciation was given in by the reduction of GRZ's financial contribution. In 2004, MNFP indicated to the donor community to review its allocations to health (RNE trackrecord, 2005). Although the financial commitment might have been below expectation, the feeling of ownership of those directly involved in the sector support programme is high (interviews). MoH economists praise the strong SWAp, since it reinforced their bargaining power with new donors, and because MoH can show proven procedures to entice them into harmonised reporting, auditing, etc. In addition, the sector support programme strengthened the ministry's position towards MFNP in, for example, the MTEF process.

Education

The World Bank Country Assistance Evaluation indicated that: "analytical work relies heavily upon a few local consultants and donors. As a consequence there is little ownership and benefits cannot be sustained" (2002b: 70). RNE, on the other hand, refers in most of its reports to the high political commitment (i.e. annual report 2002: "In Zambia the political will is beyond any doubt"). Interviews with MoE staff (2004) revealed a strong identification with the education SWAp and high appreciation for the co-operation with the institutions involved. However, this sense of ownership and commitment is most likely mainly Lusaka-based and MoE staff indicated that at the provincial and district levels there is little internalisation of the educational reforms. The sector support programme is 'owned' by a core group of civil servants out of the approximately 54,000 employees. In the words of the Zambian education advisor at RNE:

"Visibility at the classroom level is not commensurate with the amount of support at the central level. The great challenge is to bring the change process down to

lower levels. Service delivery at lower levels needs to be improved. At the level of the schools and at the level of the districts, the whole process of planning and reporting output is not yet internalised”.

Economic development – agriculture

GRZ took the initiative to come to the formation of the various trusts and it was GRZ that approached RNE Lusaka with the idea of reviving the abandoned assets. The Zambian National Farmers Union backed that idea. The trusts are public-private partnerships, usually with a stronger input from the private than from the public sector (except the Livestock trust). The ownership rests with the trustees in general (that comprises government). RNE support to these partnerships implies the acceptance that commercial interests are being supported as well. This is the most visible in the ZEGA Training trust, where the training of middle level management not only provides more opportunities to young professionals, it serves the commercial interests of the sector as a whole.

Assessment ownership

The sector approach as ‘organising principle’ has contributed positively to the process towards ownership by GRZ. While in the past RNE administered projects were implemented outside agreed upon policy frameworks and usually independently from the GRZ institutional structure, the sector support programmes form part of broader policy frameworks and are implemented by and through the GRZ public administration. However, it are steps in the process: the sector support programmes are still largely donor driven. At the Zambian a few high level officials and politicians closely allied to the donors carry that process.

At national level MFNP has not been able ‘to take the lead’ due to the financial dependency on external aid; the absence of an External Aid Policy; and the internal organisation of ETC that is not structured to deal with consortia of donors. But gradually elements (such as a CDF, an MTEF, IFMIS) have been put in place that may enable MNFP to assume a more guiding role.

At the sector level, the process of setting up sector programmes and the coordination mechanisms attached to it, have led to an extensive interaction between Zambian officials and donor agencies. The resulting personal relationships are of great value, but at the same time a weakness: the change process is still carried by individual officials and weakly anchored in the public administration itself. The assessment of ownership is presented in table 5.1

Table 5.1 Assessment of ownership

Indicator	Assessment	Remarks
Leadership: Government has an agenda on harmonisation, coordination and alignment (or a general aid policy)	No	There is a relatively late elaborated PRSP. There is no external aid policy in place. Harmonisation efforts have been initiated by Like Minded donors. The process is still driven by these donors
Donor's country assistance strategies are aligned with PRSPs or equivalent national development plans	Yes	There is an increasing tendency to align around the main strategies of PRSP. Sector Policies are joint efforts between line ministries and donors
Legitimacy of PRSP or National development plan	Yes	Participatory process. PRSP approved by Cabinet
Partner country leads local processes of donor coordination Government exercises an appropriate level of authority in coordinating development assistance	Not at central level. To a large extent in education and health	Although government chairs the coordination meetings at national level, ETC is not regarded as the driving force. In practice, donors determine the agenda. Few national level meetings are held. RNE considered those meeting badly prepared, with a too crowded agenda and in general not satisfactory
Government has taken the lead in developing sector support programmes?	In part	NHSP has been a MoH initiative, but BESSIP and MoESP have been donor initiated. No sector programme in agriculture
Commitment: Government is responsible for sector programme implementation and national procedures are being used	Yes	Line ministries are responsible for implementation. To a large extent local procedures are applied. Joint GRZ-donor committees exist to amend and adjust these procedures

5.3 Institutional capacity

National level

Over the last decades, the protracted decline of the economy and in consequence of government revenues, eroded GRZ's capacity to adequately provide services nationwide. Donor projects intended to fill the gap in service delivery and frequently by-passed the formal institutional organisation and by doing so have created parallel structures. In 1993, the Public Service Reform Programme intended to restructure the public service in order to improve the quality of service delivery and to 'weed out' those parallel structures. Also under the Public Sector Capacity Building Project (PSCAP; 2000-2013) reorganisations took place to streamline the institutional organisation with the aim to improve efficiency. However, both programmes did not lead to a more effective and efficient service delivery (RNE trackrecord, 2005).

Foster stated "SWAPs developed as a response to a dysfunctional public management system....[.]" (2001). The OECD-DAC Survey on progress in Harmonisation and Alignment (2004) assessed the strengths and weaknesses of the capacities in Public Finance Management. The Zambia Country Chapter shows weaknesses in almost all fields (OECD-DAC, 2004 table Indicator 3:3), but also stresses that these deficiencies are being addressed. Also the Public Expenditure Management and Financial

Accountability (PEMFA) Review (June 2003) identified areas in the PEM system that would merit improvement and upgrading, but also showed the changes that have contributed to improved economic management, budget allocative efficiency and aid efficiency (see Annex C5). Based on the PEMFA Review GRZ elaborated a Plan of Action that required external funding. Thereto a joint Memorandum of Understanding was signed in December 2004 (PEMFA Plan of Action: like-minded donors, WB, IMF, EC and UN). The Netherlands, on behalf of the donor group, has provided financing for the financial management and information system (IFMIS) in order to ensure a smooth transition from the previous WB arrangement to the new joint programme.

Sector level

What counts at the sector level is the capacity of line ministries to plan, implement, monitor and control the activities contemplated in the sector support programmes.

Health

Since 1993, the MoH has undergone a comprehensive restructuring with the aim of separating policy and control functions (MoH) from the technical implementation functions (CBoH). Competence problems between MoH and CBoH happened to be persistent, while GRZ has not been able to solve the labour and employment conditions between the two institutions. In addition, there has been a disconnection between the sector decentralisation and the local government reforms that developed at a lower pace. As a result, in 2005 the CBoH would be reintegrated in the MoH.

In spite of improvements in capacity at the district level to plan and manage health services, human capacity has remained the greatest constraint. Saasa and Claussen (2003: 46) noted that “the SWAp faithful has grossly underestimated the institutional constraints of the [public] system and the importance of the need to build, and perhaps more importantly, retain human resource capacities that are pivotal in planning and implementation of the complex SWAp approaches to service delivery”. Next to a shortage of technical cadres (aggravated by the attrition due to HIV/AIDS) it is the mal distribution of manpower (concentrated in urban areas and in higher level hospitals) and the mismatch between qualities and requirements that have debilitated the system (Musowe, Mtonga and Peeperkorn, 2000). While the sector-wide approach aims at strengthening the capacity of the ministry ‘by doing’ there is no clear indication that this has been achieved. For the implementation of the sector support programme a separate coordination unit was established that basically operated as a kind of project implementation unit.

One of the underlying problems was that the sector support programmes focused on public service delivery and grossly overlooked other service providers. Although GRZ works with non-governmental organisations (like the ‘mission posts’) represented by the Christian Health Association of Zambia (CHAZ), no programmes have been set in motion to incorporate other service providers. In fact the roles of public and private sector (including for-profit health care) have never been spelled out precisely.

In order to improve the availability of medical doctors in remote rural areas, RNE started the funding of the Medical Doctors Retention Scheme, in replacement of the Dutch Medical Doctors Programme.

Education

MoE followed the footsteps of MoH in its decentralisation effort as part of the Public Sector Reform programme. Critical in this regard has been the restructuring of the Planning and Information Department (previously the weakest directorate) that has now become the hub of implementation and information generation, budgeting and monitoring of the sector programme.

BESSIP positively enhanced the capacity of a core group of MoE officials, especially in the areas of planning, budgeting, reporting, financial management and monitoring. However, the broader human resource base continues to perform weakly. Notwithstanding the decentralisation efforts, MoE continued to operate in a centralised manner with no effective devolution of attributes to the district level. Under the MoESP, the MoE, supported by DfID, Ireland Aid and the Netherlands, has embarked upon a programme of accelerated decentralisation of educational administration in the Northern and Western provinces. SNV provides technical assistance in financial and change management.

The institutional capacity of MoE, apart from the Planning and Information department, has not reached the levels required for a smooth implementation of the MoESP. In particular personnel turnover at management level and deficiencies in the automation of the financial administration have had a negative impact on the effectiveness of the implementation of the sector support programme. In the training sub-component serious implementation problems had been detected by the joint review. These deficiencies led to a suspension of RNE financial support (December 2004).

RNE Lusaka funded for € 9.2 million an intervention aimed at increasing the number of teachers. In fact, RNE contributes to the strengthening of the human resources department of MoE, the financing of retirement rights of elderly teachers and the contracting of new teachers. Although the procedures and context is different, there are some similarities with the objectives of the Medical Doctors Retention Scheme.

Economic development - agriculture

Capacity constraints (next to the competence problems) are seen as one of the main reasons for the failure of Agricultural Sector Investment Programme: "The main problem faced by ASIP was that the necessary institutional capacity to implement the program was not established before approval" (World Bank CAS, 2002: 58). The assumption of a strong steering by the public sector was erroneous from onset. The public support to agriculture had been scaled down in the process towards liberalisation and privatisation. And the private sector had been unable to fill the vacuum left by government's disengagement from the sector. It is only after the winding up of ASIP that the function of the public sector in agriculture has been spelled out more clearly in the policy document "Vision for the Agricultural Sector 2010" as: "restricted to creating the enabling environment, in particular by engaging in public-private partnerships".

Conflicting sub-sector interests, divergent policy perceptions over key issues and rather unclear mandates affected the normative and control functions of the public institutions involved. The relation between MACO and ACF had been spelled out in legal terms only, but hardly in operative terms. To a certain extent there is competition between the Policy and Co-operatives Department of the Ministry and ACF on issues like policy formulation and strategic planning. Formally ACF's recommendations are just recommendations, but in practice they do have a lot of political weight.

RNE has contributed to strengthen the public-private relations, but has been of little impact on the planning, monitoring and control functions of the Ministry of Agriculture. In fact, under the current approach (with the post 2003 shift towards 'private sector development') there is no reason why RNE should necessarily aim at strengthening the institutional capacity of for example the Ministry of Agriculture.

5.4 Conclusions and explanatory factors

Did the sector-wide approach lead to GRZ assuming more ownership over its development activities and has GRZ's institutional capacity been strengthened in planning and implementing the poverty reduction policies?

At the national level, GRZ has faced problems in 'orchestrating' its cooperating partners, and in setting the agenda. GRZ emphasizes the need for poverty reduction and economic growth in all its policy documents, but in practice priorities 'are being agreed upon' with the donor community in a negotiation process (interview Embassy Norway). In this 'permanent consultation process' donors use the stick and carrot and GRZ loses 'ownership'. Donors tend to call 'ownership' when their views are shared by GRZ, while in practice this might just be a signal of lack of ownership. MFNP lacks an External Aid Policy, while its internal organisation is not adequately structured to deal with consortia of donors.

Nevertheless, the sector approach as 'organising principle' has contributed positively to the process towards ownership by GRZ. Sector support programmes do form part of broader policy frameworks and are implemented by GRZ institutions. The process of setting up sector programmes has led to an extensive interaction between Zambian officials and donor agencies. At sector level, high level officials in the line ministries did develop a sense of ownership over their programmes. Co-operation partners and GRZ alike agree that the sector support programmes do contribute in strengthening the capacity of the sector ministries, but that more success has been registered in improved planning capacity than in management and implementation capacities. High turnover of politically responsible authorities (MoH) and administrative authorities (MoE) have been a severe bottleneck in implementation. Overall, RNE Lusaka characterizes the public sector as "weak in quality and capacity" (RNE track record, 2005). But that has to be differentiated. In the sector programme on health, the shortage of technical and medical cadres, in particular in the rural areas has been the bottleneck. In education it has been the poor management in the implementation stage, also related to a deficient institutional decentralisation. In the ASIP it were conflicts of competence, frictions among the donors and human resource constraints for implementation that made the programme ineffective.

What did change at the interior of the line ministries, was the 'way of thinking': even middle-level officials are now aware that priorities have to be set, that setting output targets is more effective than input 'shopping lists'; that budgets have to match plans; that decentralisation enables efficiency in implementation, etc. (BESSIP, 2004:26).

RNE has contributed to the institutional strengthening at national level by its prominent role in the improvement of public finance management instruments (joint funding). At sector level RNE has chosen for not focussing directly on the management levels of the ministries (which is an implicit component of the sector approach), but to contribute in specific to technical cadres (medical doctors, young teachers) for rural areas.

6 EFFICIENCY IN THE ADMINISTRATION AND MANAGEMENT OF AID

The sector-wide approach aims at a more efficient management of aid by the recipient country's government. The approach supposes that this efficiency is the result of the ownership and capacity factors mentioned in the previous chapter. One indicator of efficiency is the transaction costs of aid.

Has the desired increase in aid efficiency been achieved in Zambia?

6.1 Efficiency in implementation

In the project modality, the efficiency of aid is mainly a donor's concern²⁸. In the sector-wide approach efficiency becomes a shared concern of both donor and recipient. In the sector approach efficiency is not only the relation between input and output, it is seen as the result of coordinated, harmonised support to government-led policies, implemented by the recipient country's institutions.

In the course of time GRZ made various efforts to improve the efficiency and the quality of its service delivery, such as through decentralisation (health) or by sound financial management systems (PEMFAR, 2003). However, the efficiency of GRZ operations still merits further improvement, because:

- The operational efficiency of administrative decentralisation has been unequal over the ministries and insufficiently supported by capacity building at decentralised levels.
- The roles and functions of public and private sector in service delivery have not been properly spelled out (CFAA, 2001).

The sector programmes should have led to less projects and just a few larger programmes. But in practice the total number of projects increased just as a 'premium' of the confidence deposited by the international donor community in Zambia. The sector programmes not only attracted more donors, they also triggered more variety in funding mechanisms by those donors already present in Zambia. Some new global initiatives (for example, HIV/AIDS) played a role as well in the increase in the number of projects (interviews MFNP; MoH).

In interviews, donors expressed doubts regarding the assumption of efficiency gains:

- Due to the weak financial position of GRZ, and low predictability of donor funding, the supplier credits (arrears) have accumulated. Longer credit periods lead to (speculative) higher prices in local procurement (for example, health sector).
- Flaws in the internal management capacities (education) have negatively impacted on the operational efficiency. Monitoring reports for the health sector indicate that only half of the resources reached the district level health facilities, due to district administrations holding on to funds too long; the deliberate retention of resources at various levels for reasons of cash flow management

²⁸ To the recipient it is indifferent whether more could have been done with the same resources or the same could have been done with less resources.

and the tendency of district administrations to over-estimate expenditure (interview planner MoH).

- The World Bank CAS Evaluation was rather critical with respect to efficiency in the education sector. Decentralisation has shifted spending from the provincial to the district level, but has not resulted in greater disbursements to schools (PEMFAR, 2003:xx).
- MFNP observed that with the sector-wide approach a kind of 'group think' has been introduced that tends to move the goal posts during implementation. This shifting of attention affects negatively the efficiency in implementation (interview Chief Economist MFNP).

Efficiency also means 'value for money'. In the Zambia, the external audits are almost exclusively of the 'compliance type'. In Zambia, there is no tradition (or capacity) to conduct 'value for money' audits on public expenditure. In absence of this type of audits, evaluations may look into the efficiency question. A public expenditure tracking survey revealed that only between one-sixth and one-third of total funding available on primary education reached the schools in form of cash (World Bank, 2004:6). The World Bank observed that most review and evaluation reports on sector support programmes have tended to shy away from the efficiency question (2004).

6.2 Transaction costs

The sector approach is supposed to reduce the transaction costs to both donors and recipient countries.

Transaction costs to RNE Lusaka

To RNE Lusaka, the project modality implied substantial transaction costs, such as: tendering and contracting of implementing agencies or consultancy companies; selection of technical assistance; services to implementing agencies and technical assistance (such as tax free import of vehicles, equipment and personal effects); monitoring (field visits and office time at the embassy) and evaluation (contracting of missions). This was particularly the case for the Dutch Medical Doctors scheme. The sector-wide approach implied a different kind of transaction costs to RNE, such as:

- to become acquainted with government policies, structures and procedures;
- to participate at various levels in coordination mechanism on policy making and implementation, and on harmonisation of procedures;
- to participate at various levels on aspects of the enabling environment, such as good governance.

RNE Lusaka stated in its Annual Plan 2000 "[...] for the implementation of the sector approach additional manpower and knowledge will be required, since aspects of management and control will be different and a timely detection of weak spots will be required". Prior to the introduction of the sector approach RNE required 'hands-on project-managers' in the first place, but with the sector approach other qualities are required, such as negotiation-, policy making-, and process management skills. Overall, the different nature of the transaction costs was hardly of influence on the total staff level requires, but did have an impact on the composition in RNE's human resources (by profession and in the mix between Zambian and Dutch staff): less administrative and secretarial support for projects; additional (local) staff for the main sectors (health and education); strengthening of the political component (good governance); incorporation of macroeconomic expertise; and, reduction of the thematic expertise in cross-cutting

issues. Those changes (a political attaché and a macroeconomist were added to the staff; less project managers) have been realised during the period 2000-2004.

Also the harmonisation process is supposed to reduce the transaction costs to RNE. Although RNE reported that the harmonisation process in 2004 resulted in less transaction costs to both the Zambian government and the partners (HMA Lusaka 2005:5), the harmonisation process itself required a high time input. Reducing transactions costs can also be achieved by silent partnerships. The Netherlands, Sweden and Norway reviewed each other's procedures in detail and the countries can use each other's reports and other procedures, which facilitates delegated co-operation and silent partnerships. With the aim to reduce overhead costs, the staff member responsible for agriculture at the Royal Norwegian Embassy has not been replaced. Norway relies entirely on RNE's in-house technical expertise.

Transaction costs to GRZ

To GRZ the sector support programmes have implied a stress on the system. In agriculture (ASIP) the system could neither cope with the additional workload, nor with the additional transaction costs. In health, the attention for the implementation of sector programmes was deviated by the continuous institutional problems between MoH and CBoH. Also the MoE showed insufficient capacity to deal with the massive MoESP (MoE trackrecord, 2005). To line ministries the advantage gained has been that less manpower and time had to be devoted to deal with individual donors and their missions, that less separate accounts had to be kept and that less donor-specific reports had to be elaborated and separate audits to be submitted.

But the reverse side has been that still the same number of individual agreements and contracts has to be dealt with; that more time has to be devoted to ministry-donor coordination and that many transaction cost that in the past were assumed by the donor rest now with the ministries. These are transaction costs like: tendering for the procurement of equipment, civil works and services, the contracting of technical assistance and civil works, etc. Also progress monitoring on effect indicators is new to the ministries. It is ETC's estimate that between 1998 and 2004 the total meeting-time has tripled in the sectors with sector support programmes (health, education, transport).

Since more co-operating partners join the sector consortia and they do not all channel their resources through the 'pool', line ministries have to cope with different systems simultaneously. MFNP and line ministries continue dealing with donors that pursue project aid, while at the same they have to comply with the new mechanisms of the sector support programmes. Even within the 'pool' there are different components, for example expressed by the different currencies used that require separate statements in the same currency to be submitted to the corresponding donor. MoH still holds about 60 different accounts for the sector programme only (2004). Although some donors do form part of the consortium and do accept joint narrative reporting, they still may require separate monitoring meetings and reviews (USAID, WHO, UNICEF, JICA) (interview Assistant Director Planning and Budgeting Ministry of Health).

As illustration of the higher overhead costs, MoE's communication costs have increased with a factor 10,000 in four years time, due to the fact that they have to assume now communication costs with remote areas that in past were at the expense of the donor projects. Other communication costs are those related to tendering and contracting. The number of public tenders in education and health has more than tripled as a result of the sector support programmes (interview MNFP).

6.3 Conclusions and explanatory factors

Has the desired increase in aid efficiency been achieved in Zambia?

In theory, the sector approach should lead to efficiency gains if a sound management and implementation structure were in place. That requires conditions that either have not been fulfilled, or are still in the process of being fulfilled in Zambia. These are:

- a stable macro-economic environment;
- a clear definition of roles and functions of both public and private sector;
- a Public Sector Reform that has matched the human resources required with the roles of government;
- a public financial management system that is effective and transparent.

If those factors were conceived as conditions *ex ante*, one may conclude that donors have put the cart before the horse, since all those factors are still far from being crystal clear. If, on the contrary, one assumes that these factors can be put in place during the process, one should accept that efficiency gains are not immediately noted.

Flaws in the internal management capacities (education) have negatively impacted on the operational efficiency. Monitoring reports for the health sector indicate that only half of the resources reached the district level health facilities, while in education decentralisation has shifted spending from the provincial to the district level, but has not resulted in greater disbursements to schools. In Zambia, there is no tradition (or capacity) to conduct 'value for money' audits on public expenditure. In absence of this type of audits, evaluations may look into the efficiency question. But most review and evaluation reports on sector support programmes did not (or hardly) address the efficiency question (2004).

The question whether the sector approach has led to a higher efficiency cannot be answered unambiguously in the case of Zambia.

To RNE, the workload has changed of character and requires that embassy staff is more involved in strategic and policy matters (functions that match better the professional qualifications of RNE staff). Most RNE staff indicated that the workload had become higher as result of the new requirements, but RNE reports mention lower transaction costs (HMA Lusaka 2005). RNE is a recognised 'front-runner' in health and education and that provokes participation in many groups, but there is an efficiency price tag to that. It is more that RNE Lusaka feels obliged to participate as much as possible and to 'be on top of the entire process' (interview HOS, Lusaka) for accountability reasons. More use could be made of delegated co-operation and silent partnerships (for example for cross-cutting issues), while physical presence in the circuit of committees and working groups is possibly not always necessary when 'first contact partners' are able to represent the consortium.

To GRZ, the sector approach has implied a higher input in coordination, in consultation over policies and strategies, in information sharing, in joint monitoring, etc. It also implied that part of transaction costs previously assumed by donors have now been passed on to GRZ (tendering, contracting, recruitment of TA, etc). Staffing deficiencies persist in most ministries in terms of both quality and continuity.

7 Sector approach and poverty reduction

According to the policy documents the sector-wide approach would help increasing the effectiveness of bilateral aid as a means to reduce poverty.

The question whether the sector-wide approach has effectively addressed poverty reduction did not form part of this evaluation and would require a much broader research.

Narrowed down, the question whether the sector-wide approach did enhanced pro-poor policy making and pro-poor spending is addressed in this chapter. In addition, the question whether the poor strata of the population did receive better access to (higher quality) social services could be addressed based on secondary sources only.

And to which extent RNE's approach revealed its overarching objective of poverty reduction?

7.1 Poverty reduction

At the moment of the introduction of the sector approach, the central objective of the Dutch development co-operation was poverty reduction with as leading principles 'good governance, poverty, gender, institutions and environment', expressed by the abbreviation (in Dutch) GAVIM. In the policy paper "Aan Elkaar Verplicht" (2003) the overarching objective remained poverty reduction, but the thematic focus shifted towards private sector development, water management, and HIV/AIDS.

Government and donors alike agree about the disappointing outcome of the various economic reform programmes and the insufficient impact they had on reducing poverty in Zambia. The World Bank concluded " [...] poverty in Zambia has been on the rise and the trend in MDGs points in the wrong direction. These adverse economic developments, exacerbated by weak institutional capacity and ineffective spending have clearly affected Zambia's ability to fight poverty and improve living conditions for its population. The picture for Zambia is one of retrogression rather than progress (2004:2). Although Zambia's economic performance has improved since 1999 (with a flaw in 2002), it is beyond doubt that the majority of the population is worse off than some three decades ago. Some authors blame the government's half-hearted commitment to the pursuit of broad-based economic development (Van der Heijden, 2003:78), others (Rakner, 2003) give primacy to the political factors. In general, as a result of the 'better economic times' of the past, Zambian politicians and public administrators tend to look backwards and show resistance to drastic change. In that respect, the World Bank insists on "the need to break with the past" (2004:12). Both Van der Heijden and Rakner (2003:184) presumed that, if donors' advice had been followed more assiduously, economic growth would have returned more strongly.

Since 2000, this donors' advice comprised of at least the following elements:

- to pursue a more explicit pro-poor policy, to be expressed in the National Development Plan and the PRSP;
- to pursue a more explicit social budgeting (or 'pro-poor spending') focused on service delivery to poor population strata; and

- to make external aid more effective and functional in pursuing national development priorities, amongst others by using sector-wide approaches.

In Zambia, combating poverty and the promotion of economic growth have been constant elements of the development discourse, but with a variable balance between the two. In 2004, the PRSP objectives formed the core of the (Transitional) National Development Plan, although in the National Development Plan the balance is more towards economic growth than to delivery of social services. The pro poor policies that count with specific strategies are largely based on 'doing more and better of the same' approach without giving eventual alternatives a serious consideration. In Zambia, many 'services' are considered as pertaining to the public domain that in other countries belong to the private sector (like broadcasting, newspaper, and electricity supply). While overall, the political discourse has become more 'pro poor' than prior to the MDGs, political day to day decision making has been less 'pro poor' (First PRSP Progress Report, 2004). For example, GRZ's decision (early 2003) to increase civil service personal emoluments by an additional 3 percent of GDP not only threatened the macroeconomic performance, it also postponed the HIPC (floating) Completion Point (the resources paid on debt service in 2004 could have been directly used for poverty reduction). Addition domestic borrowing against a nominal interest rate of 30 percent was necessary. That policy not only affected the current generation of poor, it also affected the future generation.

The sector-wide approach has been an incentive to formulate sector policies, strategies and financing plans. During the 1990s the various sector support programmes (health, agriculture) did not have any impact on GRZ's budget allocations (World Bank, 2004). Up to 2001 there were neither signals of increased domestic spending on those sectors, nor indications of relatively higher pro poor spending in general, also not during the first years of the PRSP (2002). The erratic and insufficient release of resources to the prioritised sectors was due to factors like the cash budgeting system applied; administrative bottlenecks in decentralisation, and the fact that the Poverty Monitoring and Analysis framework (PMA) was not yet operative. The First PRSP monitoring report (2004) did not trace any trend in pro-poor spending.

However, the current generation sector support programmes do have a pro-poor perspective and the corresponding financing plans have been elaborated accordingly. But these financing plans refer to the total resource envelope to these sectors, of which the larger share is externally funded. They do not reveal necessarily a pro poor spending tendency in GRZ's resource allocation. Since 2003, the combined effort of various simultaneously applied donors instruments (IMF stand-by tracking, monitoring of HIPC Completion Point triggers; EU budget support conditions, sector support programme conditionality) seem to have resulted in modifications in GRZ's allocation system. Cash budgeting is no longer a MFNP responsibility, but depends on cabinet decision, while MFNP has indicated the donor community to revise its allocative efficiency in the context of the medium-term expenditure framework (MTEF) (in particular health and education).

Poverty, gender and HIV/AIDS

In the Dutch development policy the relation between poverty and gender has received special attention since the 1980s. Until the year 2000, RNE Lusaka pursued a 'hands-on' policy in gender aspects. At the time, the portfolio of development co-operation counted with series of projects directed to both the public sector and NGOs, such as the support to the Gender in Development Division at Cabinet Office, as well as the umbrella

organisation of gender NGOs (NGO-CC). The shift from 'hands on' to 'mainstreaming' became evident in 2001, when projects and activities in areas like "women and good governance", "legal rights for women", "women's access to information" and "small scale economic activities" were replaced by "a continuous raising of these issues in its policy dialogue with the Government of Zambia and co-operating partners" (Annual Report 2001). The agricultural trusts supported by RNE do have a gender component and GART has even a gender policy. RNE maintains close relations with the Gender Focal Point Person of the Ministry of Agriculture.

The relationship between poverty and HIV/AIDS is mutually reinforcing. On the one hand, poverty increases the vulnerability to HIV and AIDS related diseases; on the other hand, the manifestations of HIV/AIDS lead to poverty. The continued high prevalence of HIV/AIDS has had a serious negative effect on GRZ's efforts to propel the economic growth and to reduce poverty.

RNE Lusaka's choice of sectors (health, education and agriculture) matches well the critical relations between poverty and gender indicated above. That does not imply that specific gender sensitive activities within these sectors are being funded, but that the gender perspective is being brought into the programmes ('gender mainstreaming'). In the sector support programmes in health and education operate gender and equity working groups in which RNE plays a guiding role. In health, an HIV/AIDS/gender analysis has been carried out, funded by RNE Lusaka. However, the results of this analysis did not have any major impact on the health SWAp²⁹.

According to the NGO Women for Change the poor have lost 'voice' as a result of the sector support programmes, due to the fact that the projects ran by external agents used to be more participative and more directly targeted at the poor than the general programmes by the ministries. In the sector support programmes, and notwithstanding the merits of the mainstreaming, gender has become a kind of 'last point' on the agenda, even when it relates to gender sensitive subjects like HIV/AIDS or the provision of home based care. The positive exception is education, because gender equity in primary education is one of the MDGs. Also RNE Lusaka paid a lot of attention to gender equity in education. For example, both WEPEP and BESSIP incorporated the UNICEF supported Programme for the Advancement of Girls' Education (PAGE), a programme of affirmative action aimed at the advancement of girls' education through advocacy by systematically raise the levels of public, institutional, community and pupil awareness of gender and equity in education.

But mainstreaming did not result in for example ASIP. Notwithstanding the important role of women in agriculture (World Bank, 2004:2), programmes and actions were mainly directed to men. Also in the four agricultural trusts, currently funded by RNE, gender is just a kind of 'added on' aspect and does not reveal the relative importance of women in agriculture.

²⁹ Report Workshop: sector-wide approach for gender, health and HIV/AIDS. 16-19 September, 2003. Chisamba, Zambia. P.9

7.2 Results and poverty focus in sectors

Health

In the health sector, the first joint programme at the district level aimed at primary health care and service delivery to the poor. More recent (expanded) programmes are less targeted to the poor. This is logical, since the broader the approach the less it can focus on special target groups. And the more important it becomes that government pursues an overall 'pro-poor' policy.

Whereas the sector support programmes have contributed to an unambiguously improvement of the health delivery system (in terms of organisation and management), the record of service delivery outcomes and health impacts has been more mixed. During the initial stages of the health reform, emphasis on institutional strengthening came at the expense of attention to service delivery performance. The reforms were almost derailed after five years of literally no improvements in outcome and impact indicators (Frantz, Mpuku and Wright, 2004: 11-12). However, these reforms did contribute to accomplish at least part of the prerequisites for joint donor investments, such as putting in place a national policy (NHSP) and a corresponding Investment Plan. The World Bank referred in this respect to its own Health Sector Support Project and concluded that the sector reform was overtaken by the SWAp (that subsequently did not contain conditions for necessary reforms).

Regarding the impact of service delivery, there were improvements in the immunisation rate (campaigns against child diseases, like polio, measles, and BCG; 87-90 percent of all children has been reached); in the tuberculosis cure rate, in combating malaria (MoH paid special attention to combating malaria and HIV/AIDS in response to the Abuja Declaration) and in the proportion of supervised deliveries. But, the trend in some critical health indicators moved into the wrong direction (World Bank, 2004: 1): the already high maternity mortality rate (729 per 100,000) has worsened since 1996, and life expectancy at birth dropped (now below 40 years). Both indicators reveal the devastating effect of HIV/AIDS in society, as well as the incapacity of the health system to adequately reverse the trend and address the underlying problems. The public health system in Zambia has been 'running fast to stand still' (quote in Frantz, Mpuku and Wright, 2004:12).

In interviews, MoH staff expressed their feeling of discomfort, of crisis, mainly regarding human resources. While support programmes may financially enable a district health centre to operate, this potential is grounded by the absence of qualified medical personnel and staff with management skills. According to RNE, the lack of professional medical staff and high- and middle level management is key determinant number one in the health sector. Many rural hospitals and health centres operate at 35-50 percent of their establishment level. The serious shortage of nursing and other support staff is undermining the health services in rural areas. Government had indicated to launch an Emergency Rescue Plan on human resources, but failed to do so (2003). RNE intends to alleviate (temporarily) some of these problems through its Medical Doctor's Retention Scheme.

Education

WEPEP was formulated as a project when the process to come to the Basic Education Sub Sector Investment Programme (BESSIP) was still ongoing. MoE implemented both

WEPEP and BESSIP. WEPEP was limited to 72 schools in the Western Province, while BESSIP was implemented at national level. WEPEP had an explicit poverty reduction objective: the Western Province was targeted because the circumstances for change were more difficult than elsewhere in the country: the poverty incidence was the highest; the service delivery in education was among the worst in the country and considered the most difficult to change as a result of low population density, poor infrastructure and the absence of sufficiently qualified teachers.

WEPEP was rather successful in achieving its targets in a relatively short period of time: the pupil-textbook ratio improved; the teacher morale, motivation and competence improved; most of the decentralisation targets to school-level were met; the enrolment and retention rates, especially for girls, improved (Ministry of Education, Royal Netherlands Embassy, 2003:57). But the WEPEP evaluation also reported that “the poorest children, orphans and most vulnerable in society still have limited access to education” (ibid:58) and argues that other instruments would be required, such as the community schools.

During the first years of BESSIP, the achievements were less positive. The output remained far below expectation. For example, in 2000 only 500 new classrooms were built (1,000 planned) while reliable statistical information left much to be desired. The World Bank was rather critical with respect to the results obtained during ZERP and the first two years of BESSIP and qualified mildly the performance as “moderately unsatisfactory” (World Bank, 2002, Annex VI: 68-69). The World Bank criticised the low level of involvement of other stakeholders than the public sector and argued that just these other actors were better capable in reaching the poorest strata than government.

The 2001 national assessment of primary school performance stated that the results showed low levels of literacy and numeric skills, with many of the pupils being functionally illiterate at the end of their schooling. However, this improved in the later stages of BESSIP. By 2003, the enrolment rate had improved with 4 percent; more textbooks in English had been printed and distributed than ever before. According to tests there was a quality improvement in reading and writing of children in grade 1, while also the national average in mathematics score increased substantially. From a student performance perspective, the quality of primary education did improve. But the pupil-teacher ratio increased to an ineffective 1:52 (2003) as consequence of the freeze in hiring teachers, while at the same time HIV/AIDS increased the teacher attrition rate and absenteeism. In 2003, there were 9,000 vacancies mainly in the rural provinces.

The sub-sector support focused on primary education at the detriment of other education priorities and special education (for vulnerable groups like the blind and handicapped). Functional adult education deteriorated (UNICEF, 2004).

Since the sector programmes are –almost by definition- less suitable for direct targeting on poverty, RNE used mainly the project modality for its direct poverty targeting. RNE finances support to community schools. RNE made € 9.2 million available as contribution to the complex problems of making sufficient teachers available to the remote rural schools.

At the time of mission, there were still no indications on the effectiveness of that effort.

Economic development – agriculture

In 1999, Zambian Minister for Agriculture described the results of ASIP as disappointing: “to the majority of farmers very little has changed: the productivity continues to be low, the credit repayment is poor and fraud is undermining the image of the sector. ASIP should have paid more attention to the smallholder sub-sector, to livestock development and the development of cooperatives”. Also the World Bank concluded that its flagship project in agriculture had not been successful, since it never operated as a multi-donor investment programme and finally had had little impact on the smallholder producers. At the best it was a series of bilateral agreements under a policy with some sort of consistency. Although ASIP was aimed at (poor) smallholder production in combination with commercial agriculture, in the assessments of its results, the poverty reduction perspective was hardly taken into consideration.

The deficiencies of ASIP, in combination with the PRSP’s perception of a competitive and sustainable agricultural sector, made RNE shifting from targeting on the smallholder to targeting to farmer with a potential to growth. The new target group comprises organisations of commercial farmers, or at least farmers that have been able to organise themselves for market oriented activities. In this respect, the RNE approach also implies that there is no room anymore for regional preferences (‘poor districts’). Implicitly, the support ends at those geographical areas where the location of (ex-) public infrastructure enables the establishment of public-private partnerships. The current RNE approach is not directly targeting on either poor geographical areas or population groups, but focuses on a population group ‘just above the poverty level’ with a potential for growth.

7.3 Conclusions and explanatory factors

Were pro-poor policies and pro-poor spending enhanced and did the poor strata of the population receive better access to (higher quality) social services? What has been RNE’s approach in that respect?

In response to the international development community’s focus on poverty reduction, in particular the Millennium Development Goals, GRZ has adjusted its political and economic discourse accordingly. Obviously, these more ‘pro poor’ policies are not only attributable to the introduction of the sector approach, but is a positive reaction to the mainstream thinking of the international development community. Pro-poor policies form the core of GRZ’s National Development Plan, as well as of the various sector plans. However, since 2003, GRZ’s policy intentions stress more and more the importance of economic growth as condition *ex ante* for service delivery. While the written policies match well the thinking of the development community, day-to-day decision-making may deviate from that, such as evidenced by the salary increase for teachers of 2003.

Since external aid has crowded the social sectors, the absolute level of expenditures in health and education did increase over time. Although GRZ’s contribution (measured in terms of the discretionary budget allocations) did increase modestly, the contribution for health remained below the HIPC Completion Point trigger level. So, the pro poor policies did lead to some increase in pro poor spending, but as the First PRSP progress report observed “apparently there were other priorities...” as well. Also the RNE track record 2003 reported under-spending on poverty reduction programmes and in the social sectors.

Up to 2004, the experiences with sector support programmes in Zambia have produced mixed results as far as it concerns poverty reduction. According to the World Bank CAS evaluation, these results could have been much better if the sector programmes would have tackled sector core questions, such as the role of the private sector in delivery of social services. But it was exactly the external funding that enabled a 'doing more of the same' strategy without imposing structural change. The 'doing more of the same' indeed led to improved access to services, as well as to an improved quality of these services, but at the same raised questions about its sustainability over time.

In the health sector, the impact of service delivery was best registered in direct outreach and prevention, such as the immunisation rate; in the tuberculosis cure rate and in combating malaria. But the overall trend in many of the health indicators moved into the wrong direction (World Bank, 2004: I): the maternity mortality rate has worsened and life expectancy at birth declined.

In primary education, BESSIP produced results only during the second half of its implementation. While decentralisation of the educational sector remained far from successful, by 2003, the enrolment rate had improved; more textbooks in English had been printed and there was a quality improvement in reading and writing and in mathematics score. From a student performance perspective, the quality of primary education has improved substantially, but the pupil-teacher ratio increased to an unbearable 1:52 (2003). Government's effort in primary education might have had its price in terms of poverty reduction: the quality of special education and the functional literacy of adults deteriorated during the same period. The WEPEP evaluation (2003) indicated that it was still difficult to provide access to the poorest children and the most vulnerable groups. And that support would be required to the community schools to that end. RNE Lusaka supports community schools in a project modality.

The sector programme in agriculture ASIP did not produce positive results for most of the smallholder producers. RNE Lusaka made a deliberate choice for moving away from the sector approach and for shifting its support to 'emerging farmers' with market potential. The extent to which this approach may result in contributing to poverty reduction merits permanent monitoring. Over half of the population lives in rural areas and three quarters of that rural population pertains to the poorest strata. It is unclear whether support to 'emerging farmers' will have any spread effect in the medium and long term³⁰.

³⁰ RNE commented on this point "The support to emerging farmers will enhance their productivity, which will result in a stronger economic growth in general. A stronger economic growth will have a spread effect in the medium and long term. Comment on draft report , April 2005.

8 Findings and explanatory factors

Sector choice and changes in the Dutch development co-operation

1. Prior to the introduction of the sector approach almost all Dutch-funded projects were either health or agriculture related and geographically concentrated in districts. The programme in education was smaller and more recent (1996). Once Zambia was admitted as 'partner country' (2000), to RNE Lusaka the shift towards the sector approach was just a sequential step in a process that had started some four years earlier by coordinated efforts at district level (health) and national level (agriculture). It implied more a reaffirmation and a formalisation of an ongoing evolution in the development cooperation with Zambia rather than a significant change.
2. RNE Lusaka did not underpin its sector choice by any comparative study or institutional analysis. Overall, in 1999, the sector choice built on the cornerstones of the existing portfolio of projects and programmes at the time. Poverty reduction, being the over-arching objective of the Dutch development co-operation, did play a role in the justification for the choice: one sector was included with opportunities for income generation, next to two aimed at improving delivery of social services.
3. In 1999, when the sector-wide approach was declared policy by the Dutch development co-operation, the government of Zambia did not count with either a long-term vision or National Development Plan, or a broadly shared Poverty Reduction Strategy. Ex post, the Dutch choice of sectors (health, education, economic growth – agriculture) happened to match the PRSP (2002) priorities: agriculture as the lead sector in economic growth for employment and income generation; and the social sectors as way to improve the access of services to the poor strata of society.
4. The sector choice was an exclusive Dutch decision, not formally agreed upon with GRZ and not coordinated with other donors. At the time, the Ministry of Finance and National Planning did not count with instruments that would have enabled to negotiate 'where it wanted to have the Dutch'. Instruments like a Comprehensive Development Framework were elaborated at a later moment in time.
5. The 2003 policy paper 'Aan Elkaar Verplicht' suggested a reduction of the number of sectors to be supported to "two or maximum three sectors" per country. It was RNE Lusaka's interpretation that the three sectors could be maintained. However, the Progress letter to Parliament (16th July 2004) referred to health and education as sectors only.
6. In 1999, no special exit programme for projects was required and most projects were gradually phased out, usually in accordance with the runtime envisaged in the contracts. Overall, over the period 1999-2004, the number of activities was halved (from approximately 160 to 80), although the bulk of that reduction was registered in the category "other" activities and less in the sectors chosen.

7. Overall, the introduction of the sector approach as policy for the Dutch development cooperation did not imply any major change to the programme in Zambia. The sector chosen formed the core of the existing programme at the time and the sector approach “as an organising principle” was already known and applied. The exit of other projects was no interruption of large ongoing programmes and most project outside the sectors chosen could be finalised as initially envisaged.

Less earmarked forms of funding

8. As percentage of the total portfolio of delegated bilateral aid to Zambia, earmarked forms of funding (‘projects’) decreased from some 66 percent in 2000 to only 20 percent in 2004. The less earmarked Netherlands contributions were in the form of pooled funds (basket) in the health and education sectors. In the education sector only some projects implemented by non-governmental organisations, and the support to community schools, do not form part of the basket and are separate projects. In economic development - agriculture, a different path has been pursued. Difficulties experienced in implementing a SWAp in agriculture made RNE opt for ‘block funding’ to three agricultural trusts.
9. Until 2004, RNE Lusaka had not made sector or general budget support available to GRZ. Only the European Union had done so. RNE Lusaka’s cautiousness in that respect was justified: governance problems, including corruption prevail, while there are still flaws in the quality of the public finance mechanism. A Joint Donor mission assessed the fiduciary risk to be “high, but with a positive direction of change”.

Coordination, harmonisation and alignment

10. Coordination between donors and GRZ started well before the sector-wide approach became the mainstream thinking among donors. It has been an organic process that developed from confronting issues as they arose in implementation rather than on discussion on broad policy matters. Basket funding in the health sector emerged out of the need to make a reality of the decentralised services at district level. RNE Lusaka was –in particular in the Western Province- a leading actor in that process, also through its Medical Doctors Scheme. Although the coordination in the agriculture sector at district level was less intense than in health, the elaboration of comprehensive policies and strategies at national level (such as in the Agricultural Sector Investment Programme - ASIP), did not guarantee more or higher quality coordination.
11. There are still substantial differences among donors as far as it concerns the way and the extent to which the sector approach has to be understood and applied. These differences reflect the visions held by the respective Headquarters. The sector support programmes in health and education provided a well-defined context for coordination and harmonisation. Within these programmes the group of like-minded donors has been the driving force, without any pre-defined ‘lead donor’. RNE staff has been pivotal in the various coordination committees and groups at sector level.
12. Zambia is an international pilot on harmonisation. The Harmonisation In Practice initiative (2002) was planted in fertile soil, since different processes in health,

education, transport and agriculture had started long before. Substantial progress has been made in harmonising those procedures that depend on co-operating partners only, such as reporting and audit requirements. To the contrary, the implementation of action points as laid down in the HIP 2003 agreement remained below expectations, in particular where leadership of GRZ was required, such as in the elaboration of an Aid Policy. GRZ recognizes the importance of harmonisation, but this recognition is mainly an issue of MNFP; sector ministries like MoH and MoE are hardly involved in the harmonisation efforts.

13. A sound indicator for success in coordination and harmonisation among donors is the presence and frequency of delegated co-operations and silent partnerships. Through these delegations, the co-operating partners show their willingness of 'lowering the national flags' in the benefit of efficiency. The Netherlands has entered into three delegated arrangements with Norway.

Ownership

14. Zambia does not count (yet) with an external aid policy. Since 2002 there is a Comprehensive Development Framework, but this has not enabled MNFP to 'orchestrate' the external assistance. Hence, MNFP has not been able to indicate 'where it wants to have the Dutch'. The sector approach as 'organising principle' does contribute to the ownership by GRZ, since sector support programmes are being placed in the context of broader policy frameworks and are (largely) implemented by and through the GRZ public administration. At sector level, high level officials in the line ministries counting with sector support programmes (health, education) did develop a sense of ownership over their programmes, but there is less sense of ownership at regional and district levels.
15. If ownership were to be measured by domestic resource allocation to the priority sectors, than ownership has not been convincing. While the total resource allocation (including the external funds) to the priority sectors (where the Dutch aid concentrates) did increase, the percentage share of GRZ discretionary spending remained below expectations, in the case of health even below HIPC Completion Point triggers.

Institutional capacity

16. Sector programmes have contributed to strengthen the planning capacities of line ministries (health and education). That cannot be said as far as it concerns implementation. Co-operation partners and GRZ alike agree that management capacities (in particular education) have been insufficient to adequately implement the sector support programmes. In MoE the institutional capacities were insufficient for an effective implementation of the first years of BESSIP (and after a more effective second period of BESSIP) of the more recent MoESP. High turnover of politicians (MoH) and administrative authorities (MoE) has had a negative impact.
17. Progress was made in building confidence and administrative capacity, including monitoring functions particularly in health and education. Donors have had a positive impact on the accountability (administration, audit, monitoring and control) of the total resource envelope of the line ministries involved. Despite the

achievements, the PEMFA Review 2003 outlined about 60 points that still required urgent improvement; these have been incorporated into an Action Plan to overcome the deficiencies.

18. Sector support programmes may have debilitated the options for structural reform. The World Bank concluded that the structural adjustment programme was in fact overtaken by the SWAps. In health the sector support programme did not contain conditions for reform, reason why the Bank concluded: "It is not surprising that the health outcomes in Zambia continue to deteriorate" (2004:98).
19. At national level, RNE Lusaka has contributed to institutional strengthening by stressing the importance of improving the public finance management instruments (joint funding), while at sector level RNE has chosen to fund "hands on" personnel for implementation, such as medical doctors and teachers.

Efficiency

20. The sector-wide approach should lead to efficiency gains if certain conditions have been put in place, such as a clear definition of roles and functions of both public and private sector and a Public Sector Reform that has matched the human resources required with the roles of government. In Zambia, these conditions are not in place.
21. Part of the transaction costs, previously assumed by RNE (and other donors), has been passed on to GRZ (for example, recruitment of technical assistance; procurement costs, audit). The sector approach has increased the workload of GRZ, since new systems had to be put in place to implement activities previously carried out by project management units (external managers and technical advisors), while at the same time the number of projects increased as well. This higher workload conflicts with both the quantitative restrictions in staffing levels and the restriction on remuneration levels that hamper to contract the right number and quality of staff.
22. To RNE, the workload has changed in character. Embassy staff is more involved in strategic and policy matters (functions that match better the professional qualifications of RNE staff) than in the past. Most RNE staff indicates that the workload had become higher, but RNE reports lower transaction costs (HMA Lusaka 2005). Delegated co-operation and silent partnerships are applied, but still on a modest level. Delegation to 'first contact partners' is coming off the ground slowly.

Poverty reduction

23. Pro-poor policies form the core of GRZ's National Development Plan and the various sector plans. But day-to-day decision-making may deviate from that (for example, salary policy in public sector). The Zambian budgeting system does not count with a social or 'pro poor' classification and pro poor spending is still not blatant. There has been even an under-spending in the social sectors.
24. The experiences with sector support programmes in Zambia have produced mixed results. In the health sector there was a positive impact on direct outreach and prevention, such as the immunisation rate, but the overall trend in many health indicators moved into the wrong direction. In primary education, most

results were produced quite recently: the enrolment rate improved and there was a quality improvement in reading, writing and knowledge of mathematics. But the WEPEP evaluation (2003) indicated that it was still difficult to provide access to the poorest children and the most vulnerable groups. RNE Lusaka supports community schools to that end, in a project modality.

25. The agricultural ASIP did not produce positive results for most of the smallholder producers. In the current programme of RNE Lusaka the smallholder is no longer the target group, but the “emerging farmer” with market potential.
26. The litmus test is the extent to which sector approaches will be able to enforce structural changes that lead to poverty reduction. Many Zambian politicians and civil servants alike refer to the better situation of some decades ago. So far, sector support programmes, like the ones supported by RNE Lusaka, have aimed at better service delivery, based on the structures and relations of the past. Sector programmes left the entrenched bureaucracy largely unaffected. Like the World Bank stated (2004), poverty alleviation in Zambia will require “to break through the past”.

Part B: Sectors

PART B.1 ANNEX HEALTH

B1.1 Background

Due to deteriorating economic conditions in the 1970s and 80s, caused by declining prices for copper and the resulting decrease in government revenues, the public health care system crumbled. Its problems were further compounded by a rapid population growth at that time of 3.2 percent per annum (in 2003 back to 2.7 percent); the onset of HIV/AIDS; the rising incidence of tuberculosis as a result of deteriorating nutrition levels; and the failure to eradicate malaria. The health infrastructure, in particular in rural areas could not be not maintained, was understaffed, and lacked essential drugs, basic medical supplies, and equipment. Consequently, the health staff became demoralised and medical personnel, especially physicians (more than half) started leaving the country, while the Ministry of Health (MoH) was buying the services of expatriate doctors or receiving expertise through donor supplied technical assistance.

B1.2 Sector description and Dutch interventions prior to 2000

In the 1980s, the 'early reformers' started to focus on Primary Health Care (PHC) with an emphasis on decentralisation. The Movement for Multiparty Democracy (MMD) government, elected in 1991, accelerated the progress by its vision 'to provide Zambians with equity of access to cost-effective, quality health care as close to the family as possible' (Musowe, Mtonga and Peeperkorn, 2000). The health reform had a two-pronged approach (a) sector programme aiming to reform the health sector and (b) a political aim of democratisation and participation. This vision was captured in the National Health Policies and Strategies Document (1991) and further elaborated in the comprehensive National Health Strategic Plan (NHSP, 1993), which was updated periodically. Efforts were made to define and implement a basic package of curative and preventive health care through a two-tier district health system. Health centres would provide basic health care for a defined catchment population, and district hospitals were the first referral point with facilities for basic surgery, medicine, paediatrics and gynaecology. This required decentralisation of financial and administrative powers to district level and, through their boards, active community participation in the decision making process. The decentralisation initiative involved a reorganisation of the administration on two fronts. On the one hand it meant, especially at the lower levels, the creation of participatory organs. Community financing systems and committees at various levels were introduced to promote community participation. On the other hand, the health service delivery was reorganised as a set of contracting units (New Public Management). At central level, a Central Board of Health (CBoH) was created as the executive organ of MoH. The intermediary provincial level was abolished³¹ and replaced by slim regional offices covering more than one province.

³¹ However, the provincial level has been reinstalled after three years and the regional units were abolished.

In practice, decentralisation was implemented in different layers. Human Resource Management was never decentralised, while the planning and implementation of the capital budget remained centrally organised, like the purchase and provision of medicines (except emergency supplies). Nevertheless, the administration of most of the recurrent cost was delegated to the districts. The flow of funds to the districts happened to be irregular and after introduction of the cash budgeting system by MNFP, the real resource allocation to the districts became entirely unpredictable. Donor contributions became crucial in making the decentralised system a reality. The Western Province PHC Programme, which was supported by the Netherlands from its onset in 1986, became one of the three pilots in the implementation of the decentralised planning, management and delivery of services.

From 1991-96, the Zambia Health Sector was a model for health reforms and multi-donor programme funding. Basket funding emerged as a response to the unpredictable resource allocation by MNFP: donors and GRZ resources were pooled in a district basket (from 1993 onwards). This was a major breakthrough with previous practices where individual donors tended 'to adopt' a particular geographical area (one or more districts or an entire province).

Although the district level had been empowered, the political instability from 1997 onwards affected negatively the decentralisation process. The districts survived the political pressure, but the relations between government and donors had become rather tense due to a lack of focus in the reform agenda and the donors assigning a higher weight to transparency and accountability. Difficulties encountered were:

- the important 'de-linkage exercise', which would bring health personnel under contract with local boards ran into implementation problems and was suspended. MoH was reluctant to grant CBoH the full autonomy over implementation (as originally envisaged) and in addition government could not fulfil the financial obligations to personnel to be transferred;
- local government reform took place at a slower pace than the decentralisation in health leading to mismatch between mandates and capacities;
- the hierarchical and autocratic relations between central and district levels happened to be persistent, despite the agreed principles of decentralisation and democratisation;
- the roles and functions between MoH and CBoH were insufficiently spelled out;
- the donors' attention for primary health care and district development implied that some districts had been favoured at the expense of the finance available for tertiary hospitals.

The donor's concerns about the lack of accountability were unwelcome to GRZ and the dialogue evaporated. As a result donor disbursements to the district baskets were withheld by many partners. Capable officials who had spearheaded the reforms left government.

The basket covered mainly recurrent expenditures such as rent, electricity, water, telephone, and supplies, as well as programme related expenditures, including fuel, salaries of some staff, and allowances. In addition, up to five percent of a district's grant from the basket could be used to purchase drugs. But MoH did not have sufficient trust in MNFP to rely fully on MNFP controlled commitments to entirely abandon the extra-budgetary projects.

Dutch funded interventions

The Dutch funded development programme in health focused at the district level. The Netherlands supported primary health care services, support to secondary health facilities (rural district hospitals), a Human Resource Development programme, the supply of medical equipment and some drinking water supply projects in the Western Province. In addition, there were long standing projects, like the support to the National Tuberculosis Programme and the import of essential drugs. Although classified as project aid, the import of essential drugs had its origin in the balance of payments support programme (hence programme aid at the time). Geographically, the Dutch co-operation programme focussed on the Western and –to a lesser extent- the Northern Provinces (see table B1.1.)

Tabel B1.1 Structural Bilateral aid, Health sector, 1996-1999.

ZAMBIA STRUCTURAL BILATERAL AID THROUGH THE EMBASSY. HEALTH SECTOR							
Activities > € 100,000 committed							
Activity	Start	Commitment	1996	1997	1998	1999	Total
Non- programme aid							
Zambia/DSO:PAID-ESA;Training and Support for sust.Rural Dev. in East and South.Africa (ex ZM93951)	1993	109,169	0	0	0	109,169	109,169
PAID-ESA; DHMC	1995	963,468	0	0	340,335	201,195	541,530
Rur. Water for Health Phase II	1996	1,903,381	439,237	476,030	473,202	342,477	1,730,946
Monitoring supply Essential Human Drugs 1995-1999	1996	101,552	14,504	22,068	8,549	32,203	77,324
Import support Anti-Tuberculosis drugs 1995-1996	1995	1,442,514	1,027,360	415,155	0	0	1,442,515
CIS Essential Human Drugs 1995-1999 (UVM-1 comp)	1996	8,440,312	0	1,638,056	2,154,779	1,121,307	4,914,142
Co-fin Essential Drugs import support	1996	1,573,702	1,573,702	0	0	0	1,573,702
Emergency import support tuberculosis drugs 1998	1998	516,032	0	0	515,946	86	516,032
Budget Support Health Sect	1996	989,905	794,115	192,276	139	3,374	989,904
Health Sector Support 2000-01	1997	6,080,655	0	1,542,853	1,815,121	2,722,681	6,080,655
Lusaka Peri-Urban Community Managed Health Project	1994	290,687	103,303	0	0	0	103,303
Support National Tuberculosis Control Programme	1994	1,482,803	136,134	530,923	0	0	667,057
Searching for effectiveness and sustainability of health reforms in Zambia	1995	151,794	65,442	7,660	16,294	185	89,581
Rural Water for Health Project, phase II.	1992	1,522,174	152,014	56,974	0	0	208,988
PHC Western Province Phase 2	1993	2,520,642	459,292	189,345	34,825	0	683,462
Total		28,088,790	4,765,103	5,071,340	5,359,190	4,532,677	19,728,310
Others < € 100,000 committed		416,576	0	0	143,758	151,447	295,205
Total		28,505,366	4,765,103	5,071,340	5,502,948	4,684,124	20,023,515

Source: MIDAS en Programmahulpbrieven

For over 25 years the Netherlands had supported the health sector by sending general medical officers to work in districts hospitals or district health management teams. This support was part of a worldwide programme of the Dutch Ministry of Foreign Affairs, the so-called Supplementation Programme (hence it did not affect the delegated resources to RNE). Due to changes in the Netherlands' technical assistance policy (1998) and the phasing out of the programme in 2001, the responsibility for technical assistance was

shifted to the embassies. In 2003, RNE Lusaka agreed with MoH and CBoH to phase out the TA at district level and to start a Retention Scheme for Zambian doctors in order to provide incentives for their work in rural and remote districts.

The automatism of providing Dutch medical doctors was never questioned. MoH did not plan for sending Zambian doctors (or other expatriate doctors) to those hospital served by the Netherlands. The Dutch doctors provided continuity in service delivery and the PHC system in the Western Province would not have been successful in absence of the support by the Dutch medical doctors. But, the input did not pertain to any strategy by MoH and was merely gap-filling (Koot, 2003:24). It was never the intention to contribute to the improvement of the national health system, but it did. Despite the fact that most district level innovations 'died a natural death', some served to improve the national system. The Senanga district was a pilot in decentralised funding and management while Kaoma district was a pilot in the Health Management Information System (HMIS).

Although in a narrow sense disconnected from each other, the medical doctors programme did have an impact on the overall Dutch programme since they proposed projects based on needs assessment at local level, identified areas for capital investment in buildings, in cars; and promoted the supply of medical equipment and drugs (Koot, 2003).

B1.3 Interventions in the sector post-2000

The decentralisation and new organisation of health services in Zambia could not avoid that health indicators remained critical compared to regional averages. Some indicators even reversed during the decade, in part due to HIV/AIDS (maternal mortality rate, tuberculosis incidence) (Musowe, Mtonga and Peeperkorn, 2000).

Following the appointment of a new minister in 1999, the dialogue between government and the co-operation partners was refreshed. Donors replenished the district basket. This was followed up by a Memorandum of Understanding (MoU) (1999) signed by GRZ and a group of donors³². The MoU expressed GRZ's and the co-operating partners' commitment to support the comprehensive process of health reforms and to move towards a joint sector funding. The aim was that all external resources should be made available in function of the agreed upon National Strategic Health Plan. In fact, to the co-operation partners this implied a shift from 'most' support within a common framework to 'all' support within the common framework. Provided the acceptance of a common framework and coordinated way of operation among donors, the MoU opened up a menu of funding forms: pool funding non earmarked, earmarked, project funding and resources in kind.

This 1999 renewed momentum led to a Joint Identification and Formulation Mission (JIF) (February 2000) spearheaded by MoH and main co-operating partners in order to set the priorities for the coming five years and to pave the way for a revised National Health Strategic Plan (NHSP) for 2001-2005. This revised NHSP confirmed the paradigm shift from project funding to SWApS and stressed the need to improve service delivery whilst strengthening health systems. In view of extremely scarce resources and the burden of the HIV/AIDS epidemic, the NHSP focused on a selected number of priorities and indicators. In the meantime, subsequent changes of Ministers made the GRZs'

³² Signatories: Danida, DfID, GTZ, Irish Bilateral Aid, JICA, Sweden, EC, the Netherlands, USAID, UNICEF, World Bank-IDA, UNFPA, UNDP, UN Fund on HIV/AIDS, WFP and WHO.

commitment to reforms ebb away (IHSD Ltd 2001:37,38). A joint appraisal mission (2001) by five 'poolers' (the Netherlands, DFID, Sida, Danida, and Irish aid) concluded that the Strategic National Health Plan (2001-05) had no costing, no plan for human resource development, no implementation plan (in relation to the decentralisation policy) and lacked indicators for monitoring progress³³.

During the same period, the World Bank had extended its credit in support of the Health Sector Support Programme 1994-1999 to 2001. According to the World Bank Country Assistance Strategy Paper, this was to support the start up of a SWAp, while enforcing substantial reforms in the sector. The World Bank Internal Completion Report is quite negative on its results and observed that the Bank did not join the negotiations leading to the MoU in 1999 by stating: "It is the general perception of MoH and indeed that of our co-operating partners [...] that the Bank lost an opportunity to contribute to the further development of a very innovative health reform by distancing itself in the overall SWAp programming arrangement" (World Bank, 2002a: Annex 10).

When a first effort to formulate a Joint Investment Plan (JIP) 2001-2006 (2001) did not produce the desired results, a Health Sector Committee (HSC) was launched (2001) based on a proposal by RNE. This Committee consisted of all major stakeholders and investors in the health sector, presided by MoH and paved the way for an expanded, national level, sector support programme. With the signing of a new multi-donor agreement for sector support to primary health care and district funding (2001), well over 50 percent of all external support to the sector was brought under a single policy framework. The district basket of approximately USD 35 million per year (including the GRZ contribution) is channelled through CBoH.

In July 2003, the Arrangement was amended with an Addendum in order to enable a (1) horizontal extension to include cost items like capital expenditure, technical assistance, drugs and others and (2) vertical extension to include 2nd and 3rd level hospitals.

Table B1.2 provides the chronology of key events in the health sector since the introduction of the decentralisation in 1991.

Dutch funded interventions

Considering the status of country 'with observation' under the Dutch development assistance, the Netherlands entered into a 'bridging arrangement' for the health sector for a period of one year (September 2000). It was indicated that it would be "followed up by either an arrangement covering 2 years (2001-2003)..[...] or for the full period of the new NHSP (2001-2005) [...]".³⁴

Prior to the signing of the 2001 Agreement, a meeting took place between the minister for Health (Hon. Levison Mumba) and RNE (26th July 2001) in which the specific Dutch contributions to the support programme were discussed, as well as specific Dutch requirements for the future. Dutch projects outside the SWAp were discussed and requests were made in relation to those projects, such for as an improved functioning of the Medical Stores Ltd, as well as an ORET for the supply of Philips Medical Equipment during the period 2001-2006 under a € 5 million grant.

³³ RNE files, Debriefing report 2001: 8.

³⁴ Internal Memorandum TD Lusaka, 15th September 2000.

Table B1.2 Chronology of Key Events

year	Key events
1991	National Health Policies and Strategies reviewed at national conference. Decentralisation process in principle endorsed. Movement for Multiparty Democracy victorious in first multiparty election. Effect: decentralisation policy made official. December: NHPS released.
1992	Health Policy Document adopted by MoH; NHPS approved by Cabinet.
1993	Health Reform implementation team established. District Health management teams established. Start District basket funding with pilots in three districts: Mansa (Luapula Province). Monza (Southern Province), Senanga (Western Province). Planning and management tools and guides adopted from Dutch funded Western Province for use nation-wide District basket established for external support.
1994	Planning and management decentralisation completed nation-wide. Health Sector Support policy launched. National Health Strategic Plan for the period 1995-1998 developed. District Health boards established. Financial and Administrative Management System and Health Management Information system created with support from the Netherlands.
1995	National Health Services Act passed.
1996	Central Board of Health created, with four regional offices replacing nine provincial offices National AIDS Prevention and Control programme established.
1997	Relations between GRZ and co-operation partners deteriorated and replenishment of district basket was interrupted.
1999	CBoH reorganised with nine provincial offices replacing four regional offices 24 th November: Memorandum of Understanding signed between GRZ and co-operation partners, improving mutual trust and understanding.
2000	Poverty Reduction Strategy Paper developed. New NHSP for period 2001-2005 developed. National HIV/AIDS Council and Secretariat established. National AIDS Strategic Plan developed. January-march: Joint Identification and Formulation mission undertaken for new SWAp. Dec: Heavily Indebted Poor Countries Initiative Decision Point reached.
2001	Signing multi-donor sector support programme guided by NHSP for district support and PHC.
2002	PRSP endorsed by IMF and World Bank based on Joint Staff Assessment.
2003	Medium-term Expenditure Framework 2004-2006 introduced (multi-annual budgeting) National Decentralisation policy approved by cabinet Mid-term Review of NHSP undertaken.
2004	National Law on Local Governments approved.

The Agreement between the Ministry of Health and the Netherlands on the health sector support (2001) was for an amount of € 27.9 million³⁵ and for a period of 5 years (July 2001 – June 2006). In fact this comprised five major projects that had been in operation before:

- District Health Services € 22.689 million
- Community Health Innovation Fund € 0.680 million
- Provincial health offices € 2.269 million
- Human resource development € 1.134 million
- District health management course € 1.134 million

³⁵ Later € 29.4 million.

Overall, the Dutch support after 2000 can be classified into three groups (RNE Annual Plan 2001):

- Earmarked sector support: District Health Services, provincial support, essential drugs.
- Human resource development (training institutes), TAs/Medical Officers at district, provincial, and national level.
- HIV/AIDS: mainly through NGOs, including community based care, prevention, peer-education, Information, Education and Communication.

The Annual Report 2000 stated “there is an absolute lack of (para)medical staff which is worsened by the high attrition rate due to HIV/AIDS and the brain drain (both internal and external). Training institutes for (para-)medical personnel have for years been neglected by GRZ (i.e., old-fashioned curricula and teaching methods, general lack of resources). To ensure the availability of more and better-qualified staff, co-ordinated increased investments in training institutions of (para) medical personnel are crucial”. And with respect to HIV/AIDS: “the under-funded and overburdened health sector faces an enormous increase in the demand for services. At present more than 60 percent (rural) and 80 percent (urban) of the hospital patients are HIV/AIDS related”. It was the stand of RNE that in subsequent stages of the sector support programmes more attention had to be paid to staff training and retention and to HIV/AIDS.

Since 2000, the main Dutch funded activities have been:

- Health sector support programme:
 - Essential drugs programme;
 - District Basket and Expanded Basket;
 - Community Health Innovation Fund;
 - Provincial Health offices;
 - Human Resource Development – medical licentiates / clinical officers
 - Human Resource Development – District Health management course
- Employment House
- Zambian Health Workers Retention Scheme
- Flyspec
- Zambian Italian Orthopaedic Hospital

Only few new projects started in the health sector after 2000, with exception of the continuation of existing projects for the supply of essential drugs and support to non-governmental medical service delivery (for example the Christian Health Association of Zambia). Some new projects were launched in the area of HIV / AIDS prevention

The 1998 and 2001 policies of the Ministry of Foreign Affairs on Technical Assistance implied a major shift in the Dutch medical doctors programme. A new programme was elaborated with the Central Board of Health with the aim to improve the interest of Zambian medical doctors to work in rural areas by improving the secondary and tertiary employment conditions: the Medical Doctors Retention Scheme that started in 2003.

An overview of the Dutch funded programmes and projects during the period 2000-2003 is presented in table B1.3.

Table B1.3 Structural Bilateral aid health sector, 2000-2003

ZAMBIA STRUCTURAL BILATERAL AID THROUGH THE EMBASSY. HEALTH SECTOR								
Activities > € 100,000 committed								
Activity	Start	Commitm.	2000	2001	2002	2003	2004	Total
Sector programme aid								
CIS-ED 2001-2006	2001	18,151,209	0	2,758,210	528,452	2,613,562	3,200,000	9,100,224
District Health Services	2001	29,495,714	0	4,537,802	8,092,802	8,200,000	1,858,406	22,689,010
Community Health Innovation Fund	2001	680,670	0	0	126,250	150,000	250,000	526,250
Health Sector Supp Zam 2	2001	2,268,901	0	317,646	536,660	388,500	543,888	1,786,694
Health Sector Supp 2001-0	2001	1,134,451	0	201,828	177,589	406,108	170,110	955,635
ZHWRS	2003	2,060,000	0	0	0	960,000	498,893	1,458,893
Health Sector Supp. D.B.	2000	5,127,716	5,127,716	0	0	0	0	5,127,716
Non programme aid								
ITA Employment House	2002	8,194,732	0	0	333,027	485,007	650,000	1,468,034
CHEP	2002	107,100	0	0	68,220	27,000	0	95,220
Procurement of CHW kits, RHC kits and Essential Drugs (bulk supply)	2000	3,100,779	2,246,549	854,229	0	0	0	3,100,778
HRD – DHMC	2001	1,134,451	0	0	1,296	0	226,890	228,186
Integral CBC Prog Chikank	2000	531,668	151,111	187,464	140,850	39,646	0	519,071
Food component zm008111	2001	295,152	0	292,881	0	0	0	292,881
ZIOH	2002	173,775	0	0	157,199	0	0	157,199
FLYSPEC	2002	175,000	0	0	50,000	54,029	70,000	174,029
PAID-ESA; DHMC	1995	963,468	366,616	55,207	0	0	0	421,823
Rural Water for Health Phase II	1996	1,903,381	172,436	0	0	0	0	172,436
Monitoring ZM004404 (Supply Essential Human Drugs 1995-1999)	1996	101,552	11,908	12,319	0	0	0	24,227
CIS Essential Human Drugs 1995-1999 (UVM-1 comp)	1996	8,440,312	3,526,170	0	0	0	0	3,526,170
IAP-Ndola	2003	475,000	0	0	0	200,000	150,000	350,000
CHEP	2003	90,000	0	0	0	90,000	9,000	99,000
Zambia NAN	2003	200,000	0	0	0	160,000	36,000	196,000
CHAZ	2004	240,000	0	0	0	0	216,000	216,000
Total		85,045,031	11,602,506	9,217,586	10,212,345	13,773,852	7,879,187	52,685,476
Others < € 100,000 committed		1,107,283	1,107,283	334,060	305,656	196,719	60,565	2,004,283
Total		86,152,314	12,709,789	9,551,646	10,518,001	13,970,571	7,939,752	54,689,759

Source: MIDAS/ Pyramide (2003/3004) and Programmahulpbrievien

B1.4 Donor coordination and harmonisation

The multi-donor programme support (the basket of 1993) originated as support to an administrative reform programme implementing new public management ideas, whereby policy making was separated from execution. The policy making remained with the MoH, while implementation was delegated to an agency: the CBoH. Although the coordinated donor support to the district level started as a donor initiative, MoH took over the initiative thanks to a very active minister at the time. By 1994, MoH and its co-operating partners worked together in formulating the first National Health Strategic Plan (from Vision to Realities).

The World Bank stayed aloof of the 1999 MoU and this might have affected its credibility as a lead donor among the co-operating partners. In fact, the bilateral donors –in a joint effort- set the tune. These bilaterals are mainly the like-minded donors, who coordinate both formal and informal (DFID, Sida, the Netherlands, Danida, and Ireland Aid). This has, however, not marginalized the other donors. As a USAID representative in Zambia said: “.. donor coordination is more than a funding arrangement; it is about including as many interested parties as possible”. For example, donors constrained by their own standard operating procedures are assisted in working out creative solutions (JICA – Dutch arrangement on essential drugs).

Although there is no lead donor, de facto in 2003 the RNE sector specialist was recognised as such. This was partly on grounds of expertise, and partly on the rotating function of first contact donor (for 2004 this is DFID). RNE claims to have played a substantial role in donor coordination, as result of:

- the thorough knowledge of the health sector as a result of decennia of TA programmes and projects;
- the active role in the support to the changes in the health policy of the early nineties;
- the personal experience and qualities of embassy staff;
- the magnitude of the Dutch support to the sector.

Coordination is mainly required in the preparatory stages of a sector support programme. Once a programme is being implemented the intensity of coordination declines and partners rely more of the first focal point of contact between GRZ and the consortium of donors. So after the signing of the expanded basket (2003) the meetings scheduled for all co-operating partners were reorganised to (2004):

- Health Sector Meetings;
- Annual consultative meetings (review of reports, all stakeholders);
- Ministers and Head of Missions meetings;
- Monthly policy meetings (all co-operating partners);
- Implementation Review Steering Committee;
- Monitoring and evaluation (technical).

The co-operation partners in the health sector took the initiative to propose a reorganisation mechanism for the various working groups. The proposal (June 2004) was to reduce the number of working groups from twenty to thirteen; (1) human resources; (2) procurement and supplies; (3) health management information system / surveillance/ monitoring and evaluation; (4) transport, maintenance, infrastructure; (5) planning expanded basket, health financing, resource allocation and audit; (6) hospital reform; (7) Swap management, sector performance monitoring, coordination of cooperating partners; (8) HIV/AIDS an Global Fund; (9) reproductive health; (10) children health care; (11) tuberculosis; (12) malaria; and (13) nutrition). For each of those 13 groups a particular development partner can inscribe at four levels of intensity in the participation:

- focal point (attending meetings, reporting to reference group, starting discussions, monitor pro-actively developments);
- reference group (regular advise and active consulting);
- information only (with regular feedback);
- general system (no desire to be involved or receive reports).

According to the proposal the Netherlands would be focal point of the working groups on health management information system, monitoring and advice (group 3), planning expanded basket, health financing, resource allocation and audit (group 5); and HIV/AIDS (group 8).

The formal set-up of the coordination mechanism and the frequency of meetings established in the agreements do not automatically mean that the operations are satisfactory. Co-operating partners (like Danida, May 2004) have complained about the lack of information regarding the GRZ budget allocations and expenditures, about the lack of “position” taken by the co-operating partners, the lower than agreed upon frequency of meetings (many meetings have been postponed). RNE files reveal (May 2004) that it is insufficiently informed by GRZ on financial flows, and on decision-making regarding these flows (district basket – hospital basket).

B1.5 Ownership

The World Bank Country Assistance Evaluation was positive on government’s commitment to the health sector: “Broad and relatively deep consensus on a vision and strategy that has kept health reform largely on course, despite the vagaries of political leadership at the MoH (six ministers during the 1994-01 period)” (World Bank, 2002b: 65). The Institutional and Organisational Appraisal (ISOA) of 2004 indicated important points of contention in the relation with donors. The main issue behind this is that it was envisaged at the onset of the reforms that personnel in the health service would move out of the civil service and be engaged on a contract basis. This would allow them to have different or better conditions of service, but it would imply losing security of tenure. The dual employment meant that within the Boards there are persons who enjoy conditions of service as Board employees (12,000 persons), while others enjoy the conditions of service of the civil service (11,000)³⁶. The restructuring failed to address questions regarding the establishment of the health sector and this backfires on the MoH and CBoH. Cabinet has criticized the health sector for not having solved its problem of defining a structure for the entire health sector (Koot and Imambao, 2004: 27). Negative public perceptions and high expectations by politicians have expressed some discontent over the implementation of decentralisation and have questioned the value added to the health care delivery system (Phiri, 2003: 11).

The RNE sector rating 2003 qualified the effective commitment of the MoH as “unsatisfactory, threatening progress, but adequate measures are being proposed”. This low appreciation of commitment was caused by the reduction of GRZ’s own contribution (2003: 10.5 percent against 15.5 percent of the discretionary budget HIPC commitment) (RNE sector rating 28/2/04). Also the PRSP First Progress report refers to disappointing financial ownership by GRZ. In 2001, the planned GRZ health budget implied approximately USD 6 per capita, to be supplemented by the co-operating partners with USD 4.5 per capita. In practice, however, the total resource flow remained at a level of USD 8.8 per capita. GRZ did achieve to increase the percentage allocated at district level and below. The MoU 1999 puts as condition that at least 50 percent would be

³⁶ The so-called delinkage can only be implemented if the conditions set by Trade Unions are fulfilled, e.g. terminal benefits are paid to all Civil Servants who leave the service and join the Boards. Neither Government, nor Co-operating Partners can avail such amounts. The conclusion of MoH is that de-linkage is no longer a viable option. (Koot and Imambao, 2004: 34)

allocated to the district level (that was about the level in 1999), but this been increased to approximately 65 percent (2003).

Although the financial commitment might have remained below expectation, the feeling of ownership of those directly involved in the sector support programme is very high (own interviews). MoH economists praise the strong SWAp, since it reinforced their bargaining power with new donors, and because MoH can show well-defined procedures as well as a framework to entice them into harmonised reporting, auditing, etc. In addition, it strengthened MoH's position towards MFNP in, for example, the MTEF process.

Ownership can be restricted by the conditions imposed by the co-operating partners in the SWAps. These conditions have more weight than in the past, since they represent the requirements of all consortium members. On the hand, just as a result of being joint conditions, they have become less far-reaching than conditions imposed in past by for example the World Bank. Those conditions reflect the concern of the donors for the proper management and input-steering of the health services delivery system. Apart from the channelling of resources to the district levels, no reform conditions have been included in the MoU or the Agreements.

Box B1.1 presents the main conditions from the MoU 1999 and the Agreement between the MoH and the Netherlands, 2001.

Box B1.1 Main conditions Memorandum of Understanding concerning the National Health Strategic Plan (NHSP), October 1999 and Agreement MoH with the Netherlands, 2001

- A minimum of 60 percent of the total resources (as indicated in the resources envelope) coming from co-operating partners and a minimum of 50 percent of the resources coming from GRZ shall be directed towards district health services.
- Annual work programmes mutually agreed upon between MoH and co-operating partners.
- All management boards below CBoH will be commissioned by CBoH in line with the National Health Services Act and the NHSP, and will remain autonomous within the framework of the Act.
- Annual approved current budget (Note: the real condition was the approval status in a cash budgeting system)
- MoH and CBoH will be audited by the Auditor General an annual base.

The conditions for disbursement varied by component, for example:

- District Health Services: transfer of funds based on approved annual plans of the respective District Health Boards or Health Management Teams and on approved quarterly financial progress reports, approved by the Health Sector Support Steering Committee.
- Community Health Innovation Fund: transfer of funds based on approved annual CBoH Action Plan and half-yearly financial progress report.

B1.6 Institutional capacity

The Central Board of Health, as technical and implementation structure is based on participation of stakeholders in the boards at various levels. In the CBoH different health organisations and experts are represented, such as the University, church organisations, traditional healers, the Ministry of Interior, and persons appointed by the Minister of Health. The CBoH is contracted by the MoH to run the health services and was supposed to be an autonomous structure supervised by the Federation of Boards.

The CBoH contracts out the management of the health services to local District Health Boards (DHB) and Hospital Management Boards (HMB). These local boards consist of approximately 15 members; one third community representatives, one third local professionals and one third council representatives and other government officials. DHBs and HMBs use respectively the District Health Management Teams (DHMT) and Hospital Management Teams (HMT) as their secretariat to run the health services and implement their action plans. Since 1994, these DHMTs have been established in all 72 districts, while DHBs are established in almost all districts. At the sub-district level, Hospital Committees, Health Centre Committees, and neighbourhood management teams or Village Health Committees operate.

In the course of time, several management tools have been developed to improve the management of (district) health services, such as District guidelines, District Health Planning Guide, handbook for district Health Board members, and others. With support from the co-operating partners, CBoH has developed the Financial and Administrative Management System (FAMS) and the Health Management Information System (HMIS), both of which are now operational in all districts. FAMS provides detailed accounting information on resource use and HMIS tracks health service delivery and impact indicators.

Competence problems between MoH and CBoH happened to be persistent and GRZ has not been able to solve the labour and employment conditions between the two institutions. In addition, there has been a disconnection between the sector decentralisation and the slower local government reforms. As a result, in 2005 the CBoH will be reintegrated in the MoH.

In 2000, an assessment of the institutional capacity was carried out (Musowe, Mtonga and Peeperkorn, 2000) identifying the following areas as most critical:

- shortage of all technical cadres;
- mal distribution of manpower and qualities;
- attrition due to HIV/AIDS;
- unfocussed delivery of technical assistance.

In 2004, only the latter issue has become of less importance.

Regarding the change in institutional capacity in relation to the SWAp, the following can be noted:

- In spite of the marked improvements in capacity at the district level to plan and manage health services, capacity remains the greatest constraint. Saasa and Claussen (2003: 46) note “that the SWAp faithful have grossly underestimated the institutional constraints of the [public] system and the importance of the need to build, and perhaps more importantly, retain human resource capacities that are pivotal in planning and implementation of the complex SWAp approaches to service delivery.
- Although the separation of MoH and CBoH has operated for well over a decade, it has not solved the underlying manpower and management problems in the sector.
- The co-operating partners –through the sector support programmes- have focused on service delivery by the public sector. Although GRZ works with non-governmental organisations (the ‘mission posts’) represented through the Christian Health Association of Zambia (CHAZ), that provides almost 50 percent

of the health services in the rural areas of Zambia, no reform programmes have been set in motion to incorporate their services within the national system, not has the role of the for-profit health care been determined. (CHAZ receives partial funding by the Ministry of Finance [Memorandum of Understanding, 1996] and MoH second qualified staff in MHAZ hospitals).

B1.7 Results

During the period 1993-1997 the following health reforms were achieved:

- revised institutions,
- new policies in place,
- automatisisation of systems,
- new legal framework in place,
- de-linkage personnel CBoH.

Whereas the system has unambiguously improved during that period, the record of service delivery outcomes and health impacts has been more mixed. During the initial stages of reform, emphasis on institutional strengthening came at the expense of attention to service delivery performance. The reforms were almost derailed after five years of literally no improvements in outcome and impact indicators (Frantz, Mpuku and Wright 2004: 11-12). However, these reforms did contribute to accomplish at least part of the prerequisites for joint donor investments, such as putting in place a national policy (NHSP) and a corresponding Investment Plan.

Over a longer period, the positive results registered were also in the area of systems and organisation. According to the Strategic Planning Health Sector 2004-2007 exercise (RNE, 2004) the following results had been achieved as a result of the joint GRZ – donors efforts:

- An improved accountability and transparency that have enabled the co-operating partners to expand their pooled funding beyond the district health care (2003). This implied that donors have accepted a larger distance to actual implementation and that they hold MoH more accountable for the overall result.
- Increasingly the bilateral co-operation partners practice common approaches and make donor coordination effective. Especially among the like minded countries the Harmonisation in Practice initiative is leading to detailed harmonisation in several fields, such as narrative and financial reporting, audit requirements, streamlining of decision making. Although this presents the opportunity to reduce transaction costs and improve aid effectiveness, donors are still struggling building on –and to have confidence in- national management systems.

Areas in which progress remained below expectation were:

- The multilateral donors, like UNICEF, UNDP and UNFPA are passively involved in sector policy dialogue, but follow increasingly the project mode.
- Institutional and organisational arrangements are unclear. The current health agenda is merely a continuation of the same from the early nineties.
- GRZ contributions did increase in absolute amount, but reduced as a percentage of the discretionary budget (from 12.5 percent in 2001 to 10 percent in 2003).
- The necessary reforms in the public system and necessary change in role of the private sector have been slowed down by the powerful Medical Doctors Association.

There have been improvements in indicators related to access to service delivery, like the immunisation rate that went up from 58 percent in 1999 to 73 percent in 2003; under-five mortality rate; improvement in tuberculosis cure rate; the proportion of supervised deliveries went up [from 50 percent in 2000 to 56 percent in 2003, but still below regional standards] and reduced malaria incidence). Despite those improvements other indicators have not improved. The already high maternity mortality rate (729 per 100,000) has even worsened since 1996. Deteriorating indicators, including the decline in life expectancy at birth (now below 40 years) show the devastating effect of HIV/AIDS in society. The public health system in Zambia has been 'running fast to stand still' (quote in Frantz, Mpuku and Wright, 2004:12).

According to RNE the effective commitment by government has been unsatisfactory as expressed by GRZ financial input. Despite a real term expansion of the resource envelope from USD 20 / capita in 2000 to USD 23 / capita in 2003, of which approximately 65-70 percent was directed to the district level, in terms of share of the total discretionary budget, the allocation remained below expectations(2003: 10.5 percent against the 15.5 percent of HIPC commitment).

It should be noted, that the SWAp itself has possibly debilitated the options for real sector reform. The World Bank referred in this respect to its own Health Sector Support Project and concluded that the sector reform was in fact overtaken by the SWAp, that did not contain conditions for necessary reforms. The World Bank concluded: "It is not surprising that the health outcomes in Zambia continue to deteriorate" (World Bank, 2004:98).

During interviews the policy concerns were inspired by a feeling of crisis, mainly regarding human resources. Basket funding may financially enable a health centre to function, but if there are no qualified personnel then its effect will be limited. The lack of qualified human resources remains key determinant number one in the health sector. The shortage of doctors is not the only human resource problem in Zambia, many rural hospitals and rural health centres operate at 35-50 percent of their establishment level. The serious shortage of nursing and other support staff is undermining the quality of the health services in rural areas. Government had promised an Emergency Rescue Plan on human resources, but failed to produce that (2003).

Judgements by donors differ widely with respect to the quality and effectiveness of policy making in the health sector. The DFID Country Assistance Plan for Zambia praises the co-operation between donors and the Zambian government in the social sectors (DFID, 2004: 9), while the mid-term evaluation of the National Health Strategy Plan is more critical:

...did not quite continue that momentum to its logical conclusion: namely, of translating the strategic objectives and broad strategies into a fully costed plan, with defined and measurable outputs that could be seen to be deliverable through specified activities and within the identified resource envelop available. The necessity of so doing was first made in the Joint (Pre) Appraisal Mission Report of April 2001, but not acted upon; in consequence a prioritised and costed five year plan was never produced, and the linkages between the likely resource envelop and a plan capable of being implemented was never fully established. (GRZ, 2003a: 135)

B1.8 Appreciation of the sector approach in the health sector in Zambia

- The pioneering efforts in donor coordination in the Zambian health sector were a result of policy initiatives taken to decentralise the administration of the health sector. Donor co-ordination in the Zambian health sector has grown organically from the district level and not as part of an over-arching policy.
- For well over thirty years, the Netherlands has been a key technical and financial supporter of the Zambian health sector. The Netherlands supported primary health care programmes and staff training in the Western and Northern Provinces. At district level Dutch funded medical officers played an important role in direct service delivery and in the improvement of services and management at those levels. The Netherlands played an innovative role during the inception and first phases of the health reforms 1991-1996. Dutch developed procedures and models in the Western province with regard to decentralized planning and reporting as well as general management were adapted and used for the National Planning Guidelines. Also FAMS and HMIS were supported by Dutch funding
- Donor co-ordination in the Zambian health sector is not restricted to pool funders, but also co-operating partners who pursue project modality join the sector support programme and equally participate in working groups, and join the monitoring system. The platforms developed for donor co-ordination offer opportunities to expand on performance based management systems, instead of input steered control systems. Performance measurement is enabled by the Health Management Information System, that offers the possibility of linking inputs to outcomes.
- The experience in the Zambian health sector showed (1997, 1999) that national leadership plays a fundamental role in taking decisions on major policy changes, including embarking on a sector-wide approach with donor support. Policy consistency after political change is of importance to achieve results. After a first step of strong leadership commitment, it is the success itself that determines the support among other levels of the public administration.
- After the limited results of the World Bank Health Sector Support Project (ended 2002) in achieving fundamental reforms in the health sector, the SWAp on the NHSP has paid more attention to performance in health services delivery than in structural reform of the health system (hardly any attention was paid to the organisation of health care, the role of for-profit private health care suppliers, insurance, market conform employment conditions). Without reforms, the sustainability is at stake if the economy does not show substantial growth.
- Over a longer period, the positive results registered were mainly in the area of systems. This reflects the concern of the donors for the proper management and input-steering of the health services delivery system. The approach provides the co-operating partners a legitimate claim over how the total resource envelope in a sector is used, rather than limiting its influence to the smaller share of resources under its direct control. That also implies that donors, concerned about the utilisation of their own resources, have had an impact of the accountability (administration, audit, monitoring and control) of the total resource envelope (Frantz, Mpuku and Wright, 2004).

Part B.2 Annex Education

B2.1 Background

Children in the age group 0-14 make up 45 percent of Zambia's population. Since the early 1970s, the economy continued to weaken and the education system of Zambia deteriorated. In 1996, 69 percent of the 1.8 million children in the primary school age (range of 7-13 years) was enrolled. The education system suffered from inadequacy of providing access to education services, gender disparity in education, a general decline in the quality of education and inefficiency of the highly centralised educational management set-up. Teachers are poorly qualified and in insufficient numbers. The majority of the children not enrolled were living in the rural areas. The reasons for not going to school were either the costs (for example uniforms), or the low quality of education, or the distance from home to school.

There are four ministries with responsibilities for education, the Ministry of Education (MoE); the Ministry of Science, Technology and Vocational Training (MSTVT) and within MSTVT in particular the Technical and Vocational Education Authority (TEVETA; a kind of implementing agency charged with curriculum development and standards); the Ministry for Community Development and the Ministry of Youth and Sports.

The Movement for Multiparty Democracy (MMD) government designed a new national policy on education in 1993. This policy "Educating Our Future" (adopted in 1996) embraced the various levels in education from early childhood learning to higher education. Issues such as gender in education, the teaching profession and the organisational and management aspects of educational delivery formed part of the policy. Basic education was identified as the sub-sector in most urgent need. In 2003, it was government's objective to allocate 19 percent of the discretionary budget to education of which 60 percent targeted for at basic education. While MoE elaborated its policy "Educating Our Future", MSTVT developed a policy and a strategy during the same period (1996-97). The provision of (adult) literacy programmes is currently under the Ministry of Community Development and Social Services.

Based on "Educating Our Future", GRZ suggested to come to a sector-wide donor supported investment programme comprising the areas of competence of all four ministries involved. Although this suggestion matched the insights disseminated by the World Bank at that time, it was the Bank who considered the suggestion too ambitious and proposed to focus on basic education only (1997). The focus on primary education was more consistent with the Bank's own policy during the implementation stage of the Zambian Education Rehabilitation Project (ZERP, 1996-2000). This became the Basic Education Sub-Sector Investment Programme (BESSIP). MoE and co-operating partners agreed on the organising principles of the sector-wide approach.

B2.2 Sector description and Dutch interventions prior to 2000

During the 1990s, the Dutch support to education was in the form of project support and co-financing of the Zambia Education Reform Programme (ZERP). With the start of BESSIP, the Netherlands' support to the Education Sector had been focussing on basic education (BESSIP and WEPEP) and vocational training (EISTP initially called VEET).

Western Province Education Programme - WEPEP

The Western Province Education Programme - WEPEP was a partnership programme of MoE, RNE and UNICEF, which was implemented between 1998 and 2002. WEPEP was formulated while the process was ongoing to agree upon the Basic Education Sub Sector Investment Programme (BESSIP). WEPEP was approved in July 1998. The programme subscribed into most of the objectives and strategies set out in the BESSIP document, which was published some months later (November 1998). WEPEP was developed to enhance the efficient and effective delivery of education services to the province in the context of the decentralisation policy and reforms of the educational system. The programme was composed of four components: quality in education; decentralisation in management; programme for the advancement of Girls' Education (PAGE); and technical assistance. Although a bilateral project (with UNICEF technical assistance), it was implemented by MoE and managed through structures permeating all levels. There were implementation teams at provincial, district and school level. Initially there were 10 target schools per district, but due to local politics Mongu and Lukulu ended up having each one school extra, which brought the total up to 72 schools.

WEPEP was designed to support the introduction of national policies through a regional programme by providing assistance at provincial, district and school levels. Although it had a clear function next to BESSIP, it was disadvantaged in that it continued to be perceived as a separate project at a time when the co-operating partners shifted their attention to sub-sector programmes like BESSIP, to the disadvantage of WEPEP (Ministry of Education, Royal Netherlands Embassy, 2003:15). The mixed feelings and views whether WEPEP was part of BESSIP or not affected its implementation. Since only 72 out of the approximately 500 schools in the Province participated in WEPEP, the non-participating schools felt discriminated since they did not receive support through WEPEP. Although they had formally access to BESSIP funds, they did not make use of these funds, since they considered the WEPEP procedures easier.

WEPEP achieved to improve the supply of teaching and learning materials to target schools and hence to improve pupil textbook ratios; to improve parental involvement and through the artisan programmes to upgrade skills related to various crafts. The programme took care of the Netherlands' emphasis on the issue of gender equity in education and MoE has internalised this commitment of providing equal access for girls to education. The rise in girls' enrolment in the target schools was the result of advocacy and sensitisation campaigns conducted at school level involving local leadership.

WEPEP evolved as a concrete regional educational programme and this enhanced the sense of ownership at that level. Although there were only 72 target schools, all approximately 500 schools benefited indirectly, especially from inspection and improved services and training of district education and administrative officers.

BESSIP

"Educating our Future" identified as priorities a broad-based access to basic education, an improvement of the quality of primary education, and providing a response to the devastating pandemic of HIV/AIDS. The Basic Education Sub-sector Investment Programme (BESSIP) had as long-term objectives to address these issues with as sub-objectives (formulated in the Programme Implementation Plan):

- To expand access at grade 1-7 level and reverse the decline in enrolments in order to increase enrolments of eligible children to 100% by the year 2005 (in harmony with the Education For All goals).
- To continue to improve access to and quality of Upper Basic (grades 8-9) to achieve 100% enrolment by 2015 (EFA goal).
- To improve the supply of educational materials and in particular to attain a pupil-textbook ratio of 2:1 by the year 2005.
- To provide training opportunities for effective teaching and management.
- To provide sufficient infrastructure and school furniture to accommodate enrolment targets.
- To eliminate imbalances by achieving parity in gender and urban/rural enrolments and by ensuring enrolment of the poor and children with special learning needs.
- To improve the nutrition and health status of basic education pupils, including the implementation of an HIV/AIDS policy.

Four bilateral donors (the Netherlands, Norway, Ireland Aid and DfID) financed a Preparatory Fund to facilitate MoE to contract technical assistance, finance studies and to purchase some hardware as a run up to the formal start of a sector support programme. The Joint Appraisal (September 1998) resulted in a framework for an integrated sector approach for the development, improvement and reform of basic education. After the joint appraisal, other donors like Danida, Finland, USAID and JICA complemented the donor consortium for a period of four years (1999-2002)³⁷. The start was slow. The sector specialist stated: 'the dye is cast: now BESSIP will really take off in January 2000' (RNE internal document, Memorandum, 1999). The final agreement on BESSIP was a muted affair on the side of the donors: 'The Zambians display a tiredness to the donors who all the time continue to ask critical questions that are difficult to give a satisfactory answer to in their eyes' (RNE internal document, Memorandum, 2000). The donors argued that what happens in the classroom has priority: BESSIP should be visible in the classroom. Donors also stressed capacity building and decentralisation. The ministry wanted more attention to resources for administering the sector, notably more vehicles.

Due to its slow 'take off' (in 1999 only 19 percent of the pooled funds were spent) and since the new Strategic Plan for the period 2003-2007 was still under preparation at the time, the duration was extended with one year to end 2003. In the meantime more donors joined BESSIP. When the programme wound up (2003), there were fourteen co-operating partners involved. Technical assistance was provided by donors like DfID, Danida, Finida, Ireland Aid and the Netherlands.

The initial Dutch contribution to BESSIP came to NLG 22,000,000 (equivalent to € 9,983,165) which was increased in July 2001 with to the insertion of the HIV/AIDS component of NLG 1,300,000 to a total of NLG 23,300,000 / € 10,573,079. The bilateral aid provided to the education sector during the period 1996-1999 is presented in table B2.1.

³⁷ The Netherlands signed an agreement with the Ministry of Education for the period 01.01.99 – 31.12.01, e.g. for *three years*. The reason is that at that time the position of Zambia on the list of countries receiving bilateral development aid was being scrutinised due to concerns at the level of the Netherlands' authorities with regard to the quality of governance. Since November 2000 Zambia has been cleared for bilateral aid.

Table B2.1 Structural Bilateral aid, Education sector

ZAMBIA STRUCTURAL BILATERAL AID THROUGH THE EMBASSY. EDUCATION SECTOR							
Activities > € 100,000 committed							
Activity	Start	Commitment	1996	1997	1998	1999	Total
Non- programme aid							
BESSIP (contribution 1999-2001)	1999	10,573,079	0	0	0	3,335,285	3,335,285
ZERP (Zambia Education Rehabilitation Project); Civil Works	1995	3,287,211	0	1,791,071	0	0	1,791,071
VEET Policy Review, Phase II	1995	313,925	69,381	0	0	0	69,381
EISTP	1998	2,401,405	0	0	461,499	266,171	727,670
WEPEP	1998	3,605,284	0	0	534,328	693,638	1,227,966
BESSIP Joint Fund	1998	238,235	0	0	238,235	0	238,235
Education Rehabilitation	1993	2,417,741	777,779	777,779	0	0	1,555,558
Total		22,836,880	847,160	2,568,850	1,234,062	4,295,094	8,945,166
Others < € 100,000 committed		68,266	0	0	60,310	7,956	68,266
Total		22,905,146	847,160	2,568,850	1,294,372	4,303,050	14,623,313

Source: MIDAS and Programmahulpbriefven

B2.3 Interventions in the sector post-2000

The BESSIP activities were incorporated in the Strategic Plan for Education (2003-2007) and a five-year national Implementation Framework. The plan presents a holistic approach to education recognising linkages between the sub-sectors of basic, high school and tertiary education and encompasses early childhood education and skill training. Nevertheless, the priority remained with basic education, for which 60 percent of the resources is being set aside. This Ministry of Education Strategic Plan (MoESP) is based on the 1996 National Education policy and is in line with the PRSP, which has identified education as a priority sector in poverty alleviation.

Ministry of Education Strategic Plan (MoESP)

BESSIP ended late 2003. In the meantime, MoE together with the BESSIP partners and through a broad consultation process (2002) with ministries, NGOs, pupils, parents and teachers, elaborated a plan for the years to come. The Strategic Plan's overarching objective is the achievement of the Millennium goals for education: universal primary education by 2015 and elimination of gender disparity in primary and secondary education by 2005. The development goal defined by the Plan is "increased skills for poverty reduction, employment and economic growth, with sector goals anchored around four themes: access/equity; quality; administration and financial management and HIV/AIDS. The MoESP could be properly aligned with the PRSP (published in 2002) and could make use of the new structures of the MoE that had emerged under the Public Service Reform Programme. The Strategic Plan explicates its focus on financial investments through 12 major programmes (planning and information; infrastructure; teacher education; human resources; standards; curriculum; distance education; procurement; community; special issues; financial management and university) and 40 sub-sector programmes. A Five Year Strategic Programme was subtracted from the Education Strategic Plan for an amount of USD 1,226 million, of which approximately

USD 300 million would be funded by external resources (Appraisal Memorandum, 2003:4-7).

In 2003, MoE signed a Memorandum of Understanding (MoU) with eight donors (Denmark, Finland, Ireland, Netherlands, Norway, UNICEF, DfID and the World Bank) to come to a sector support based on the Sector Plan 2003-2007. This comprehensive SWAp in the education sector started in 2004.

The Netherlands' contributions to the sector can be summarised as follows:

- Active participation in (sub-)sector programme support mechanisms for primary education: WEPEP, BESSIP and MoESP based on the principles of the sector-wide approach. The Netherlands is one of the major donors, advocating for the sector-wide approach and funding through the pool as from the start of BESSIP. RNE is an active and leading partner at all levels of management. It fulfils many functions in committees and coordination groups. At decentralised level technical assistance is provided through SNV.
- Active participation in the support programme with the Ministry of Science, Technology and Vocational Training, first the TEVET and later the Technical, Vocational and Entrepreneurship Training Development Programme (TDP).
- Since 2002 a start has been made to mobilise like minded donors (DfID, Irish Aid, Norway and Oxfam) in supporting NGOs with relevance to education. These NGOs are: the Forum for African Women Educationalists of Zambia (FAWEZA), the Zambia Community Schools Secretariat and the People's Action Forum. The support is increasingly based on the principle of basket funding.
- The Community Schools movement developed very fast. In 2000 there were 64 schools and in 2004 some 1,900. They are registered under the community schools secretariat (Zambian Community Schools Secretariat - ZCSS). RNE has entered into a silent partnership with GTZ in the Community Schools Work Programme. Other donors involved are UNICEF and the VVOB (Flemish).
- In 2004, RNE funded with € 9.2 million an additional activity aimed at increasing the number of active teachers by funding the retirement benefits of elderly teachers, the appointment of new young teachers and the strengthening of the personnel administration of the MoE.

An overview of the support to the education sector over the period 2000-2004 is presented in table B2.2.

B2.4 Donor coordination and harmonisation

As part of the national Consultative Group structure, there is a Sector Advisory Group for education comprised of ministries, civil society organisations as well as co-operation partners. The main task is monitoring of PRSP progress in education. So far, its functioning has been disappointing: the meetings are badly prepared and attendance has been poor. The 2002 PRSP has recognised the fragmentation in the provision of education and suggested the establishment of a National Education Sector Authority (NESA) in order to co-ordinate the activities of all education providers (incl. NGOs and the churches). Also the MoESP mentioned NESA as coordination mechanism, but in practice NESA was never established and the MoE Sector Advisory Group Education assumed the coordination function. However, in 2004 there were contacts, but still little co-operation between MoE and other educational service providers.

Table B2.2 Structural Bilateral Aid Education sector, 2000-2004

ZAMBIA STRUCTURAL BILATERAL AID THROUGH THE EMBASSY. ECONOMIC DEVELOPMENT - AGRICULTURE								
Activities > € 100,000 committed								
Activity	Start	Commitm.	2000	2001	2002	2003	2004	Total
Sector Programme Aid								
D-WASHE Support Project	2001	494,938	0	136,134	210,583	0	0	346,717
Animal Prod.& Health Sub	2000	2,450,413	226,890	785,394	898,780	0	0	1,911,064
Funding RIF activities WP	2000	2,793,039	772,788	1,223,689	771,490	0	0	2,767,967
Conserv.Tillage,Dev.& Prom	2000	1,927,891	405,135	655,163	628,299	196,124	0	1,884,721
NRDC/ZEGA Training Trust	2001	637,334	0	243,952	230,000	90,000	0	563,952
Support Agr.Consultat.Foru	2000	221,736	79,235	67,907	73,910	0	0	221,052
GART r&d innov. farming	2003	1,516,752	0	0	0	400,000	500,000	900,000
Support NZTT phase 2	2003	1,024,900	0	0	0	277,000	265,050	542,050
Livestock Development Trust	2004	1,509,000	0	0	0	0	650,000	650,000
GART, conservation farming	1999	182,093	68,648	0	0	0	0	68,648
GART-Smallholder Dairy Dev	2001	978,849	0	261,377	332,540	134,720	119,297	847,934
ACF, phase 3	2003	340,000	0	0	0	40,000	80,100	120,100
Total		14,076,945	1,552,696	3,373,616	3,145,602	1,137,844	1,614,447	9,257,623
Non Programme Aid								
CULP Phase 2	2002	2,584,785	0	0	375,792	843,593	512,196	1,731,581
Water Supply Cattle S.Prov	2002	143,377	0	0	83,569	54,620	0	138,189
FAO-Assis.Agr.Prod.S.Prov.	2002	1,729,824	0	0	1,530,000	40,000	0	1,570,000
Warehouse receipt sys.ph.2	2002	117,810	0	0	59,738	43,522	0	103,260
PPS Phase II	2000	224,167	56,473	42,907	75,728	16,400	16,152	207,660
District Development Support Program (DDSP) fase 2 Western Province	1998	1,276,560	7,326	456	0	0	0	7,782
T.A. Animal Prod. & Health	1998	2,129,932	269,433	0	0	539,266	0	808,699
SAMEP, Phase 3	2000	764,171	158,823	226,890	266,000	50,000	10,664	712,377
Rural Finance	1997	211,993	5,832	0	0	0	0	5,832
ASIP, District Support	1998	156,755	767	0	0	0	0	767
SAMEP, smallholder agricultural mechanisation promotion	1999	182,709	91,953	0	0	0	0	91,953
Transition phase ACF	2003	47,338	0	0	0	47,338	0	47,338
Support Zambia Business Forum	2004	200,000	0	0	0	0	45,000	45,000
Total		21,176,424	2,074,655	3,382,492	5,203,889	2,637,863	1,429,162	16,294,643
Others < € 100,000 committed		765,114	305,254	187,852	178,000	8,804	2,706	682,616
Total		36,018,483	3,932,605	6,943,960	8,527,491	3,784,511	3,046,315	26,234,882

Source: MIDAS/ Pyramide (2003/3004) and Programmahulpbrieven

At the time of the World Bank led ZERP and even at the start of BESSIP, bilateral agencies were disenchanted with the way the World Bank sought to lead the process. First, some donors thought that an opportunity to come to a sector-wide approach was undermined by the Bank's plea for a sub-sector approach and second, they were 'not amused' by the fact that the Bank claimed to talk on behalf of all donors. The response to this friction was that rather than concentrating leadership in one a single agency, co-operating partners opted for a rotating leadership (mainly among the group of like

mindful donors). BESSIP was a step forward. It contributed to a strong donor co-ordination mechanism realised in two ways:

- Through the formal organisation of consultative committees (Annual Review with all partners; Joint Steering Committee that meets twice a year. It consists of all signatory partners and Zambian representatives; Financial Technical Committee. It consists of six donors (rotating system among signatory partners) and Zambian representatives; Sector Programme Support Group. A monthly information-sharing group consisting of six persons from the ministry and six representatives from the donor community; Committees dealing with cross-cutting issues, like the AIDs/HIV sub-committee and the Equity and Gender sub-committee).
- Through the Informal Donor Group which met monthly.

For the coordination in the context of the MoESP the set-up is similar and agreed upon by the MoU. Under MoESP the informal donor meetings have been reduced in frequency to once every six to eight weeks. Informal coordination is of importance; it is preferred to settle (potential) conflicts through personal contacts rather than by formal query. In the event of possible conflicts, donors may hold a pre-Financial and Technical Committee meeting in order to sort out matters. Yet, despite the stress laid on co-operation in policy making, the main concern in donor-government interaction still rests at the implementation side.

The joint programme for Vocational training (TESSIP) came never of the ground and was finalised in 2004 without demonstrating a lot of results. For the programme management of the vocational training (TDP) a Joint Steering Committee has been established, as well as a technical committee and a stakeholder forum. Also for TDP operates an informal donor group which meets when needs arise.

Harmonisation

MoESP has incorporated numerous independent projects funded by co-operating partners and that had continued to operate under BESSIP (for the Netherlands for example, WEPEP). This was a major achievement in harmonisation. In line with the sector approach, MoE stresses the importance of joint efforts in planning, reporting, monitoring and review. In practice, the first annual work plan of the MoESP and its budget (in line with the government's Medium Term Expenditure Framework) has been elaborated jointly between GRZ and donors.

Harmonisation also comprises the funding mechanisms. There are still various options open, but the reduction in number of separate accounts is remarkable (from about 1,000 to about 10 accounts). Donors coordinate their inputs and missions. MoE and donors share information, have agreed upon a single narrative reporting system, a single financial reporting for the pool-funders, a single monitoring and evaluation system and a single auditing system (by the Auditor General).

B2.5 Ownership

The Joint Evaluation (GON, 2003: xxi) was positive on partnership and referred to the high confidence between MoE officials and representatives of the funding agencies. This contrasts with the judgement made in the World Bank (2002b: 70) that indicated that: "Many of the problems in the education sector can be attributed to poor institutional capacity both quantitatively and qualitatively [...] Analytical work relies heavily upon a few local consultants and donors. As a consequence there is little ownership and

benefits cannot be sustained". Most RNE reports refer to the high political commitment (i.e. annual report 2002: "In Zambia the political will is beyond any doubt"). This positive image is put in perspective by RNE's 2002 sector rating that distinguished commitment at various levels of the administration:"

Political commitment has increased, but control rests by the agencies. Interventions reflect the agencies' priorities in the first place. It is hard for MoE to take ownership over decisions made in advance by the major funding agencies. Interviews with MoE staff (2004) revealed a strong identification with the education SWAp and high appreciation for the co-operation with the institutions involved. The challenge ahead was the further mainstreaming of the financial administration of the SWAp, which has been separated from the GRZ system and managed by a financial officer appointed by the donors. Although the implementation of the educational system is a process of increasing decentralisation, the nexus between MoE and the co-operating parents is an almost exclusively Lusaka-based since most of the donors do not have bilateral projects anymore. This concentrates communication at the central level and implies that the provincial and district levels hardly feel part of the joint MoE-partners effort. Some central level officials referred to that friction. The Chief Education Officer showed little appreciation for partnership and commented about donor pushed decision making and unreliable release of donor funds that –apparently- compared unfavourably to the release of funds by GRZ.

The sector support programme is 'owned' by a core group of civil servants. With 54,000 employees, the MoE is big and –like any large organisation- not a monolite. It is only on the basis of success that the sector support programme can trigger a more generalised feeling of ownership. It is difficult to create a broad sense of support throughout the country if output indicators do not improve. In the words of the Zambian education advisor at RNE: "Visibility at the classroom level is not commensurate with the amount of support at the central level. The great challenge is to bring the change process down to lower levels. Service delivery at lower levels needs to be improved. At the level of the schools and at the level of the districts, the whole process of planning and reporting output is not yet internalised".

Do the donors still 'own' the process? In the education sector most agencies are satisfied with what is considered to be an acceptable level of monitoring and review and have accepted the results (of BESSIP). For some, however, there is the feeling that they are loosing touch with the 'grassroots' level; that donor's efforts are hard to match with specific results and that 'there is little we can be proud of'. This lack of identification with the results may result that the donor's efforts and commitment ebb away.

B2.6 Institutional capacity

As part of the Public Sector Reform programme, MoE has been restructured with a view of making it leaner and having better quality staff. Critical in this regard has been the restructuring of the Planning and Information department (previously the weakest directorate) that has now become the hub of implementation and information generation, budgeting and monitoring. It is now possible to produce up-to-date statistical bulletins and performance indicators reports.

BESSIP has positively enhanced the capacity of a core group of officials within MoE, especially in the areas of planning, budgeting, reporting, financial management and

monitoring. A separate BESSIP Accounts Unit managed the financial management system. Under MoESP, the BESSIP management system has been expanded and integrated into the main MoE Accounts Unit.

However, the larger human resource base shows a rather weak performance. According to the World Bank (2002, Annex VI:69) ZERP and BESSIP failed to ensure the appropriate institutional capacity. Many of the problems can be attributed to poor institutional capacity, both quantitatively and qualitatively. Specialized implementation skills are scarce; as are the skills to manage physical, human and financial resources. Analytic work relies heavily on a few local consultants and on the donors' experts.

Notwithstanding the decentralisation efforts, MoE continued to operate in a centralised manner. No effective power and authority has been devolved to the local structures at the district level. Under the MoESP, the MoE with the support of its co-operating partners DfID, Ireland Aid and the Netherlands has embarked on a programme of accelerated decentralisation of educational administration in the Northern and Western provinces. The so-called accelerated decentralisation programme (ADP) comprises capacity building programmes, the strengthening of structures at district level, the improvement of financial management and access to financial resources and the creation of a District Basket Fund. SNV provides technical assistance in financial and change management.

The institutional capacity of the MoE, both at central and de-central levels, has not reached the levels required for a smooth implementation of the MoESP. Change of staff at top level and incomplete automatization of the financial administration have had a negative impact (HMA Lusaka 2005:4).

B2.7 Results

The World Bank Country Assistance evaluation (2002) was critical with respect to the results obtained during ZERP and the first two years of BESSIP and qualified the performance as "moderately unsatisfactory" (World Bank, 2002, Annex VI:68-69), mainly as a result of the underestimation of the training requirements for teachers and low involvement of other stakeholders than the ministry (only marginal involvement of private sector and education provided by the churches). In addition, the ministry's capacities were considered to be persistently weak.

BESSIP was designed to foster a culture of change and reform throughout the system by establishing a management structure (especially in the Planning Department) that could facilitate the decentralisation of planning, monitoring and evaluation. This did not work out as planned. In fact, among the issues that plagued BESSIP have been the lack of restructuring of MoE and the lack of speedy expansion in decentralisation. The restructuring of the Ministry took place at a slow pace. The envisaged appointments took only place towards the end of BESSIP. Due to a lack of radical changes in both structures and management roles of MoE, BESSIP evolved its own management styles to address the vacuum. BESSIP as a complex programme of reform was started at a time the institution was still reforming itself (Ministry of Education, 2004:30).

Direct output under BESSIP was not always as envisaged. For example, in 2000 only 500 new classrooms were built (1,000 planned) while reliable statistical information (and related to that the development of indicators) left much to be desired. Nevertheless,

BESSIP contributed to a better provision of basic education in Zambia, but the problems remain very large (GRZ, 2004: 13): The baseline scores in 1999 for English Reading and Mathematics were 33.2 percent and 34.3 percent respectively out of a possible 100. The performance scores were low in all parts of the country, for both sexes, and for those from all socio-economic strata in the country. The rates were lowest of all for girls in rural areas. The National Assessment 2001 stated: the results still showed low levels of literacy and numeracy skills, with many of the pupils being functionally illiterate at the end of their schooling. The preliminary results for 2003 showed improvement: the scores for English and Mathematics improved to 35 percent and 39 percent respectively.

HIV/AIDS increased the teacher attrition rate, absenteeism and raised the number of out-of-school children. However, since the inception of BESSIP in 1999, there has been a 20 percent increase in primary enrolment (2002) and gender parity has been largely achieved. Abolition of examination and stationary fees in 2001 and introduction of the Free Primary Education policy in 2002 resulted in a 7 percent increase in enrolment. Under BESSIP the number of schools has increased from 4290 in 1999 to 4558 in 2002, but still leaves a gap partly filled by private initiatives such as the Community Schools Movement (some 1335 schools provided education to 176.000 children in 2002). Under BESSIP the number of textbooks was doubled.

The BESSIP Completion report (Ministry of Education, 2004) elaborates extensively on the changes in the way of operation of the MoE, and in particular in the relation with the co-operating partners:

- a direct and more intensive engagement between MoE and partners and stakeholders in policy formulation, implementation and programme management;
- clearance of ghost workers through decentralisation of administrative procedures. However, the institutionalisation of procedures was not widespread below the level of Provincial Education Officer;
- although efforts were made, there was no development in bottom up planning procedures (school plans feeding into district plans, district plans feeding into provincial plans, which in turn feed into national rolling plans and budgets;
- the use of government procedures as long as these were acceptable by donors. But sometimes, these procedures showed deficiencies. The attainment of common acceptable procedures has been regarded as a process and not forced upon (Ministry of Education, 2004:54)
- harmonising financial management procedures, standardizing the formats of periodic reports, arrangements to provide technical assistance have for example resulted in greater teamwork and better communication among ministry officials;
- under BESSIP greater communication and collaboration on financial inputs has resulted in more understanding of each party's concern and requirements;
- different interests motivated earmarking. Earmarking can be a proxy measure for maintaining bilateral project modality. But earmarking can also imply that the donor insists on certain priorities that, in the donor's view, do on figure centrally enough in the national strategies and programmes. The legitimacy of such earmarking is a complex issue, similar to conditionalities in agreements. It can, however also be perceived as an essential element in the

- dialogue between the partners. If there were full agreement on all policies and priorities, there would not have been any need for an ongoing dialogue.
- BESSIP enforces agreements and policies and on joint actions. This made it difficult to individual donors to retain discrete identities of their own.

The cost-sharing policy introduced by the World Bank has promoted stronger community, private sector and NGO participation in education provision, but has also contributed to restrict access to the poorest sections of the population (such as orphans, children with special needs) that could not afford basic education. Against this background, GRZ decided to abandon the cost-sharing policy and introduced free primary education in February 2002.

Support has mainly focused on primary education. The other Basic Education priorities and alternative basic education (incl special education for particular groups) and functional adult education have suffered. Their main support comes through NGOs, the church, and bilateral projects, but their funding decreased since donors channelled the resources through BESSIP (Ministry of Foreign Affairs 2003:62). In general support through the church and NGO remains poorly measured, poorly integrated and weakly documented.

B2.8 Appreciation of the sector approach in the education sector

- BESSIP was a donor driven initiative based on a common understanding on how to proceed in facilitating the implementation of the policy 'Educating Our Future' (1996). Essential in BESSIP was the concentration on the primary education sub-sector rather than on a 'sector-wide' approach. BESSIP was a joint donor exercise without a clear lead donor. In its funding arrangements it was rather flexible, opening up for four different funding modalities. All co-operating partners were included in programme design, formulation and review.
- The 2003 national education strategic plan enabled a more far-reaching institutional support programme to the MoE. That sector support programme emerged out of BESSIP, built on its experience and started in 2004. More donors joined the pool funding and did not earmark their support anymore. Progress was made in the harmonisation of procedures; the number of different accounts was further reduced. All co-operation partners remained actively involved without relying on a single lead donor. A collegial approach is evident throughout; for example, donors deputise for each other. If differences of opinions tend to threaten progress, the partners try to sort things out in 'de-conflicting meetings' beforehand.
- MoESP was developed over one and a half-year by a group from the ministry and donors. That was followed by a conference of donors. MoE has been active in spreading the concepts throughout the different levels (and regions) of the ministry. Only the top of the ministry dealt with BESSIP, but now the number of persons directly involved is increasing. Nevertheless the internalisation of concepts remained an almost exclusive Lusaka phenomenon.
- The direct relations between donors and line ministries tend to by-pass the Ministry of Finance. This is expressed by funding mechanisms that deviate from

the 'normal' flow of funds in the public sector. So far, the funding mechanisms have been 'off budget' (with exception of the European Commission) and restrict the MNFP in managing the allocation and release of resources.

Part B.3

Annex Economic Development - Agriculture

B3.1 Background

Zambia has a considerable potential to expand agricultural production, given the large resource base and low population density. Only about 14 percent of the cultivable land has been brought into production. In 1999, agricultural products contributed 47 percent of the non-traditional export earnings, of which floricultural and horticultural products accounted for almost half (USD 65,735,000; 1999). Private investors made significant investments in non-traditional export crops. At that time, the sector absorbed some 67 percent of the (largely informal) labour force and represented the main source of income and employment for well over 45 percent of the Zambian population. In theory, labour seems abundant, but in practice it has been a constraint as a result of male labourers lured into industry, mining and construction by higher remuneration.

Zambia's agriculture sector is characterised by its duality between smallholder producers and commercial farmers. Prior to 1991, the predominantly public-sector driven economy implied state control over the distribution of agricultural inputs, marketing of produce (including a price policy on smallholder crops), credit, extension and research services. During decades the public sector actively intervened with the smallholder sub-sector while leaving the commercial sub-sector largely 'to the market forces'. As part of the adoption of the Structural Adjustment Programme, government introduced the Agricultural Sector Investment Programme (ASIP) aimed at 'liberalising' the agricultural sector by reducing or elimination the public sector's direct involvement in production; in agro-services; in agricultural credit; and in marketing of agricultural produce. After a decade of disintegration of the public support mechanism, the private sector has been unable to fill the gap. During some time government still promoted maize production in general (by smallholders and commercial farmers alike) by seed and fertilizer supply and fixed purchasing prices. Maize was even grown in areas where its production was not feasible. The negative image of public sector interference in the sector was replaced by a firm belief in the organising forces of the market. But the market happened to be imperfect or simply non-existent. The U-turn in this respect was made with the publications of the agricultural policy document "Vision for the Agricultural Sector 2010" and the PRSP (2002). Both documents argue in favour of public support, since agriculture was identified as a motor for economic growth and source of income generation for almost half the population.

Both the National Agricultural Policy (2001-2010) and the Poverty Reduction Strategy (PRSP) (2002) identified agriculture as the sector with the highest pro-poor impact.

The the National Agricultural Policy contains the following specific objectives:

- To ensure national and household food security through dependable annual production of adequate supplies of basic foodstuffs at competitive costs;
- To ensure that the existing agricultural resource base is maintained and improved upon;

- To generate income and employment through increased agriculture production and productivity;
- To contribute to sustainable industrial development by providing locally produced agro-based raw materials; and
- To increase agricultural exports thereby enhancing the sector's contribution to the national balance of payments by increasing agricultural exports.

B3.2 Dutch interventions prior to 2000

Since the early days of the bilateral co-operation, the Netherlands has been involved in the agricultural sector, mainly in the Western Province. Major activities comprised the Livestock Development Project (combating the tsetse fly), the provision of technical assistance to the Animal Production and Health Services, the National Animal Draught Power Programme and Smallholder Mechanisation Services. Also projects in the field of water and sanitation were supported within the sector. In coordination with other donors integrated programmes had been developed at the district level. The Netherlands supported the District Planning in the Western Province as well as the District Development Support Programmes. The Netherlands supported the World Bank initiative for the Agricultural Sector Investment Programme (ASIP) from the very early stages of its inception (1994) onwards. Within ASIP, the Netherlands supported in particular the Animal Production and Health sub-programme, and has brought a number of projects under the common policy of ASIP, such as Technical Support to the Food Reserve Agency. An overview of the activities in rural development until 2000 is provided in table B3.1.

Agricultural Sector Investment Programme

The Agricultural Sector Investment Programme was the first multi-donor sector support programme (SWAp) developed in Zambia. It built on earlier World Bank experiences in the Tanzania Transport sector and on the Zambian Agricultural Investment Programme ZAPIP. The World Bank was the lead donor in the process. After a long formulation and appraisal period, it started in 1995 and was supposed to end in 1999. It embraced the entire agricultural sector and thereto it was subdivided into fourteen sub-programmes. The programme was intended to bring agricultural policy, institutional initiatives and development investment assistance in agriculture and rural communities from 11 donors under one single umbrella with co-ordination by the Ministry of Agriculture, Forestry and Fisheries [MAFF] (World Bank, 2002b: 58). The guiding principles of ASIP were:

- Sector wide coverage,
- A unified institutional framework located in the Ministry of Agriculture with separate sub programmes,
- Basket funding,
- Local ownership with minimal use of long-term expatriate technical assistance,
- Greater decentralisation and beneficiary participation.

ASIP was costed at USD 350 million, but only a small part was released. Of the World Bank loan of USD 60 million, only USD 30.9 million had been released by 1999, while at the end of the extended run-time of ASIP (2002) USD 50.5 million had been disbursed (World Bank, 2002b: 80). The Netherlands was one of the few donors who supported their component of ASIP –Animal Health and Production – as initially envisaged. Between 1995 and 1998, the World Bank considered ASIP a flagship programme. Later it turned out to be a disappointment. In 2002, the Bank concluded that it had failed to achieve most of its objectives (World Bank, 2002b: 58).

Table B3.1 Structural Bilateral aid, Rural sector, 1996-1999

ZAMBIA STRUCTURAL BILATERAL AID THROUGH THE EMBASSY. RURAL SECTOR							
Activities > € 100,000 committed							
Activity	Start	Commitment	1996	1997	1998	1999	Total
Sector programme support							
ASIP, Animal Production and Health sub-programme	1997	226,890	0	226,890	0	0	226,890
Non- programme aid							
Labour Intensive Road Rehabilitation, Western Province	1997	226,890	0	0	226,890	0	226,890
Small Scale Enterprise Promotion (UVM 3 component)	1995	441,455	1,372	0	0	0	1,372
Support to district planning in Western province	1995	1,771,552	833,028	681,350	0	0	1,514,378
District Development Support Programme (DDSP) fase 2 Western Province	1998	1,276,560	0	0	712,197	556,582	1,268,779
People's Participation Service (PPS)	1997	141,141	0	45,378	95,763	0	141,141
Sesheke Advisory Centre (SAC)	1997	204,346	0	45,378	79,484	79,484	204,346
Smallholder Agricultural Mechanisation Services (SAMS), 09/95-09/96 (UVM4-component)	1995	435,962	102,313	115,202	103,480	7,500	328,495
Nat. Animal Draught Power Progr, UVM-1 component	1996	137,732	68,067	69,665	0	0	137,732
Nat. Animal Draught Power Progr. UVM-3 component	1996	219,877	113,445	106,432	0	0	219,877
Nat. Animal Draught Power Progr. UVM-4 component	1996	471,195	376,857	94,338	0	0	471,195
Smallholder Agricultural Mechanisation Promotions (SAMEP)	1997	995,015	0	332,931	410,633	251,452	995,016
Declaration of Intent "Support to Africare"	1997	128,461	0	128,461	0	0	128,461
SAMEP (Africare)	1997	459,638	0	0	267,462	192,176	459,638
Food Aid Western Province (UVM3-component)	1995	785,424	433,360	111,424	13,750	0	558,534
Rural Finance	1997	211,993	0	45,378	82,679	78,105	206,162
ASIP, Technical Support to the Food Reserve Agency	1997	438,832	0	0	352,085	86,748	438,833
ASIP, District Support	1998	156,755	0	0	84,865	71,123	155,988
TA. Animal Prod. & Health	1998	2,129,932	0	0	1,376,712	483,786	1,860,498
GART, conservation farming	1999	182,093	0	0	0	113,445	113,445
Samep, smallholder agricultural mechanisation promotion	1999	182,709	0	0	0	90,756	90,756
People participation project , phase 3,	1991	392,343	44,338	0	0	0	44,338
ARPT Phase 3.	1992	1,838,287	208,552	66,137	0	0	274,689
Livestock development project (tsetse) fase 2	1992	6,709,594	1,386,460	1,510,466	226,890	0	3,123,816
Masese Agricultural Project, Phase III	1994	434,353	208,340	0	0	0	208,340
Total		20,599,029	3,776,132	3,579,430	4,032,890	2,011,157	13,399,609
Others < € 100.000 committed		315,998	37,213	17,063	30,972	167,891	253,139
Total		20,915,027	3,813,345	3,596,493	4,063,862	2,179,048	13,652,748

Source: MIDAS and Programmahulpbrieven

ASIP encountered many problems:

- Institutional reform was meant to precede the sector support programme, especially at provincial and district level. However, that had not taken place until after the programme started. The assumptions about the capacities of a ministry during a process of restructuring were highly unrealistic. The ministry was overburdened and could not absorb the 90 percent of the resources disbursed at central level.
- ASIP was poorly integrated in government's administrative structure. Despite its elaborate design procedure, the relation between the sub-programmes and the Ministry of Agriculture's functional units was poorly worked out.
- Originally the private sector (Agribusiness Forum, ZNFU) was interested in ASIP. The Agribusiness Forum was one of the initiators of the first meetings in the beginning of 1993. However, when the World Bank imposed its leadership on the consortium, they pulled out and the proposed links to private sector initiatives were never made.
- Donor coordination did not work. At the time, there was no harmonisation of procedures yet and each donor operated according to its own standard operating procedures. Closely related to that point was the fact that the basket funding did not work out well. Donors were concerned about their flag and insisted on the national identification of contributions.
- The contributions by GRZ were irregular due to the cash budgeting system.
- The ministry was looking for additional funds for current expenditure. Prior to the inception of ASIP, the extension service had been part of the IDA funded Zambia Research and Extension Project (ZAREP). When ZAREP was integrated into ASIP, expenditure levels at the district level declined by as much as 60 percent (Institute of Economic and Social Research, 1998: 35/6).
- The major issue was however, the open conflict between the leadership of ASIP and the ministry. The Agricultural Sector Steering Committee undermined the ultimate responsibility of the minister. This led to heated steering committee meetings. The Committee was dissolved after the mid-term evaluation (Institute of Social and Economic Research, 1998: 50). Directly related to that was the conflict between the World Bank and bilateral donors. The World Bank behaved in an authoritarian and solitary manner, while claiming to act on behalf of the consortium.

B3.3 Interventions in the sector post-2000

The ASIP aftermath

ASIP was formally concluded in 2002. There have been some attempts to formulate an ASIP II, but most donors were not interested in renewing investments in the sector for three reasons:

- a general feeling of disappointment with ASIP;
- an ongoing discussion on the role of the public sector in agriculture and related to that whether donors should support the smallholder subsistence producers, or alternatively, the market oriented producers;
- the Millennium Development Goals pulled the attention towards the education and health sectors.

In practice, the follow-up programme to ASIP was the Agricultural Commercialisation Programme (ACP), formulated as the agricultural component of the PRSP. The ACP stresses government's commitment to transforming the agricultural sector from being a

mere way of living to being a viable business from which farmers can earn income. In line with that perceptual change the role of the Ministry of Agriculture changed as well. At date (2004) it is regarded to be an economic ministry concerned with promoting a commercially viable agricultural sector. It is no longer involved in direct welfare transfers by means of, for example, the provision of agricultural inputs. The subject of household food security has been transferred to the Ministry of Community Development.

The Dutch development co-operation continued funding projects, while looking for opportunities to join new initiatives for a sector support programme. Based on the recommendations of the mid-term review of ASIP, the focus shifted towards the public-private partnerships in agriculture. It is in this environment that the Netherlands has embarked upon supporting public/private partnerships in the form of trusts. See table B3.2 for the activities during the period 2000-2003.

Agricultural Consultative Forum (ACF)

The Steering Committee of ASIP was seen as a threat to the legal and ultimate responsibility that rested with the Ministry of Agriculture. Following recommendations by the 1998 ASIP mid-term review, the Steering Committee was disbanded. With the aim to expand stakeholder participation, the Agricultural Consultative Forum (ACF) was established, composed of 37 constituent members (of which eight are from government) and associate members coming from ministries, projects, NGOs and private organisations. It also includes representation from parliament, district level agricultural coordinators and three donors. ACF is openly committed to private sector development, but activities are legitimised by government policy. It developed from a coordinating body to a think-tank for policy advice, networking and independent monitoring of the agricultural component of the PRSP. ACF was closely involved in the drafting of the National Agricultural Policy (2001–2010) and also recommended on the gradual phasing out of the fertiliser subsidy.

ACF was first financed as a project under the Ministry of Agriculture and Co-operatives (MACO), but since 2003 it has an independent legal identity. After an initial 18-months phase of Dutch support (1998-1999) funding was extended for three years (2000-2002). This was followed up by a four-months funding of a transitional stage that culminated with the approval of a Project Support Document for funding from September 2003-December 2007 with NORAD (as silent partner). USAID support in direct funding arrangements for a two-year period only.

The emergence and character of the trusts

Since the mid-1990s, private-public partnerships in agriculture, organised in the form of trusts, emerged. These were triggered by the privatisation process, where previously public goods ended up in the hands of (ex-) civil servants, not familiar with commercial farming. The trusts arose out of Zambian initiatives modelled on Zimbabwean experiences. In 2004, there were seven such trusts of which three funded by the Netherlands.

The initiatives for the trusts were taken by government (the Cotton Development Trust was the first one and the Livestock Development Trust is most recent one). The idea was to revive government assets and turning them into centres of excellence. A trust is supposed to generate income through business profits. Trusts are mandated by government and complement the private sector. Trusts are involved in contract work as well.

Table B3.2 Structural bilateral Aid 2000-2003

ZAMBIA STRUCTURAL BILATERAL AID THROUGH THE EMBASSY. ECONOMIC DEVELOPMENT - AGRICULTURE								
Activities > € 100,000 committed								
Activity	Start	Commitm.	2000	2001	2002	2003	2004	Total
Sector Programme Aid								
D-WASHE Support Project	2001	494,938	0	136,134	210,583	0	0	346,717
Animal Prod.& Health Sub	2000	2,450,413	226,890	785,394	898,780	0	0	1,911,064
Funding RIF activities WP	2000	2,793,039	772,788	1,223,689	771,490	0	0	2,767,967
Conserv.Tillage,Dev.& Prom	2000	1,927,891	405,135	655,163	628,299	196,124	0	1,884,721
NRDC/ZEGA Training Trust	2001	637,334	0	243,952	230,000	90,000	0	563,952
Support Agr.Consultat.Foru	2000	221,736	79,235	67,907	73,910	0	0	221,052
GART r&d innov. farming	2003	1,516,752	0	0	0	400,000	500,000	900,000
Support NZTT phase 2	2003	1,024,900	0	0	0	277,000	265,050	542,050
Livestock Development Trust	2004	1,509,000	0	0	0	0	650,000	650,000
GART, conservation farming	1999	182,093	68,648	0	0	0	0	68,648
GART-Smallholder Dairy Dev	2001	978,849	0	261,377	332,540	134,720	119,297	847,934
ACF, phase 3	2003	340,000	0	0	0	40,000	80,100	120,100
Total		14,076,945	1,552,696	3,373,616	3,145,602	1,137,844	1,614,447	9,257,623
Non Programme Aid								
CULP Phase 2	2002	2,584,785	0	0	375,792	843,593	512,196	1,731,581
Water Supply Cattle S.Prov	2002	143,377	0	0	83,569	54,620	0	138,189
FAO-Assis.Agr.Prod.S.Prov.	2002	1,729,824	0	0	1,530,000	40,000	0	1,570,000
Warehouse receipt sys.ph.2	2002	117,810	0	0	59,738	43,522	0	103,260
PPS Phase II	2000	224,167	56,473	42,907	75,728	16,400	16,152	207,660
District Development Support Program (DDSP) fase 2 Western Province	1998	1,276,560	7,326	456	0	0	0	7,782
T.A. Animal Prod. & Health	1998	2,129,932	269,433	0	0	539,266	0	808,699
SAMEP, Phase 3	2000	764,171	158,823	226,890	266,000	50,000	10,664	712,377
Rural Finance	1997	211,993	5,832	0	0	0	0	5,832
ASIP, District Support	1998	156,755	767	0	0	0	0	767
SAMEP, smallholder agricultural mechanisation promotion	1999	182,709	91,953	0	0	0	0	91,953
Transition phase ACF	2003	47,338	0	0	0	47,338	0	47,338
Support Zambia Business Forum	2004	200,000	0	0	0	0	45,000	45,000
Total		21,176,424	2,074,655	3,382,492	5,203,889	2,637,863	1,429,162	16,294,643
Others < € 100,000 committed		765,114	305,254	187,852	178,000	8,804	2,706	682,616
Total		24,611,480	2,448,557	3,831,721	5,714,429	2,781,387	2,201,165	16,977,259

Source: MIDAS/ Pyramide (2003/3004) and 'Programmahulpbrieven'.

Three of these trusts are presented in continuation:

(i) Golden Valley Agricultural Research Trust (GART)

GART was founded in 1994 as a joint initiative of the then Ministry of Agriculture, Food and Fisheries (MAFF) and the Zambia National Farmers Union (commercial framers) to increase the value and relevance of agricultural research to all categories of Zambian farmers with enhanced attention to smallholder producers. In 1995, GART received in trust from the Zambian government a research farm and two commercial farms that had lying idle for some years. Government's aim was to revive these assets. The overall objectives of GART are to strengthen the organisation as a centre of excellence for innovative and market oriented research and development; and to develop competitive mechanised production systems, based on conservation farming technologies and disseminate information thereof. A board of trustees (representatives of ZNFU, the University of Zambia, the International Research System, the Ministry of Agriculture) control GART.

GART targets directly on market-oriented farmers in the most productive areas of the country (emergent farmers and large scale farmers along the line of rail and in the Eastern Province). Large-scale farmers only number some 750 (including corporate companies) who –although small in number- account for nearly all marketed wheat, soybean, coffee and tobacco, and for about 20 percent of all maize. There are approximately 380,000 emergent farmers with (potentially) sound market prospects, of which up to 200,000 are expected to eventually pertain to an outgrower scheme or rise above subsistence level of farming.

GART works with several development partners such as UNDP, World Bank, NORAD, JICA and the Netherlands. The Netherlands funds the "Conservation Tillage Research, Development and Promotion of Conservation Farming" (since 1999) implemented with the Agrotechnology and Food Sciences Group of the Wageningen University and Research Centre. Since 2003, RNE (with NORAD as silent partner) supports all GART activities with market oriented agricultural research and conservation techniques.

(ii) The NRDC (Natural Resources Development College), ZEGA (Zambian Export Growers Association) Training Trust (NZTT)

Despite the official policy in favour of export oriented agricultural production, the public system could hardly respond to the needs of the export oriented industry. Traditionally, the relations between the commercial producers and government have been distrustful: commercial farmers were thought to be representatives of ancient regimes; to 'exploit' poor agricultural labourers and to compete with smallholder production. By the mid-1990s, a large export-oriented horticultural and floricultural sub-sector had emerged (mainly around the airport) and the Zambia Export Growers Association (ZEGA) trust³⁸ was established. The sub-sector identified its training needs and an expatriate advisor was brought in. Technical courses were developed, but for expansion of the industry the need was in the field of middle level management. The NZTT was established in 1998 to provide the practical and commercially oriented training and graduates the industry required. A three-year diploma course has been developed with NRDC (Natural Resources Development College) that produces about 50 graduates per year (2004, costs per student USD 5,000 per year). The trust is also involved in training smallholder producers who have moved into the sector. The sub-sector employs about 10,000-

³⁸ See: Horticultural Training Trust of Zambia (n.d.) *Excellence in Horticultural Training*.

15,000 people, the majority female producers. Essential to the training is a demonstration farm of 50 ha. that belongs to the Natural Resources Development College. ZEGA is not directly related to the public sector, apart from the relations with the NRDC.

The first donor interested was the Netherlands through its Environmental Programme (USD 50,000) and the safe and appropriate use of pesticides and insecticides. Later, RNE with Norway contributed to the establishment of the training centre. The trust earns its income through the sales of farm products and the tutorial fees for the training provided. Since 2003, the training trust receives a more continuous funding by the Netherlands and Norway.

(iii) The Livestock Development Trust (LDT)

The Livestock Development Trust (LDT)³⁹ was established the 17th October 2002 between the GRZ and trustees from the private sector. According to the appraisal document (2003) the LDT “seeks to promote environmentally friendly livestock development initiatives for all livestock farmers in a gender-sensitive and participatory manner”. Its strategic activities include commercial livestock-led enterprises; mobilising rural financial services for livestock farmers; training and information; livestock research, disease control and prevention and promotion of livestock product processing. The LDT also carries out activities on behalf of third parties, such as animal disease control in the Western province. GRZ role in the trust was its aims to revive public assets that were laying idle: the Palabana Dairy Training Institute (received in trust in 2002); the Mochipapa Research and Development Centre; the Balmoral Vaccine and the Rhizobium Production Unit; the Harmony Farm (ranching); and the Keembe Piggyery.

Being the most recently established trust in the agricultural sector, it is highly dependent upon donor finance. After an initial financial boost, it is supposed to become viable through commercial operations. For example, during the period 2004-2008 the trust aims at producing a minimum of 8,200 pigs, 1,420 cattle, 480 dairy cattle, 400 dairy goats, 2,000 donkeys and 500 oxen for emerging and small-scale farmers. The sales of these animals are tied to training programmes leading to a certificate. In addition, the trust organises tailor-made courses, while the Mochipapa Research Centre is expected to be a major producer of vaccines. The trust also contracts for animal health programmes with aid agencies. It carries out an elaborate animal vaccination programme funded by Danida.

The Netherlands' support depends on mutually agreed upon performance indicators.

B3.4 Donor coordination and harmonisation

During the time of ASIP, the consortium members coordinated frequently, although part of these contacts were rather stressed as a result of the World Banks' solitary acting as leading partner. In addition, tension on competence between the Ministry of Agriculture and the Steering Committee dominated the agenda. When ASIP came to its formal end in 2002, it was felt a relief by most donors and coordination crumbled. Donors reacted cautiously on the prominent role given to agriculture in the PRSP. Although this revived cooperating partners' interest in the sector (for example by SIDA, Finland, DfID, EC and

³⁹ See: Livestock Development Trust (n.d.) *Trust Profile* and Livestock Development Trust (n.d.) *Medium Term Strategic Establishment and Growth Plan*.

World Bank) none of the donors has taken an initiative to revive the idea of a sector-wide support programme. MACO has not displayed initiatives in that direction neither.

Since there is no sector support programme in agriculture, at national level most coordination among donors takes place within the sector working group under the Consultative Group arrangement. In 2004, the Netherlands, Norway and USAID were the leading donors in the sector. The Swedish government funded the Agricultural Support Programme (ASP) through three different sub-programmes (Eastern Province/Northern Province); conservation farming and food security aimed at smallholder agriculture. The African Development Bank funds infrastructure works in the Eastern Province. The International Fund for Agricultural Development provides loans for a smallholder entrepreneurship programme.

At the level of the funding to the various trusts, there is regular consultation among the partners (mainly the trust management with the donors). NORAD and RNE are increasingly working together, sharing a common policy outlook towards development of the agricultural sector. NORAD and RNE agreed to harmonise their common support to ACF, GART and the NRDC/ZEGA Training Trust through an Agreement on Delegated Cooperation (2004), in which the Netherlands is the lead donor and NORAD the silent partner. During the period 2004-2008, NORAD will channel its entire contribution of € 8.5 million through the Netherlands. NORAD counts with a comparable delegated co-operation agreement with Sweden for support to the smallholder sub-sector.

Harmonisation

The silent partnership with Norway must be seen in the context of Harmonisation in Practice. The Agreement between the Netherlands and Norway establishes NORAD's contributions on a special account (since the NORAD contributions cannot be added to the Dutch resources in the Dutch administrative system).

The Agreement does not only establish the basket funding to the trusts, but also agrees upon harmonised procedures, such as a single inception report, information sharing and narrative and financial reporting (including interest bearing bank account), procurement, audit, monitoring and evaluation, and final reporting. It also contemplates the use of indicators on HIV/AIDS, gender, environment and how to act in the case of corruption.

With the aim to decrease transaction costs, the staff member responsible for agriculture at the Royal Norwegian Embassy has not been replaced and Norway relies entirely on RNE's in-house technical expertise.

B3.5 Ownership

Government is an important actor in the ACF, while the trusts revive assets that the government could not manage and sustain. It was GRZ that approached RNE with the idea to revive assets and the Zambian National Farmers Union backed that. Those assets were transferred in use (not in property) to the various trusts. In these trusts the public sector is always represented, usually as chairman of the board. Trusts do not operate in opposition to government. They are a public-private partnership, usually with a stronger input from the private than from the public sector. This implies that the ownership does not rest with government only, but with the private sector as well.

In consequence, the ownership rests with the trustees in general (that comprises government) and not with the public sector alone. The ownership of both enterprises and

public sector over the activities is shared as long as commercial interests and public interests meet. Donor support to these partnerships implies acceptance that ownership is intertwined with commercial interests. This is the most visible in the ZEGA Training trust, where the training of middle level management not only extends opportunities for graduates, but also serves the direct commercial interest of the sector.

The development of private (commercial) sector activities in agriculture is a major element in the PRSP and the support to the private sector is in line with the Dutch policy (AEV, 2004: 10).

B3.6 Institutional capacity

The agriculture sector in Zambia is complex and diverse. The public support to smallholder agriculture was scaled down in the process towards liberalisation and privatisation. However, the private sector has been unable to fill the vacuum left by government's disengagement from the sector. Next to the Ministry of Agriculture and Co-operatives, other ministries related to the sector are the ministries of Lands, Commerce, Trade and Industry; Local Government and Housing; and Finance and National Planning.

After having abandoned its large scale interference in the sector under the Structural Adjustment Programme, the function of the public sector in agriculture has been described in the policy document "Vision for the Agricultural Sector 2010". That policy refers to government's role restricted to creating the enabling environment, in particular by being engaging in public-private partnerships. The Ministry of Agriculture and Co-operatives intends to commercialise services, to recover costs and share costs in partnerships with farmers, the trading sector, non governmental organisations and co-operating partners.

From that perspective, ACF could develop from a participatory body to a think-tank for the sector, although the Ministry of Agriculture still sees ACF as part of the ministry's structures rather than as an independent legal entity. In fact, the relation between MACO and ACF is spelled out in legal terms only, but not in operative terms. To a certain extent there is competition between the Policy and Co-operatives Department of the Ministry with ACF on issues like policy formulation and strategic planning. The other way around, if ACF agrees upon policies and strategies with all stakeholders in ACF, it lacks the institutional capacity to implement them.

At the national level, the conflicting sub-sector interests, divergent policy perceptions over key issues and rather unclear mandates have debilitated the normative and control functions of the various public institutions involved, while the service functions had been largely abandoned under the structural adjustment programme.

In consequence, for the current Dutch funded activities it is the institutional capacity of the various trusts that count. This capacity is much higher than the public sector support mechanism that was funded in the past.

B3.7 Results

In 1999, during a meeting between RNE and the Minister for Agriculture⁴⁰, the minister described the results of ASIP as rather disappointing: "to the majority of farmers very

⁴⁰ Meeting 8th November, 1999

little has changed: the productivity continues to be low, the credit repayment is poor and fraud is undermining the image of the sector. ASIP should have paid more attention to the smallholder sub-sector, to livestock development and the development of cooperatives". Also the World Bank concluded that its flagship project in agriculture had not been successful, since it never operated as a multi-donor investment programme. At the best it was a series of bilateral agreements under a policy with some sort of consistency. ASIP did not solve major dilemma of what kind of investments could best be done through the public sector and what kind of investment could better be implemented through the private sector. When ASIP came to its end in 2002, this implied a relief to most of the bilateral partners.

With the support to the Animal Production and Health Department, the Netherlands initial 'earmarking' under ASIP was in fact a continuation of the Dutch profile in the Western Province. In 2003, this was extended to the support to the Livestock Trust.

RNE wrote in September 2001: "In agriculture, the sector approach as a concept has only a few supporters. ASIP has not made partners more enthusiast about the idea. Complicating factor is that the Zambian government has not yet defined its role in relation to the private sector".

It were the deficiencies of ASIP, as well as the recommendation made by the ASIP mid-term review in combination with the PRSP priority to the development of an efficient, competitive and sustainable agricultural sector, that made RNE shift its focus towards more promising opportunities of the trusts. RNE described its own value added as "vested in the Embassy's ability to combine resources with appropriate use of technical expertise, both within the Embassy as well as from specialised institutions in the Netherlands. This in combination with the Embassy's early recognition of the importance of facilitating agricultural private sector development"⁴¹.

In terms of results of the support as existed in 2004, only few comments can be made. First of all, ACF has added a new dimension to the sector in the form of stakeholder involvement in policy making and strategy definition. However, there is some ambivalence with respect to mandates, ministerial responsibility and political leadership and democratic decision-making.

Second, the support to the NZTT serves both public and private interests. Some 50 students complete their education each year. It should be noted that the support to ZEGA touches on the direct support to private enterprises. For example, the Netherlands is an important importer of Zambian plants and flowers and Dutch enterprises are involved in ZEGA. Both GART and ZEGA are also supported through the Centre for Promotion of Imports from Developing Countries CBI.

The GART Conservation Tillage Research Development and Promotion Project achieved the following results (2003):

- data and technologies to reduce workload, costs of production hence increasing incomes at farm level;
- conservation tillage options, including relevant equipment designs
- training and extension materials

⁴¹ RNE. Agricultural Development in Zambia. Paper on Zambian-Dutch bilateral co-operation from a long term perspective. October 29, 2003.

- GART generates about 40 percent of its own budget.

B3.8 Appreciation of the sector approach in the in the Zambian agricultural/economic development sector

- The ambitious ASIP was a failure due to the search for national identification by donors within the programme; the multitude of different (international) standard operating procedures; the overestimation of the capacity of the Ministry of Agriculture during a reform process, and above all, an issue of competence: ASIP's Steering Committee was seen as encroaching on the authority of the Minister. The dominant attitude of the World Bank made that the winding up of ASIP in 2002 meant a relief to most bilateral donors. No donor has taken the initiative to propose a new sector-wide support programme.
- The Netherlands, Norway and Sweden continued their support to the agricultural sector after the demise of ASIP, but in different directions. While the Netherlands' programme focuses on commercial farming, the Swedish programme is aimed at smallholder agriculture. NORAD is a silent partner in both programmes.
- In general, sector-wide support in the agricultural sector is complex. This is also the case in Zambia: conflicting sub-sector interests, divergent policy perceptions over key issues and rather undefined mandates (government, private sector, ACF) makes it hard to come to a common approach⁴². The sector is exceptionally large and consists of sub sectors that require special expertise. The emergence of trusts concentrating on branches like livestock, or on particular crops such as cotton, result in specialised sub-sector policies. Most likely, comprehensive all-encompassing policies are not possible in this sector.
- Since the trusts are a public-private partnership, usually with a stronger input from the private than from the public sector, the Dutch support to economic development – agriculture is not directed to the public sector and hence the funding mechanism does not match the public finance management concepts that form part of the sector-wide approach. It also implies that ownership does not rest with government only, but with the private sector as well. Ownership of all parties is determined by the overlap of commercial interests with public interests.

⁴² The appraisal memorandum (12-06-2003) states that the ACF "is one the first steps towards achieving the adoption of se sector-wide approach in the agricultural sector". That remarks not only contradicts arguments used in favour of support to the trusts (specialisation), it also seems to confuse participation with democratic political decision-making.

Part B.4

Annex Gender, Environment, HIV/AIDS, Good Governance

Table B4.1a Structural Bilateral aid, 1996-1999. Good Governance

ZAMBIA STRUCTURAL BILATERAL AID THROUGH THE EMBASSY. GOOD GOVERNANCE							
Activities > € 100,000 committed							
Activity	Start	Commitment	1996	1997	1998	1999	Total
Non programme aid							
Capacity Building Elec.Pro	1998	127,966	0	0	127,966	0	127,966
Others < € 100,000 committed		211,216	0	93,245	23,540	74,564	191,349
Total		339,182	0	93,245	151,506	74,564	319,315

Source: MIDAS and Programmahulpbrieven

Table B4.1b Structural Bilateral aid, 1996-1999. Gender

ZAMBIA STRUCTURAL BILATERAL AID THROUGH THE EMBASSY. GENDER							
Activities > € 100,000 committed							
Activity	Start	Commitment	1996	1997	1998	1999	Total
Sector Programme aid							
Gender capacity building in the public sector	1998	16,748	0	0	0	16,748	16,748
Non programme aid							
Local Women Fund 1995	1995	282,353	84,913	14,430	3,449	0	102,792
Local Women Fund 1996	1996	387,399	235,871	148,606	2,922	0	387,399
National legal clinic	1995	150,682	53,065	60,348	37,269	0	150,682
Women's Access to Credit for Economic Development	1994	348,863	104,094	15,315	0	0	119,409
Women's Access to Credit	1997	820,811	0	226,890	260,924	7,016	494,830
Total		2,006,856	477,943	465,589	304,564	23,764	1,271,860
Others < € 100,000 committed		124,903	0	66,571	39,543	0	106,114
Total		2,131,759	477,943	532,160	344,107	23,764	1,377,974

Source: MIDAS and Programmahulpbrieven

Table B4.1c Structural Bilateral aid 1996-1999, HIV / AIDS

ZAMBIA STRUCTURAL BILATERAL AID THROUGH THE EMBASSY. HIV / AIDS							
Activities > € 100,000 committed							
Activity	Start	Commitment	1996	1997	1998	1999	Total
Non programme aid							
AIDS Prevention peer educ	1999	106,185	0	0	0	35,395	35,395
Integrated AIDS Prog Copperbelt	1999	753,296	0	0	0	226,890	226,890
Total		859,481	0	0	0	262,285	262,285
Others < € 100,000 committed		270,769	0	0	115,348	115,215	230,563
Total		1,130,250	0	0	115,348	377,500	492,848

Source: MIDAS and Programmahulpbrieven

Table B4.1d Structural Bilateral aid 1996-1999. Others

ZAMBIA STRUCTURAL BILATERAL AID THROUGH THE EMBASSY. OTHERS							
Activities > € 100,000 committed							
Activity	Start	Commitment	1996	1997	1998	1999	Total
Non Programme Aid							
Upper Zambezi Wetland and Natural Resource Management Programme (inception phase)	1995	515,893	186,108	94,386	0	0	280,494
CBNRM / Western Province	1999	1,153,620	0	0	0	262,100	262,100
Wildlife Monitoring Unit	1997	364,020	0	113,445	90,756	156,629	360,830
Forestry Action Plan/Institutional Support	1995	374,993	197,394	86,843	0	0	284,237
KANTIPO Kafue Anti Poaching	1998	224,649	0	0	87,499	137,150	224,649
Tonga Museum and Crafts Project, Phase III, 95/97	1994	171,413	68,126	20,465	0	0	88,591
Total		3,664,069	451,628	315,139	178,255	818,164	1,763,186
Others < € 100,000 committed		68,067	0	0	34,034	34,034	68,068
Total		3,732,136	451,628	315,139	212,289	852,198	1,831,254

Source: MIDAS and Programmahulpbrieven

Table B4.2a Structural Bilateral aid, 2000-2004. Good Governance

ZAMBIA STRUCTURAL BILATERAL AID THROUGH THE EMBASSY. GOOD GOVERNANCE								
Activities > € 100,000 committed								
Activity	Start	Commitm.	2000	2001	2002	2003	2004	Total
Sector programme aid								
Support to Task Force	2002	400,000	0	0	200,000	150,000	150,000	500,000
Non programme aid								
Support to census 2000	2000	385,713	385,713	0	0	0	0	385,713
Rehabil, Kabwe Prisons/Pha	2000	185,233	145,907	35,052	0	0	0	180,959
PRSP Process	2001	198,227	0	178,404	0	0	16,047	194,451
Contr, Coalition 2001/I	2001	205,018	0	200,117	0	0	0	200,117
Support to the auditor gen	2001	251,576	0	0	238,018		8,971	246,989
Auditor general	2003	1,700,000				387,603	318,641	706,244
Contribution Coalition 200	2001	165,882	0	132,170	30,804	0	0	162,974
Carter Centre	2001	166,750	0	150,700	16,050	0	0	166,750
Political Party Polling Ag	2001	174,932	0	168,473	0	0	0	168,473
Parliamentary Reform	2002	157,500	0	0	150,000	0	0	150,000
FODEP Annual plan	2002	106,000	0	0	101,456	0	0	101,456
SNV/Cap. Building NGOs/WP	2001	226,724	0	107,092	20,000	34,610	65,021	226,723
Transparency Int'l. 2003/4	2003	79,641	0	0	0	79,641	0	79,641
FODEP bridging 2003-2004	2003	60,403	0	0	0	60,403	0	60,403
OASIS Forum Constitution	2003	173,646	0	0	0	138,917	31,256	170,173
AFROSAI E III	2004	1,332,000	0	0	0	0	649,800	649,800
Total		5,969,245	531,620	972,008	756,328	851,174	1,239,736	4,350,866
Others < € 100,000 committed		595,839	93,874	228,637	210,266	20,561	17,741	571,079
Total		6,565,084	625,494	1,200,645	966,594	871,735	1,257,477	4,921,945

Source: MIDAS/ Pyramide (2003/3004) and 'Programmahulpbrieven'.

Table B4.2b Structural Bilateral aid, 2000-2004. Gender

ZAMBIA STRUCTURAL BILATERAL AID THROUGH THE EMBASSY. GENDER								
Activities > € 100,000 committed								
Activity	Start	Commitm	2000	2001	2002	2003	2004	Total
Non- programme aid								
Women's Access to Credit	1997	820,811	183,980	141,847	0	0	0	325,827
Extension of Legal Aid Cli	2000	138,449	66,372	66,891	0	0	0	133,263
Nat. Legal Aid Clinic Women	2002	103,757	0	0	97,480	0	0	97,480
Polital Partic. Women	2001	128,483	0	124,896	0	0	0	124,896
Legal Aid Clinic for Women	2002	450,000	0	0	0	150,000	135,000	285,000
Support GIDD	2003	900,000	0	0	0	300,000	270,000	570,000
Total		2,541,500	250,352	333,634	97,480	450,000	405,000	1,536,466
Others < € 100,000 committed		193,321	40,425	91,923	41,272	3,503	0	177,123
Total		2,734,821	290,777	425,557	138,752	453,503	405,000	1,713,589

Source: MIDAS/ Pyramide (2003/3004) and 'Programmahulpbrieven'

Table B4.2c Structural Bilateral aid 2000-2004, HIV / AIDS

ZAMBIA STRUCTURAL BILATERAL AID THROUGH THE EMBASSY. HIV / AIDS								
Activities > € 100,000 committed								
Activity	Begin	Commitm.	2000	2001	2002	2003	2004	Total
Non programme aid								
Food aid Proj. Copp AIDS pr	2002	339,746	0	0	169,873	0	169,873	339,746
Bauze HIV/AIDS Phase 2	2002	147,082	0	0	29,412	43,739	55,151	128,302
Integrated AIDS Prog Copp	1999	753,296	113,445	191,565	218,511	0	53,497	577,018
AIDS Prevention peer educ	1999	106,185	35,395	35,395	0	0	0	70,790
Totaal		1,346,309	148,840	226,960	417,796	43,739	278,521	1,115,856
Others < € 100,000 committed		414,587	43,164	122,664	148,859	0	0	314,687
Total		1,760,896	192,004	349,624	566,655	43,739	278,521	1,430,543

Source: MIDAS/ Pyramide (2003/3004) and 'Programmahulpbrieven'

Table B4.1d Structural Bilateral aid 2000-2004. Others

ZAMBIA STRUCTURAL BILATERAL AID THROUGH THE EMBASSY. OTHERS								
Activities > € 100,000 committed								
Activity	Start	Commitm.	2000	2001	2002	2003	2004	Total
Non – Programme aid								
CBNRM / Western Province	1999	1,153,620	186,600	148,017	5,456	259,851	0	599,924
Wildlife Monitoring Unit	1997	364,020	2,170	0	0	0	0	2,170
COM phase 2	2004	1,588,761	0	0	0	0	458,986	458,986
Total		1,517,640	188,770	148,017	5,456	259,851	458,986	1,061,080
Others < € 100,000 committed		115,942	35,749	56,571	4,461	0	0	96,781
Total		1,633,582	224,519	204,588	9,917	259,851	458,986	1,157,861

Source: MIDAS/ Pyramide (2003/3004) and 'Programmahulpbrieven'

PART C: ANNEXES

C1: The national context

Some 30 years ago, Zambia was a middle-income country. In the mid-1970s, only 33 percent of the Zambians lived below the poverty line. From 1975 onwards, the decline in copper prices resulted in a rising proportion of poor up to 73 percent of the population by 1998 (83 percent in rural areas and 56 percent in urban areas; PRSP, 2002). The per capita income halved from USD 752 in 1965 to USD 351 in 2002. In 2003, some 58 percent of the approximately 10.3 million Zambians was classified as 'extremely poor' (EIU Country Profile 2003). About 43 percent of the population lives in urban areas, of which 1.3 million in the capital Lusaka. Income poverty in rural areas is compounded by poor connectivity and access to public services and markets in a sparsely populated countryside.

The political, administrative and legal environment

In Zambia, the first multi-party elections of 1991 implied fundamental changes in the main policies of the country: from a single to a multi-party state, from import substitution and planned economy to a liberalised export oriented economy and from nationalisation to privatisation. Whilst being an island of stability in a region confronted with conflicts, Zambia has witnessed economic and social decline. To a certain extent the lack of progress is due to internal factors such as bad governance, corruption, patron-client relations and an overall lack of drive among decision makers in the public arena. (HMA Lusaka, 2004b:3).

Good Governance (transparency, accountability) is an important aspect of an enabling environment for development. The World Bank Country Policy and Institutional Analysis (CPIA) indicators for 2002 and 2003 rate Zambia above the average for Sub-Sahara Africa in respect of accountability, political stability and the rule of law. Nevertheless, on a scale from 0 to 100 Zambia's rank in the World Bank Governance Research Indicators in 'control of corruption' was only 19.9 and on 'government effectiveness' 26.9 (PEMFA Review, 2003:xiv). According to Transparency International (TI), Zambia's Corruption Performance Index (CPI) deteriorated between 1998 and 2003. Notwithstanding an absolute improvement since 2001, the relative ranking among all countries surveyed by TI was in 2003 still below the (relative) 1998 ranking. In general, public financial management (PFM) is still weak and fiduciary risk high, particularly in procurement. Good and systematic management information systems to both Cabinet and Parliament are lacking. Oversight by the Auditor General and parliamentary committees is limited (DfID, 2004:6). Many of Zambia's laws and regulations are not enforced and have led to a breakdown of administrative systems and procedures (including the public finance management) (PEMFAR, 2003:xi).

Positive signs are that in Zambia there is room for independent media and critical parliamentary debate. The judiciary is independent, while rights of associations are upheld, illustrated by well-developed trade unions and a growing civil society. President Mwanawasa announced a zero tolerance policy on corruption. In 2002, a donor working group elaborated a Common Strategy on the Fight against Corruption,

covering public sector, private sector and civil society. Transparency International launched a National Integrity System Survey in 2003, leading to recommendations in the area of prevention, strengthening of the anti-corruption institutions and units and legal reforms. The National Capacity Building Programme for Good Governance (NCBPGG) is the leading policy to improve transparency. The priorities of the programme are a) to enhance 'constitutionalism' and human rights, as well as the rule of law b) transparency and accountability, c) economic management and d) democracy, decentralisation and the strengthening of local government. Government is taking steps to review and modernize the Constitution, with a larger scope for multi-level government.

The financial-economic environment

Since the early 1990s, a large number of structural adjustments have been implemented, such as the privatisation of state enterprises, the liberalisation of agricultural prices and marketing, the down-sizing of the public sector in favour of social service delivery; the liberalisation of the exchange rate, the trade liberalisation and the liberalisation of the bank sector. During the period 1996-2001 government intervened again in agricultural markets, while the public sector reform had stalled. Privatisation – especially of the copper mines- had halted. The mines were privatised just before the elections of 2001. The structural adjustments made Zambia one of the most liberalised and open economies in the region.

All those measures did not clearly impacted on the economic growth, due external factors (copper prices, el Niño) and internal factors, such a slow public sector reform and lack of fiscal discipline. Economic growth oscillated between minus 1.9 (1998) and 4.3 (2003) percent of GDP over the period 1998-2003. Inflation had fallen to about 17 percent by 2003. The economic growth was half of the desired growth of 8 percent required for reaching the Millennium Development Goals (MDGs) (Ministry of Finance and National Planning, 2004:1). The recent positive economic trends are fragile and threatened by politically driven fiscal problems (DfID 2004:6). Government overspent the 2003 ceiling for domestically financed expenditures by 19 percent (3.7 percent of GDP), mainly as a result of a higher wage bill following an agreement with the unions in 2003. This forced government to higher than expected local borrowing. The fiscal discipline, did improve in 2004 mainly as a result of a reduction in public spending and in domestic financing. The fiscal deficit (after loans and grants) reduced from 5 percent (2003) to 2 percent (2004) of the GDP.

The total external debt summed to USD 7,3 billion (2001), of which the official external debt USD 6,1 billion (EIU). Zambia qualified for the Decision Point HIPC on 8 December, 2000. The fiscal slippage of 2003 (salary and wage overruns and high domestic borrowing) implied that Zambia could not embark on the second International Monetary Fund (IMF) Poverty Reduction Growth Facility (PRGF) and the floating Completion Point was postponed from 2003 to early 2005. Zambia reached the Completion Point in April 2005 that will imply a reduction of USD 2.9 billion in the stock of debt.

The socio-cultural environment

Next to the low upward dynamics in the economy, the human development indicators deteriorated considerably. Infant mortality by the mid 1990s was 20 percent higher than in 1980. The natural population growth is 2.7 percent per annum, down from 3.1 in the 1970s. Primary enrolment rates fell from the 1980s till the end of the 1990s. Life expectancy dropped and the maternity death rate increased.

Many of the current politicians and civil servants had experienced higher standards of living, income and quality of public services in their youth. This contributes to 'looking backwards' policies expressed in concepts like 'rehabilitation, re-vitalising, re-constructing' that dominate the main policy documents.

The most destructive and devastating phenomenon in the Zambian society is the HIV/AIDS-pandemic. Zambia has one of the highest HIV/AIDS rates in the world. In 2004, an estimated one million Zambians were HIV positive, with 100,000 new cases registered per year. Impacts on vulnerability are profound. Child poverty is increasing. By 2001, there were 572,000 orphans due to AIDS. The number of street children is rising quickly and family coping mechanisms have been either stretched to the limit or given up altogether. Dependency ratios increase, since families with some income absorb orphans, but are less able to invest in education, health or to deal with unforeseen circumstances. HIV/AIDS has weakened the society's capacities at all levels, within and outside the public sector. The health sector faces serious problems in attracting and keeping personnel, since few people are willing to accept a low salary in combination with the risk of infection. In 2000, a National Strategy on HIV/AIDS has been elaborated and the National Council on HIV/AIDS was launched. The Council has a supra-ministerial and supra-sectoral mandate and a coordinating role. The extended family system, the most important social safety net available to the poor, is under strain having to care for growing numbers of children orphaned by HIV/AIDS (DfID, 2004:3-4).

Government-donor relations since 1991

The development of sector wide approaches requires stability in the relationships between government and donors. The relations between donors and the Zambian government, however, have since 1991 been fluctuating between extremities. Zambia was considered at times exemplary in democratisation and liberalisation and at other times the prime example of how governance problems derailed economic progress. It seems therefore paradoxical that SWAs developed there. This may be clarified by comparison of the image and realities. In comparison to neighbouring countries, Zambia is an open society with –by African standards- a high tolerance of conflict. A high degree of open conflict can be more indicative of stability in social relations than repressed conflict, despite appearances to the contrary. Secondly, Zambia has been in the forefront of democratisation and economic liberalisation in Africa. Therefore it has attracted much comment. Often such comment reflected disappointments that may find their origin not in Zambia's performance, but in the high expectations that outsiders have projected on Zambia. The wisdom of outside advice and conditionality is usually not questioned. If one looks behind these appearances, then it becomes much more understandable why synergies between government and donors developed into SWAs. Publications and reporting on Zambia have overlooked the fact that Zambia in the 1990s took debt servicing very seriously. As a result, there was little room for manoeuvre in the government budget, and this led to an intensive involvement of donors in financing the routine operations of the Zambian bureaucracy.

The 1991 MMD government was committed to economic liberalisation (exchange rate, the prices of maize meal). When prominent MMD leaders resigned, citing corruption as a major reason for this, relations between donors and government became acrimonious, while the second parliamentary period of president Chiluba (1996-2001) relations were even more stressed, also as a reaction on the president's attempt to force a constitutional amendment that would allow him to run for a third term. In the background

there was considerable concern about corruption, especially the large-scale theft of the cobalt output from the mines. That concern was deeply felt in donor circles, as they had commissioned an accountancy firm to probe the matter.

Broad opposition among the population as well as in his political party avoided president Chiluba to run for a third term. The MMD candidate, Levy Mwanawasa, won the elections with a narrow margin among –donor-supported- protests that the election had not been fair. Relations between donors and the government seemed to be heading towards stalemate. However, president Mwanawasa turned against those who has sponsored his election and made a sweeping attempt to probe corruption under former president Chiluba. This resulted in an improvement in relations between government and donors.

Government and donors alike agree about the disappointing outcome of the economic reform programme and the insufficient impact on poverty alleviation. Some authors blame the government's half-hearted commitment to the pursuit of broad-based economic development (Van der Heijden, 2003:78). Rakner gives primacy to the political factors. The Chiluba period seemed the beginning of a plural society, which was not realised in the end. Opportunities for interest groups to have their voice heard closed, and within the political arena there was an increasing dominance of the executive. As a result, the old patterns of political dominance that had caused the decline persisted.

Bilateral agencies regularly halted aid because of governance issues. This resulted in differences of opinion between multilateral and bilateral donors on governance issues (in 1996 bilateral donors, unlike the multilateral institutions, suspended aid disbursements). The multilaterals put pressure on the bilaterals and tended to take a more positive view assessing the economic situation than the bilateral donors. This was not entirely free from self-interest, since bilateral aid contributed –directly or indirectly- to multilateral debt servicing (IOB, 2003; Rakner, 2003:165).

Gradually, aid became more and more crucial for both macroeconomic stabilisation and fiscal balance. Donors put as condition (1991) that at one third of the discretionary central government budget had to be allocated to education and health. The mutual interests of Zambian government, multilateral and bilateral donors alike contributed to a much more stable relationships between Zambia and the donor community than the regular standoffs between the partners would suggest. Despite appearances to the contrary, government-donor relations in Zambia have been relatively stable. Since the early 1990s, there have been periods of warm, open collaboration and cool standoffs in government-donor relations, especially because of governance issues. However, there has also been a strong sense of continuity within the donor community.

Key data:

	2001	2002	2003
Economic and financial			
Inhabitants (million)	10.6		
GDP (USD million)	3,625		
Real GDP growth (percent)	4.9	3.3	5.1
GNI (USD million)	3000		
GNI / per capita (USD)	300		
GNI per capita PPP (HDI) USD	780		
GDP per capita growth (%)	1.4		
Consumer Price Index inflation (end of year), %	18.7	26.7	17.2
Domestic revenues in % GDP	19.1	18.0	18.4
Public Expenditure in % GDP		31.9	30.6
Public health expenditure in % GDP		3.6	
Public Education expenditure in % GDP		2.2	
Current account deficit as % GDP		6.5	5.6
Total external debt stock (USD million)	7,270	7,140	6,862
Percentage of budget allocation to Poverty Reduction programmes		45.9	
Social			
HDI rank		153 of 173	
HPI rank		66 of 88	
Population below 1 USD / day PPP (%)		63.6	
Gini index		52.6	
Life expectancy at birth	43.5		41.4
Infant mortality		112/1000	95/1000
Under 5 mortality	162	168/1000	
Maternal mortality	729/100000	650/100000	
Analfabetism		21.9	
Primary enrolment (gross)	73	78	86.6
Secondary enrolment (gross)			13.6
Proportion of population with access to clean water		49.1	
HIV/AIDS prevalence (%)	16		

Sources: First PRSP Progress Report 2004; Economic Report 2001; PEMFA paper (WB, 2003), PRGF (IMF, 2003), EIU, HIPC decision point document (nov. 2000), World Development Indicators 2001 (WB), CPIA.

C2: PRSP process, CDF and Millennium Development Goals

In November 1997, the Zambian Government appointed the Ministry of Community Development and Social Services (MCDSS) to:

- (a) serve as a focal point for all poverty-related programmes in the country;
- (b) coordinate all poverty-related interventions in the country; and
- (c) spearhead the preparation of a comprehensive, coherent National Poverty Reduction Action Plan (NPRAP).

When the NPRAP had reached an advanced state, the IMF announced the replacement of its Enhanced Structural Adjustment Facility (ESAF) by the new Poverty Reduction and Growth Facility (PRGF) in 1999. From that moment onward it became a requirement to elaborate a PRSP in order to access concessional IMF loans, soft (IDA) World Bank loans and HIPC debt relief. Although it was initially stated that the NPRAP would provide a reference point for the PRSP preparation, subsequent events revealed that the process had started anew.

GRZ stated that the NPRAP could be considered as such, but the World Bank insisted that a PRSP had to be at the core of the government policies and should not be considered as responsibility of a single ministry and that it had to be elaborated in a participatory manner according to the guidelines of the Handbook in preparation at the time. The dispute put pressure on the relation between GRZ and the donor community. Since a PRSP was also required for the IMF Poverty Reduction and Growth Facility (PRGF) due to replace the Enhanced Structural Adjustment Facility in 1999, GRZ decided to start the elaboration of a PRSP. According to Seshamani (2002), it is not clear why the NPRAP effort was aborted, since the NPRAP could have been used as an Interim-PRSP (no participatory approach was required for an Interim PRSP), while finalization through a wider consultation process could have been achieved in a much shorter time. So, later than most other HIPC-eligible countries, Zambia produced its PRSP, endorsed by a Joint Staff Assessment (World Bank and IMF) in May 2002.

The PRSP has the overriding objective of attaining sustained and high economic growth, improving access and quality in the provision of social and public services through:

- economic development (particularly agricultural diversification, mining, tourism and manufacturing);
- infrastructure improvement (roads, communications and energy);
- social sector development (health, education and nutrition);
- cross-cutting initiatives to address HIV/AIDS, environmental and gender issues;
- better macro-economic management, public sector reform and more effective governance.

A Poverty Monitoring and Analysis Framework (PMA) was designed to provide timely information to policy makers on what really works towards the reduction of poverty. The PMA is supposed to be a national monitoring and evaluation system for both the PRSP interventions and the (Transitional) National Development Plan (NDP). Government, the international financiers, donors and representatives of Civil Society will monitor the PRSP process. The First PRSP Implementation Progress Report was completed in March 2004. Since there are some differences in vision and focus between the NDP and the PRSP, government decided to embark upon the next PRSP for the period 2005-2007 (in principle, a PRSP is a rolling medium term strategy).

Table C2.1 shows the chronology in the PRSP process

Table C2.1 PRSP chronology

Date	Activity
March 2000	Start of preparing an interim strategy (I-PRSP)
May 2000	Sensitisation workshop for government officials on the PRSP process
June 2000	I-PRSP submitted to World Bank and endorsed as background to the PRSP proper
June / July 2000	Submissions invited from the general public in the media, submissions summarized and included in the draft PRSP
August 2000	General stakeholders' workshop, targeting wider civil society, political parties, the churches, academia, government officials, local and international experts
August 2000	Thematic working groups defined
November 2000	Consultation with cabinet ministers and chairmen of parliamentary committees and provincial deputy ministers
December 2000	Zambia reached the Decision Point under the HIPC Initiative
March 2001	Seminar for all working groups
April-May 2001	Provincial consultations. Attended by traditional leaders, private sector, government departments, NGOs, the church from all districts and provincial level. Draft circulated for comments
October 2001	National summit. Convened following finalisation of draft PRS, including participation from the provinces
November 2001	Summit on poverty reduction held for stakeholders to review the PRSP
March 2002	Workshop for chairpersons of working groups and authors of cross-cutting issues papers to discuss second draft
April 2002	PRSP draft approved by cabinet
May 2002	PRSP submitted and endorsed by the IMF and the World Bank
September 2002	PRSP transformed into a Transitional National Development Plan
September 2003	National Development Plan finalised
March 2004	First PRSP Implementation progress Report January 2002- June 2003

Source: Bwalya, Edgar; Lise Rakner, Lars Vasland, Arne Tostensen, Maxton Tsoka. 2004

Within the context of the elaboration of the PRSP, MNFP also elaborated a first inventory of donor involvement by sector as a first step towards the elaboration of a Comprehensive Development Framework. The summary sheet is presented in table C2.2.

Table C2.3 presents some insight in the potential of achieving the MDGs and the role of the PRSP in that achievement.

Table C2.2 Zambia's Development Partners and their Activities (Comprehensive Development Framework)

		Governance	Macroeconomic management	Agriculture	Industry	Tourism	Mining	Education	Health	Water and Sanitation	Energy	Transport and Communications	HIV/AIDS, gender and Environment	Monitoring and Evaluation	
Partner															
MS Zambia	Civil society	√		√									√		
NGO-CC		√		√				√					√		
PAM				√									√		
OXFAM		√		√				√					√	√	
SNV		√											√		
CARE				√				√	√				√		
CSPR		√											√	√	
WVI				√					√	√			√		
ZACCI		Private sector				√									√
ZAM					√									√	
LUSE				√	√						√				
UNDP	United Nations	√	√							√		√		√	
UNHCR		√	√	√					√			√			
UNICEF		√						√	√	√			√		
WHO		√						√	√				√		
ILO		√	√					√					√		
UNFPA								√	√				√		
UNAIDS													√		
WFP					√				√	√			√		
Canada		Donors	√		√					√	√		√		
Denmark	√		√					√	√	√		√		√	
EU	√		√	√	√	√	√	√	√		√	√		√	
France				√		√		√		√					
Finland	√			√				√							
Germany	√			√					√	√			√	√	
Ireland	√							√	√	√			√		
Japan (JICA)	√			√				√	√	√		√		√	
Netherlands	√			√				√	√				√		
Norway	√		√	√			√		√			√	√		
Sweden	√			√	√				√		√		√		
UK (DfID)	√		√	√				√	√				√	√	
US (USAID)	√			√	√	√		√	√		√		√		
AfDB	IFI			√	√				√		√			√	
IMF				√											
World Bank		√	√	√	√	√	√	√	√	√	√	√	√	√	

Source: Zambia PRSP 2002-2004, Ministry of Finance and National Planning, Planning and Economic Management Department, Lusaka

Table C2.3 Envisaged effectiveness in relation to the Millennium Development Goals

Millennium Development Goals	Indicators	Trends			Prospects of reaching MDG(*)	Existing PRSP Strategy
		1990-1995	1996-2000	2001-2002		
Eradicate extreme poverty and hunger						
Halve between 1990 and 2015 the proportion of people living on less than one dollar a day	% below national poverty line - rural - urban	71 88 47	73 83 56		Unlikely. Recent trends uncertain	Fair to good. Growth focus (agriculture, mining, tourism , manufacturing)
Halve between 1990 and 2015 the proportion of people who suffer from hunger	% < 5 stunted % child malnutrition % population below minimum level of dietary consumption	39 25 45	47 24	28 50	Unlikely.	Poor. Limited initiatives and weak surveillance system
Achieve universal primary education						
Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary school	% net enrolment % reaching grade 5 % progression (grades 7 to 8) % formal employees who are women % youth literacy (15-24 years)	69 78 35 25 81	68 84 42 22 85	72 49 89	Potentially. Positive trends	Good. National Strategic Plan, strong gender & equity focus, including resource allocation and focus on quality, retention and completion
Promote gender equality & empower women						
Eliminate gender disparity in primary and secondary education, preferably by 2005, and to all levels of education no later than 2015	Net primary enrolment (F/M ratio) Net secondary enrolment (F/M ratio) % young literate females/ males % women MPs	0.97 0.74 88 6.7	0.97 0.88 92	0.98 0.88 95 11.9	Potentially. Progress, including at secondary level	Good. National Education Sector Plan with plans to increase focus on secondary education in future
Reduce child mortality						
Reduce by two thirds, between 1990 and 2015, the under-five mortality rate	< 5 mortality rate (per 1,000) Infant (< 1) mortality (per 1,000) % measles immunisation <1 year)	191 107 75.8	197 109 70.2	168 95 85.0	Poor to Potentially. Some service delivery programmes have started. Trends positive	Fair to Good. National Health Strategic Plan to strengthen systems and services
Improve maternal health						
Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio	Maternal mortality per 100,000 live births		649	729	Unlikely. Trend is negative	Good. National Health Sector

	% births attended by skilled staff	51	47	43		Strategic Plan
Combat HIV/AIDS, malaria and other disasters						
Have halted by 2015 and begun to reverse the spread of HIV/AIDS	% prevalence of HIV in pregnant women	20	19	19	Potentially. Progress in behaviour change. Prevalence has become stable	Good. National HIV/AIDS Strategy stresses multi-sectoral response; building health systems.
	% adult HIV incidence			16		
	% using condoms	1.8	3.5	3.8		
	% women using any contraception	15	26	34		
	No. ('000) of children orphaned by AIDS	241		572		
Have halted by 2015 and begun to reverse the incidence of malaria and other diseases	Incidence of malaria (per 1,000 people)	313	331	377	Potentially. New malaria drug policy	Good. National Health Sector Strategic Plan to strengthen service delivery systems and public health
	Malaria death rate (per 1,000 cases)	51		48		
	Incidence of TB (per 100,000 people)	367	512			
Ensure environmental sustainability						
Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources	Forest a % of total area	54		42	Potentially. Government is prioritising agricultural, power and tourism resources	Fair. Environment resource loss not excessive. National Environmental and Forestry Action Plan exists, but implementation poor
	Nationally protected areas as % of total areas	8.6				
	GDP per unit of energy use	1.1		1.2		
	CO2 emissions (Mt pc)	0.3		0.3		
Halve by 2015 the proportion of people without sustainable access to safe drinking water	% Population with access to improved water source	48		51	Poor to potentially. Few signs of progress.	Poor. Data on sector poor. Regulatory environment poor. Institutional; roles and responsibilities unclear or weak
	% access to improved sanitation	17		15		

Sources: DfID, 2004:19-21; Ministry of Finance and National Planning. First PRSP Implementation Progress Report, 2004: 19.

(*) Likelihood assessed by GRZ, First PRSP Progress report, 2004.

C3: The Netherlands' ranking

The Netherlands has been an important donor to Zambia, as indicated by the following tables:

Table C3.1: Contributions in USD million and ranking of 15 main donors, 1998-2003

Donor	1998	1999	2000	2001	2002	2003	Ranking on cumulative support
Canada	9.5	4.3	13.0	8.9	12.2		14
Denmark	17.9	13.5	26.4	22.6	32.2		9
France	13.2	8.8	8.6	7.6	10.1		12
Germany	33.6	80.9	24.4	29.6	44.2		3
Ireland	7.8	3.3	23.1	12.2	20.5		13
Japan	31.8	27.4	111.4	47.0	68.4		5
Netherlands	10.4	63.6	46.1	29.0	35.5		7
Norway	22.5	19.2	25.7	20.8	29.1		8
Sweden	12.1	9.3	24.8	11.9	19.4		11
United Kingdom	33.4	64.7	112.2	17.5	28.1		2
United States	20.5	59.4	31.9	44.2	48.3		6
AfDF	13.9	17.7	24.0	13.8	25.4		10
EC	39.6	25.7	51.2	55.8	104.0		4
IDA	50.0	151.6	205.8	135.8	149.7		1
UNHCR	2.8	5.5	19.1	11.7	13		15
Total ODA to Zambia	349	624	795	374	528	492	

Source: OECD Geographical Distribution of Financial Flows to Developing Countries, 2003.

Table C3.2 The Netherlands' ranking in external financing by sector

	1998	1999	2000	2001	2002	2003
ranking in external financing	6	12	4	5	6	10
ranking among bilateral donors	5	9	3	3	4	6
ranking in sector support health	2	na	3	5	1	2
ranking in sector support education	3	na	2	2	2	6
ranking in programme econ. Development – agriculture	2	na	2	na	1	1

Source: Based on RNE-OS/2003/171, MFNP "Donor Flows 1998-2006" and OECD Geographical Distribution of Financial Flows to Developing Countries, 2003.

Table C3.3 Health Sector

Health	1997	1998	1999	2000	2001	2002	TOTAL
Belgium	3		9	11	10	9	14
Canada				2	4	5	8
Denmark				7	8	2	3
Germany			10		8		15
Ireland				6		4	9
Japan			4		5		11
Netherlands	7	4	7	1	1	3	1
Norway	5	5	6	8	7		12
Sweden	2	2	1	11		1	2
United Kingdom	4	6	5	4	2	7	5
United States	1	3	3		3		4
CEC		1		3			6
AfDF			2				7
UNICEF				5	6	6	10
EC						8	13

Source: Calculated from OECD, Creditor Reporting System, Aid Activities in Africa, Volumes 1998-2004

Table C3.4 Education Sector

Education	1997	1998	1999	2000	2001	2002	TOTAL
Belgium	4	5	10	2	8	7	14
Denmark	1	8	11	7	9	9	13
Finland	7		7	5	5		12
Germany		11	6	4	7	6	10
Ireland				3	4	4	7
Japan		3	5			10	5
Netherlands	9	4	4	11	11	2	4
New Zealand						3	11
Norway	2	9	2	1	3		3
Sweden	6	7		14			15
United Kingdom	3	1	8	6	6	1	2
United States		6	9	8	2	5	6
CEC	10	2					9
AfDF			3				8
IDA			1		1		1

Source: Calculated from OECD, Creditor Reporting System, Aid Activities in Africa, Volumes 1998-2004

C3.5 Agricultural Sector

Agriculture	1997	1998	1999	2000	2001	2002	TOTAL
Australia				7		6	11
Belgium	4	4	7	5	5	4	7
Finland	5	5	4				10
Germany			3	8	4	5	8
Italy	7	6			7		14
Japan	1						4
Netherlands	2	3	5	2	2	1	2
Norway			1	4	3	2	5
Sweden	6	1					1
United Kingdom		7		9		3	9
United States	3	2	2	3	1		3
CEC (EDF)			6				13
AfDF				1			6
EC				6	6		12
Spain				10			15

Source: Calculated from OECD, Creditor Reporting System, Aid Activities in Africa, Volumes 1998-2004

C4: Coordination, harmonisation and alignment

The principles for donor coordination, harmonisation, and alignment were endorsed among the main donors in the Rome Declaration on Harmonisation (February 2003) and further developed in the DAC Good Practice Paper “Harmonisation Donor Practices for Effective Aid Delivery” (2004). In the policy document by the Netherlands’ Ministry of Foreign Affairs (Harmonisation Policy of the Netherlands, 2003), a distinction is made into degrees of intensity of co-ordination (see also OED/World Bank, 1999). These are:

- information sharing: exchange of information about plans and activities of several co-operation partners leading to more awareness of each other positions and programmes. Some may see this as a precursor to genuine co-ordination;
- strategic and policy co-ordination (PRSP and SWAp). Active consensus building of partner which leads to agreement on policies, strategic aims and key interventions, and occasionally on important procedures and practices. This may lead to a division of tasks, selectivity, in line with a comparative advantage of individual partners. Also, partners may agree to apply similar or uniform procedures and practices;
- operational co-ordination or harmonisation – contract on a common programme after agreement on policies and strategies. Such a contract comprises pooled funding, followed by a joint application of a common intervention design and a common application of procedures. It may result in a form of delegated co-operation (or silent partnership)

The like-minded donor countries selected Zambia as a pilot on harmonisation, made operational by the Harmonisation in Practice initiative. The framework for Harmonisation in Practice builds on positive harmonisation experiences in the health and education sectors in Zambia. The overall approach is guided by the following principles to which both government and donors subscribe (HIP, 2003:3)

- Leadership, coordination and guidance by the government;
- commitment to civil service reform;
- public financial management reform;
- commitment to using PRSP as basis for strategic planning and monitoring; and
- commitment to adoption of SWApS and possible move toward direct budget support.

The Appendix 1 of Harmonisation Implementation Plan, 2003 refers to the HIP as “a pilot to be extended to other countries on co-operation with Northern European Donors”. USAID has already joined while both the EC and Germany are likely to follow the harmonisation efforts (2004, www.aidharmonisation.com).

At the national level, the responsibility for donor coordination has changed a few times over the last decade. When the MMD government came into power in 1991, the National Commission for Development Planning (NCDP) was re-organised to take into consideration changes in government policy towards economic management. The commission had two divisions, the Planning Division and the Economic Co-operation Division (responsible for aid management and coordination). In 1996, it was decided that NCDP should merge with the Ministry of Finance to form the Ministry of Finance and Economic Development (MOFED). During the transition the planning function was lost and the aid co-ordination function lost its power⁴³. The External Resources Mobilisation

⁴³ It was previously under the Office of the President and had a Deputy Minister.

Department (ERM) was established for aid and debt management at the newly formed ministry. Given the gravity of Zambia's debt position, the debt management functions took precedence over aid management concerns. During this transitional period donors became accustomed to working on their own or directly with line Ministries. Further changes took place in the context of the Public Sector Reform Programmes when professional staff were interviewed and moved where necessary.

Following the election of Levy Mwanawasa as president in December, 2001, further changes took place. The Ministry was re-organised and renamed the Ministry of Finance and National Planning (MFNP). The major changes that took place were:

- The re-introduction of the planning function by the establishment of the Planning and Economic Management Department. Other departments included, the Budget Department, ETC, the Investment and Debt Management Department and the Accounts Division.
- The retirement and placing on leave of senior officials at the Ministry including the Secretary to the Treasury, the two Permanent Secretaries, the Director of Budget and other senior officers pending investigations on charges of corruption and abuse of office. Most were long serving civil servants with vast experience and institutional memory.
- The moving of personnel to fill the gaps created in order to rationalise the distribution of qualified personnel. In addition, staff with relevant qualifications was also brought in from other Ministries such as Commerce and Foreign Affairs (particularly for ETC) and the Bank of Zambia.

C5: Budget allocation and Public Finance Management

An indication of the relative importance to GRZ of the three sectors chosen by the Netherlands development co-operation, is the budget resource allocation. In terms of the domestic discretionary budget, the education budget share was 20.2 percent in 2001, declined to 18.2 percent in 2002 and increased again to 19.7 percent in 2003. Although the 2003 education share was higher than in 2002, it fell below government commitment of 20.5 percent (in 2004, the budget will reach 20.6 percent, since 20.5 percent is the trigger for HIPC Completion) (interview Planning and Economic Management Department, MFNP). The allocation to the health sector during 2001-2003 has increased in nominal terms. Total domestic discretionary budget for the health sector in 2001 stood at 12.8 percent, dropped to 10.7 percent in 2002 and increased to 12 percent in 2003 (MFNP, 2004: 31 and 33).

The functional distribution of expenditures 2000-2003 is presented in table C5.1

Table C5.1 Zambia Functional Distribution of Expenditures 2000-2003

Millions of Kwacha	2000	%	2001	%	2002	%	2003	%
Economic	237,326	11	495,764	16.5	425,415	11.4	504,606	9.4
Transport and Communications	125,552	5.8	299,970	10	187,759	5	151,028	2.8
Agriculture	47,195	2.2	103,162	3.4	81,347	2.2	219,339	4.1
Energy	3,692	0.2	7,520	0.2	7,877	0.2	6,198	0.1
Commerce, Trade & Industry	14,373	0.7	12,236	0.4	44,221	1.2	16,147	0.3
Lands & Natural Resources	10,851	0.5	26,965	0.9	49,548	1.3	54,034	1
Tourism	10,229	0.5	19,601	0.7	24,833	0.7	28,969	0.5
Mining	8,924	0.4	3,571	0.1	5,296	0.1	8,455	0.2
Science and Technology	16,509	0.8	22,739	0.8	24,536	0.7	20,436	0.4
Social	416,655	19.2	751,198	25	870,307	23.4	1,178,981	21.9
Education and Training	234,316	10.8	405,654	13.5	467,700	12.6	696,846	13
Health	146,736	6.8	259,184	8.6	289,313	7.8	395,752	7.4
Housing, urban development	4,364	0.2	10,097	0.3	5,455	0.1	8,081	0.2
Welfare	12,557	0.6	32,108	1.1	54,882	1.5	37,789	0.7
General Social	12,557	0.6	34,952	1.2	42,259	1.1	33,237	0.6
Information services	6,125	0.3	9,202	0.3	10,699	0.3	7,276	0.1
Administration	1,371,390	63.3	1,550,979	51.6	1,689,998	45.4	1,971,349	36.7
Central Administration	826,625	38.2	715,798	23.8	693,556	18.6	846,389	15.7
Defence and Security	223,835	10.3	340,526	11.3	413,979	11.1	506,918	9.4
Law and Order	156,478	7.2	277,593	9.2	303,238	8.1	323,580	6
Foreign Representation	64,475	3	77,650	2.6	121,399	3.3	133,500	2.5
Policy Making and Legislation	29,678	1.4	35,391	1.2	72,044	1.9	74,488	1.4
Judicial and Legal	15,704	0.7	27,266	0.9	44,051	1.2	58,569	1.1
Local Government	54,596	2.5	76,755	2.6	41,731	1.1	27,906	0.5
Constitutional and Statutory	140,271	6.5	210,507	7	740,411	19.9	1,719,676	32
TOTAL	2,165,642	100	3,008,449	100	3,726,131	100	5,374,613	100

Source: Ministry of Finance and National Planning

Note: The total includes other expenditures such as interest payments, amortisation of foreign debt

The First PRSP Implementation Report referred to the difference between allocation and release of resources to the educational and health sectors (table C5.2).

Table C5.2: Sector budget and expenditure (discretionary budget), 2001-2003 education and health

Overall Sector budgets / expenditure				Poverty reduction programme Budget / releases				
Education								
Year	Allocation In Kwacha billion	Actual Expenditure	Percent	Donor	GRZ	Total allocation In Kwacha billion	Release GRZ	Percent PRP to GRZ allocation
2001	656.4	367.9	56					
2002	927.6	708.9	76	20.0	24.0	44.0	6.9	28.7
2003	931.0			46.7	5.1	51.8	6.3	123.3
Health								
2001	370.2	95.7	25.8	78.7		78.7		
2002	757.6	245.8	32.4	22.0	18.0	40.0	6.0	33.3
2003	816.6			58.8	16.6	75.4	34.8	209.6

Source: Ministry of Finance and National Planning. First PRSP Implementation progress Report January 2002-June 2003. March 2004. Tables 4.6 and 4.7 re-elaborated.

Conditionality on domestic resource input

Zambian government officials in general and MFNP in particular acknowledge the importance of conditionality as this ensures that aid will be used effectively and will be accounted for. MFNP does not feel comfortable with conditions that require ex ante an agreed percentage of domestic expenditure on selected sectors (like education). Donor set this kind of conditions to ensure government's financial commitment and to avoid that donor resources replace local spending (fungibility). In Zambia, this kind of input conditionality has various disadvantages:

- The mandatory budget is high and in consequence, the discretionary budget relatively small. Donor conditions on scarce resources may undermine the democratic decision-making (and hence the legitimacy) of the national budget.
- With donors 'crowding' education and health, other sectors may receive too little support to receive a 'fair share' of the budget. Also within sectors too stringent conditions may cause imbalances in resource allocation, as evidenced in education where special education and colleges have paid the price for the focus on primary education.
- A sore point between donors and GRZ has been the question of political conditions, for example on democracy and human rights. It is outside the domain of implementing ministries or agencies to have an impact on those conditions, but they may have an impact on the resource flow.

Public Finance Management

The OECD-DAC Survey on progress in Harmonisation and Alignment (2004) assessed the strengths and weaknesses of the capacities in Public Finance Management. The Zambia Country Chapter shows weaknesses in almost all fields (OECD-DAC, 2004 Table Indicator 3:3), but also stresses that these deficiencies are being addressed. Also the PEMFA Review (2003) identified areas in the PEM system that merited improvement

and upgrading, but also showed the changes that have contributed to improved economic management, budget allocative efficiency and aid efficiency, such as:

- The evolution from incremental line budgeting based on administrative classification to activity based budgeting (ABB) and sector budgeting. ABB implies that ministries have to plan and budget together with other ministries and agencies with which they share a sector (for example water supply) (Budget Speech, 2004).
- The 2004 Budget was formulated in the context of a Medium-Term Expenditure Framework (MTEF) for the 2004-2006 period, placing the annual budgeting cycle in a medium term perspective, while integrating the investment and current expenditures.
- More realistic budgeting supported by improvements in cash-flow forecasting, and by a commitment control system (CCS), as well as an integrated financial management system (IFMIS).
- The opening up of the budgeting process to non-government actors in the monitoring and accountability of public expenditure⁴⁴. Non-government actors participate in the Consultative Group Meetings.

⁴⁴ Traditionally, the budget process was a kind of 'secret process' within the Budget Office. Ministries and other departments would make submissions based on ceilings set by the Ministry of Finance.

C6. Main evaluation questions

The objective of the evaluation was to assess “*whether and to what extent the introduction of the sector-wide approach has improved conditions for achievement of the main objective of Dutch development policy, namely poverty reduction*”. To this end, the following key questions have been formulated:

- *To what extent have the desired changes in Dutch policy been achieved and what explanatory factors can be given for the findings?*
- *To what extent have the desired changes in the aid recipient country been achieved and what were the most influential factors?*

The Terms of Reference put the following key questions:

1. To which extent and how has the Netherlands development co-operation with Zambia applied the sector approach?
 - In Zambia, sector support programmes had been introduced (in health and agriculture) some four to five years prior to the introduction of the sector approach as policy of the Dutch development co-operation. In 1999, a programme for basic education was in an advanced stage of elaboration. To the Netherlands’ embassy, the introduction of the sector approach has been a smooth process that did not lead to any major change in the existing co-operation programme at the time.
 - The sector choice (health, education and economic development-agriculture) was an exclusive Dutch decision, not formally agreed upon with GRZ, not coordinated with other donors present in Zambia, but that –ex post- happened to match well with the PRSP (2002). The White Paper AEV (2003) led to a reorientation of the contents of the ‘sector’ economic development – agriculture towards the broader perspective of support to the private sector.
 - Coordination among donors and between GRZ and donors was vivid at district level (mainly in health sector) and could –by sector- easily be ‘upgraded’ to the national level. Formal coordination in an integral manner –institutionalised by the Consultative group meetings- was less active. The sector approach has been an impetus to intense coordination at sector level, that has attracted gradually more participants.
 - Zambia is a pilot on harmonisation. Progress has been registered in the area of harmonisation of procedures in the sector support programmes, but at a more general level progress remained below expectations.
 - Donors and GRZ have different perceptions as to whether policies and procedures have been aligned with those of GRZ.

2. To what extent have the desired changes (ownership, institutional capacity and efficiency) in aid management been achieved in Zambia?
 - At national level, Zambia lacks an external aid policy, while the institutional structure for aid coordination was not properly equipped to ‘orchestrate’ well the external assistance to national development goals. Zambia is highly dependent on aid, which leaves little space to GRZ to assume more leadership.

- If ownership were to be measured by domestic resource allocation to the priority sectors, than the ownership has not been outspoken.
- Since 2000, major improvements have been introduced in the public expenditure management at the Ministry of Finance and National Planning, although a recent review highlighted many deficiencies. The fiduciary risk was assessed as 'high, but moving into the right direction'.
 - At the sector level, the collective effort (of mainly the like-minded countries) rather than the presence of a single lead donor sets the tune for the change process. Setting up sector support programmes lead to an intensive interaction between Zambian officials and donor agencies. This interaction is highly centred in the ministerial headquarters.
 - Sector support programmes have contributed to the improvement of institutional capacity in the line ministries in areas like planning, monitoring and financial control. Nevertheless, the institutional capacity has been insufficient (and of unequal geographical distribution) to ensure a smooth implementation of the sector support programmes in education health. High turnover of politically responsible authorities (MoH) and administrative authorities (MoE) have been a severe bottleneck
 - For an efficient implementation of sector support programmes the roles and functions of the public sector in relation to the private sector should be better defined and the public service should have been reformed in accordance to those roles. In Zambia, these processes have not boiled down yet and line ministries are in a permanent process of reorganisation (health).
 - Transaction costs to RNE Lusaka have not clearly diminished, but have changed in character. That character matches better the professional qualifications of embassy staff. The sector approach has increased the workload of GRZ, since tasks previously conducted by the external agents (for example management, procurement and contracting of technical assistance) have been transferred to GRZ. More use could be made of delegated co-operation and silent partnerships.
3. Has the introduction of the sector-wide approach improved the conditions for achievement of the main objective of Dutch development policy, namely poverty reduction?
- Pro-poor policies form the core of GRZ's National Development Plan and the various sector plans. But day-to-day decision-making may deviate from that. The RNE trackrecord 2003 reported under-spending on poverty reduction programmes and in the social sectors.
 - Sector support programmes have largely aimed at the service delivery by the public sector. The approach has been to do 'more' and 'to do it of higher quality' This has debilitated the options for real reform.
 - In health, access indicators like immunisation rate have improved, but impact indicators show a mixed picture, with life expectancy even declining as a result of the devastating effects of HIV/AIDS. Primary education enrolment rates and literacy indicators have improved, but the student – teacher rate in primary education increased to an appalling 52:1. In primary education, the WEPEP evaluation expressed doubts whether the poorest and most vulnerable groups were really reached and suggested support to community school;s to that end. RNE supports community schools, using the project modality.
 - In the Dutch programme the direct relation to income generation is represented by the sector economic development – agriculture. While liberalisation and

privatisation policies have eliminated the public support to smallholder producers, most external donors withdrew their support as well after the failure of the ASIP. In its current programme RNE Lusaka does not focus on the smallholder producers, but on the “emerging farmer” with market potential.

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C. 8 Institutions and persons met

Name	Function
Akamansa, V.	Field manager, Women for Change
Biemba, G.	Executive Director, Churches Health Association of Zambia (CHAZ)
Bothma, B.	Development manager. Livestock Development Trust
Bush, B.	Executive Director. Zambia Export Growers Association
Chansa, C.	Sector Programme Secretariat CBoH
Chikwenya, N.	Donor-NGO Coordinator, Min. of Health
Chilombo, Mrs P	MFNP
Chirwa, B.	Central Board of Health
Chitengu, R.	Sector Programme Secretariat CBoH
Correia Nunes, J.C.	Head of Section Economics and Trade Related Co-operation. Delegation of the European Commission in Zambia
Daka, mrs G.	Local advisor Education. Royal Netherlands Embassy
Van Dixhoorn, F.	Director, Development Services and Initiatives Southern Africa (ex RNE)
Gerritsen, M	First Secretary Health. Royal Netherlands Embassy
Grevers, B.	Head Internal Management, Royal Netherlands Embassy
Haantuba, H.	Deputy Director marketing and co-operative branch. Planning and Co-operatives Department. Ministry of Agriculture and Co-operatives
Hamwembwe, mrs P.	NGOCC
Hogenkamp, Mrs I	Policy Adviser Southern Africa Division, Ministry of Foreign Affairs. Chairperson Country team
Huegenin, B.	First Secretary Education. Royal Netherlands Embassy
Humphreys, G.	Director of Training. Zambia Export Growers Association
Imakando, M.	Trust Director, Livestock Development Trust
Jones, Mrs.W.	Assistant controller. Royal Netherlands Embassy
Kamwenda, Mrs J.	Local advisor economic development – agriculture. RNE Lusaka
Liywali, M.	Planning Officer. Ministry of Agriculture
Lucius, G.	Political attaché. Royal Netherlands Embassy
Lungu, M.	Planning and Economic Planning Department. MFNP
Katunda, Chr.	Planning Officer, Ministry of Education
Machere, Mrs Ph.M.	Business Development manager, Livestock Development Trust
Mendemenda, D.	Director Planning and Co-operatives Development. Ministry of Agriculture and Co-operatives
Montgomery, R.	Deputy Head, Department for International Development, British High Commission, Zambia
Mtonga, Mrs Dr. V.C.	Director Clinical Care and Diagnostic Services. CBOH
Mtonga, Dr. S.	Planner, Min of Health
Mukuka, Mrs K.	NGOCC
Mumbula, Y.	Min. of Education
Musole, Mrs.P.	Senior Economist, Bilateral Co-operation. MFNP
Mwanuomo, A.	Agricultural Consultative Forum
Ndopu, D.	Chief Economist, Bilateral Co-operation. MFNP
Nyangu, N.	Director Planning and Information, Ministry of Education
Olsen, A.	Deputy Head of Mission, Head Development Co-operation. Royal Norwegian Embassy
Phillips, M.	Budget Office. MFNP
Phiri, F.	Assistant Director Planning & Budgeting. Min. of Health

van de Pol, mrs I.	First Secretary Cross cutting themes. Royal Netherlands Embassy
De Putter, J.W.	Farm Director. Zambia Export Growers Association
De Renzio, P	Research Fellow Centre for Aid and Public Expenditure, ODI
Schuurman, Mrs M.	Macroeconomist. Royal Netherlands Embassy
Shandawu, F.	Principal Planning Officer, Budget and Projects. Min of Education
Shawo, Mr	Planning Officer. Min. of Agriculture
Tjoelker, Mrs T	Senior advisor Gender and Development DSI, Ministry of Foreign Affairs
Van Walsem, B.	First Secretary economic development. Royal Netherlands Embassy
Waltmans, J.	Counsellor. Head Development Co-operation. Royal Netherlands Embassy
Winkler Hughes, Mrs B.	Director Population, Health and Nutrition Office, US Agency for International Development
Women for Change (NGO) Rachel Maureen Betty	Finance manager Programme Department Central Provinces