evaluation

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Evaluation of DFID's Country Programmes: Zambia 2002-2007

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"DFID has 'punched above its weight' influencing the pro-poor direction of national policy and the coordination and allocation of donor resources, in excess of the value of its own programme."

Introduction

1. This country programme evaluation (CPE) assesses DFID's programme in Zambia from March 2002 to March 2007.

Development Context

2. Zambia has turned a corner since 2000, with improved economic prospects and positive changes in the political climate. Economic growth has accelerated on the back of rising copper export revenues and higher performance in traditional and non-traditional sectors. Economic management has improved, leading to substantial debt relief from 2005.

3. Challenges remain huge however, especially in human development, HIV/AIDS, rural poverty and governance. The downside of Zambia's remarkable political stability is entrenched patronage politics, contributing to weak public administration capacity and a lack of effective political stewardship. Progress towards Millennium Development Goals (MDGs) is mixed; where positive trends exist, regional and urban/rural disparities are substantial.

4. DFID, which opened a Zambia country office in 2001, has been one of the lead bilateral donors with the US and Germany. The UK provided £213m of debt relief over the evaluation period, while the DFID bilateral programme outside debt relief totalled £181m. DFID's interventions have focused on health, education, HIV/AIDS, social protection, humanitarian assistance and public sector reforms. DFIDZ began contributing to multi-donor Poverty Reduction Budget Support (PRBS) in 2005 and PRBS accounted for 57% of DFIDZ's total spend (outside debt relief) in the last year of the evaluation period.

Relevance of DFID Support

5. DFID support has been increasingly closely aligned with the national poverty reduction strategy and is broadly in line with DFID's corporate objectives. DFID's strategy was informed by Drivers of Change analysis although demand side issues were less well reflected than supply side.

6. DFID's transition from mostly stand-alone projects to a mix of aid instruments including pooled donor funding and PRBS has proved relevant to the country's needs and Government of Zambia (GRZ) policy. Despite concerns at the beginning of the evaluation period, triggers for PRBS were all met by the time the memorandum of understanding was signed in 2005. DFIDZ has played a leading role in transforming the relationship between the GRZ and donors under the Joint Assistance Strategy to Zambia (JASZ), which has supplanted DFID's 2004-2006 Country Assistance Plan (CAP) as the main driver of DFIDZ's programme.

7. DFID's programme has benefited from relevant partnerships with GRZ, multilateral and bilateral donors and civil society. However, some partnerships may be under threat as movement towards general budget support reduces direct engagement through sector wide approaches (SWAps), and support to Civil Society Organisations (CSOs). On the other hand, PRBS is providing more opportunities for strengthening partnership with Government around policy dialogue and resource allocation.

8. DFID has supported relevant governance and social sector interventions, addressing critical problems of public financial management, corruption, access to primary education, health services, HIV/AIDS and rural poverty. DFIDZ has not fully grasped the ambitious agenda for improving the enabling environment for pro-poor growth set out in the CAP.

9. DFID support to humanitarian assistance, vulnerability and social protection has been highly relevant to poverty reduction needs, and has provided a useful counter-balance to general budget support. Cross-cutting issues have been well reflected, though more should have been done to fully mainstream gender, and promote rights-based approaches.

Major Recommendations

24. *For DFID Zambia:*

- Develop an effective performance management framework for the country programme, and review at least annually.
- Maintain full-time advisory capacity in sectors where DFIDZ leads, with strong influencing skills to compensate for the loss of 'funding-leverage' available under pre-PRBS aid modalities.
- Further strengthen political economy analysis at sector level to support the influencing agenda, and the targeting and design of effective, sustainable capacity building interventions.
- Undertake jointly with GRZ and other donors public expenditure tracking to quantify the cost of fiduciary risk for PRBS, and track efficiency through benchmarking unit costs.
- Work towards M&E of PRBS based solely on FNDP targets, without the need for separate assessment.
- Develop standard approach to evaluating performance of donors within JASZ structure, and formalise mechanisms for changing leads.
- Work with others to ensure more rational donor resource allocation to sectors, reflecting MDG needs.
- Examine innovative approaches to governance reform which focus on rights-based and demand-side interventions, to overcome entrenched resistance to change.
- Consider more active engagement in PSD to help delivery of the joint Private Sector Development Reform programme.

25. *For DFID Headquarters*

- Address issues of multilateral efficiency though consolidated national engagement at board level.
- Enforce discipline with annual reviews of country programmes: hold country offices accountable for progress.

Management Response

26. DFIDZ welcomes this timely evaluation which will form a significant part of the evidence base as we identify issues and develop choices to shape our next country plan.

27. We are pleased to note that steps have already been taken to implement or respond to many recommendations since the end of the evaluation period. For example, DFIDZ now has objectives and performance indicators which are reviewed annually and has appointed a Results Adviser to start in August 2008. We have taken steps to increase our engagement in growth analysis and private sector development, moving from background to active donor status in this area and significant steps have been taken to further develop the demand side of our governance work, including through setting up a joint civil society fund.

28. The CPE identified a number of areas where DFID Zambia could have done more, however it did not identify what, within finite resources, the team might have done less of. This is a key question, given the challenge we face to do the best things we can with the resources we have, and we would encourage CPEs to test and support judgements in this area.

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DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

DFID, the Department for International Development: leading the British government's fight against world poverty.

One in five people in the world today, over 1 billion people, live in poverty on less than one dollar a day. In an increasingly interdependent world, many problems – like conflict, crime, pollution, and diseases such as HIV and AIDS – are caused or made worse by poverty. DFID respons to emergencies, both natural and man-made. It also supports long-term programmes which aim to reduce poverty and disease and to increase the number of children in school, in support of the internationally agreed UN 'Millennium Development Goals'.

DFID works directly in over 150 countries worldwide, with a budget of some £4.6 billion in 2005. Its headquarters are in London and East Kilbride, near Glasgow.

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10. In the first year of the evaluation period DFID completed the financing of a very large (£56m) infrastructure investment in a copper smelter under the Zambia Economic Recovery Grant (ZERG) project, which helped enable the privatisation of Zambia's copper industry. The project appears to have been highly relevant to Zambia's needs but as it was exempted from normal DFID review procedures the documented evidence for its relevance, effectiveness and impact is limited.

11. DFIDZ has taken an aggressive approach to risk, and successfully pursued some high risk interventions. Results frameworks for individual projects and programmes were generally appropriate, but this evaluation is critical of the lack of a formal documented performance management framework for the country programme as a whole from 2005 to the end of the evaluation period.

Effectiveness and Efficiency

12. DFID interventions have generally been effective, though with some exceptions. PRBS has increased the total resources available to GRZ, and encouraged reform in public financial management, making public expenditure more transparent and – potentially – more accountable. Beyond this, there is no conclusive evidence of PRBS contributing to increased pro-poor spending.

13. Broader governance reforms have been less effective, though DFID has made a major contribution to one of the few areas of progress – payroll and personnel management systems. DFID has also supported successful reform of the Zambia Revenue Authority, and reform of the Anti-Corruption Commission, though with less evidence of improved performance.

14. Social sector interventions have generally been effective, at both project and SWAp levels. Projects have been used effectively to pilot innovative approaches which have then been integrated into government systems. The transition from SWAp-based funding to PRBS has been achieved in the health sector with some difficulty, and should help remove budget distortions and align intra-government incentives. The impact will be limited, however, while large vertical extra-budgetary programmes continue to dominate the sector. A similar transition is underway in education but may be more difficult for DFIDZ to manage effectively, as DFID does not lead in this sector under the JASZ division of labour.

15. DFID has made a solid start to addressing the vulnerability of poor people in strengthening the national HIV/AIDS response, building vulnerability assessment and food security capacity and piloting social protection. Interventions have not always been well understood by national stakeholders, some of whom feel that DFID is pushing its own agenda too hard. However, DFID has delivered significant results, notably in responding rapidly and effectively to severe droughts, pooling funds with others.

16. Other than the ZERG project, private sector development (PSD) interventions have lacked strategic focus, and micro-finance initiatives have to a large extent failed to achieve objectives. The CAP-to-JASZ transition led to a rather muddled approach to PSD, with resources wasted on a cancelled DFID programme, and subsequently reallocated to a so-far under-performing national PSD reform initiative.

17. DFIDZ has delivered well on its CAP commitment to enhance aid management and efficiency, playing a core role in supporting Zambia's impressive progress under Paris Declaration principles. More could be done to enhance the effectiveness of multilateral donors in Zambia, working with DFID Headquarters. DFIDZ has been an efficient provider of aid to Zambia, in terms of its external policy engagement and the use of its office resources. DFIDZ has 'punched above its weight' influencing the pro-poor direction of national policy and the coordination and allocation of donor resources, in excess of the value of its own programme.

Impact and Sustainability

18. Although there is a problem with attribution, DFID's contribution to poverty reduction in Zambia has principally focused on social service delivery – despite an earlier attempt to support poverty reduction through growth and private sector development. DFID has supported abolition of user fees in the health and education sectors. The volume of social service delivery has increased - for example primary enrolment rates have nearly doubled over the evaluation period - but progress towards health and education quality standards has been uneven; although more positive in HIV/AIDS, where DFID and other donors work alongside global programmes.

19. Capacity building in the form of logistical support and technical assistance has not always led to improved institutional capacities. DFID has been most successful with its long-standing support to the Zambia Revenue Authority. Improvements in budget reporting – which PRBS contributed to – have opened new avenues for Parliament and civil society to hold the government to account. However, there is still much to do to. Monitoring and evaluation (M&E) remains weak – and a substantial change in institutional culture will be needed for M&E to support policy decisions. The main focus for DFID should be to support the M&E system for the Fifth National Development Plan (FNDP).

20. DFID has made great efforts to improve the predictability of its own aid and that of other donors. However, the aid landscape in Zambia remains complex and a substantial – though reducing – proportion of aid is still provided off-budget, making it difficult for the government to budget future financial inflows. This undermines the impact of harmonisation and alignment efforts on aid quality.

21. There is some evidence that stronger donor coordination has reduced aid wastage – although transaction costs at the beginning of the process did appear to increase for government and donors. Further rationalisation of aid management, and stronger domestic leadership, will be needed to sustain efficiency gains and increase impact.

Key strengths and weaknesses of the DFID programme

22. *Strengths:*

- Credible, relevant and effective programme, developed and managed in-country, rapidly established after opening the country office.
- High quality policy and technical advisory staff, both UK and staff appointed in-country, well respected by government and other partners. Good 'development diplomacy' skills and technical excellence.
- Rapid and appropriate response to requests for assistance from GRZ, often in contrast to the centralised and slower decision making process of other partners.
- Excellent alignment with Paris principles creating a catalyst for other donors. Good predictability of aid.
- Willingness to take on high risk interventions in response to emerging opportunities, where relevant to poverty reduction and governance objectives.
- Strong commitment to budget support and programme based approaches, and away from less strategic project interventions, but also well designed project interventions in support of sector strategies and PRBS, to gain advantages from a mix of instruments.
- Able to support government and other partners through transition of aid modalities – e.g. from SWAp basket funding to PRBS in health sector.
- Experience in health demonstrates that it is possible to continue to provide well respected policy leadership after direct financing to the sector has ceased, but it is less clear that more hands-on operational technical assistance can be effectively provided in a budget support environment, although there are good examples of DFID facilitating the use of consultants contracted by others.

23. *Weaknesses:*

- There was no comprehensive country-level performance management framework from 2005 to the end of the evaluation period.
- Notwithstanding the very positive development of a strategic approach to public sector management, the move to budget support created an initial focus on public financial management rather than broader capacity building.
- The fiduciary risks of budget support have not been clearly quantified (e.g. in terms of loss of funds through corruption, and inefficient government expenditure patterns with high unit costs) vis a vis other aid delivery mechanisms.
- Rapid transition to budget support may reduce opportunities for lesson learning from other funding modalities (e.g. education SWAp basket fund).
- Although the PRSP/FNDP is linked to the budget resource allocation process, there is an opportunity to use JASZ structures to ensure a more rational allocation of total resources (donors + GRZ) towards MDG priorities, drawing on international initiatives like the partnership for health.
- Gender focus of the programme could be made more explicit, in light of DFID corporate policies and JASZ concerns about the status of women in Zambia.
- Opportunities for demand-side interventions to drive forward public sector reforms, and overcome political constraints, could be more actively explored, given historic failure of supply -side reforms to address patron–client relationships which undermine good governance.

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