

# EVALUATION OF DFID COUNTRY PROGRAMMES: ZAMBIA



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## OVERVIEW OF COUNTRY PROGRAMME EVALUATIONS

DFID has a rolling programme of Country Programme Evaluations (CPEs) with 5 or 6 evaluations of countries or regions per year. A synthesis report pulling together findings from five recent CPEs is also produced annually. CPEs are challenging evaluations attempting to provide an overview of the entire DFID programme over a five-year time frame and evaluate whether DFID made appropriate strategic choices in the given context and delivered effectively. CPEs are ideally undertaken in the year prior to development of a new Country Assistance Plan, as they are designed to meet DFID's needs for lessons that can inform future strategy and programming, as well as accountability for funds spent at country level. CPEs are intended for a wide audience including DFID's country office staff and partners, senior DFID managers in the relevant regional divisions and members of the public/ other stakeholders.

Each CPE is managed by DFID's Evaluation Department and carried out by 4-6 independent international consultants with a mixture of evaluation and development skills. The terms of reference for the CPE programme include a generic evaluation framework closely linked to standard evaluation criteria; this is customised a little for each individual evaluation (and annexed to the report). For CPEs, interpretation of each of the evaluation criteria is as follows:

**Relevance** – CPEs should provide high quality, well evidenced material and judgements on whether 'DFID did the right things'

**Effectiveness** – CPEs should examine key interventions and partnerships and identify and explain successes and failures

**Efficiency** – CPEs should tell a narrative around the allocation of resources (financial and staffing) to deliver the results DFID was hoping to achieve

**Impact** – CPEs cannot produce new information on impacts attributable to DFID, but should consider DFID's contribution to long term outcomes

**Sustainability** – CPEs should discuss evidence on progress towards sustainability in terms of ownership of reforms, capacity development and resilience to risks.

Typically CPEs comprise a one week inception mission to the country to make contacts, scope the boundaries of the evaluation, customise the generic evaluation matrix and make decisions around issues such as field visits. The main CPE fieldwork then takes place around a month later and lasts up to three weeks. DFID's Evaluation Department provides each evaluation team with a large documentary evidence base comprising strategies, project/ programme information and context material sourced from a thorough search of paper and electronic files, DFID's intranet system and the internet. During the fieldwork the team interview stakeholders in country and current and past DFID staff. A list of people consulted is annexed to each study.

The views expressed in CPE reports are those of the independent authors. The country office can comment on these in a 'management response' within the Evaluation report. CPE reports are quality assured by an independent consultant who has no other involvement in the CPE programme.

**DEPARTMENT FOR INTERNATIONAL DEVELOPMENT**

Evaluation Report EV689

**Evaluation of DFID  
Country Programmes :  
Zambia**

**Richard Hooper (Team Leader), Ann Condy,  
Stephen Tembo, Jurrien Toonen, Charlotte Vaillant**

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## Preface

The evaluation of DFID's country programme in Zambia is one of a series commissioned by DFID's Evaluation Department. The studies are intended to improve performance, contribute to lesson learning and inform the development of future strategy at country level. Collectively the CPEs are important in terms of DFID's corporate accountability and enable wider lessons across the organisation to be identified and shared.

This evaluation was carried out by a team of independent international consultants led by ITAD Ltd. The process was managed by Kerstin Hinds and Karen Kiernan of Evaluation Department (EvD). The success of the Evaluation is due to many people and EVD would like to thank Joy Hutcheon, Head of DFID Zambia, and her team for the positive way they have engaged in the evaluation. We also acknowledge the contribution made by the evaluation team itself and thank all DFID staff and development partners who engaged with the study.

The evaluation focused on DFID's programme during the period March 2002 - March 2007 and was carried out between October 2007 and January 2008. This included a one week inception visit carried out by EVD and Richard Hooper, the ITAD team leader for this CPE, and a three week field visit carried out by the consultancy team.

In accordance with EvD policy, considerable emphasis was placed on involving the country office staff during the evaluation process and on communicating findings. Despite this involvement, the country office does not necessarily agree with all the findings of the CPE and we have noted their comment that the evaluation could have said more about what the programme should have done less of. The report reflects the views of the independent consultants, and the DFID office's 'management response' can be found on page xiii.

EVD is aware that the donor environment within Zambia is highly harmonised – and indeed the CPE traces the evolution towards harmonisation that took place over the evaluation period. Ideally we would have undertaken this evaluation jointly with other donor partners, however we did not manage to achieve this on this occasion. We are however keen to ensure that future evaluation of DFID's work in Zambia is undertaken jointly with other donors and we hope that the present evaluation offers lessons to DFID Zambia and partners that can be taken forward in the next joint assistance strategy.

We are encouraged that DFID Zambia has committed to use the findings and recommendations of the CPE to inform development of its new country plan – and indeed it is clear from the country office's management response that steps have already been taken which address some of the issues raised. We will be following up in 12 months to review progress made across all the recommendations.

Nick York

Head of Evaluation Department



## **Acknowledgements**

This report has been prepared by an independent team from ITAD Ltd. The team was led by Richard Hooper and consisted of Ann Condy, Stephen Tembo, Jurrien Toonen and Charlotte Vaillant. The team is very grateful to all those people who have provided support, information and comments.

The team was greatly assisted by Head Office and the staff of DFID Zambia. The team would in particular like to thank all DFID Zambia staff for providing freely of their time, responding readily to requests for information and contributing ideas and suggestions during an extremely busy period for the office.

However, other than the management response which has been written by DFID Zambia, full responsibility for the text of this report rests with the authors. In common with all evaluation reports commissioned by DFID's Evaluation Department, the views contained in this report do not necessarily represent those of DFID or the people consulted.



## **Executive Summary**

### **Introduction**

S1 This report is an evaluation of DFID's country programme in Zambia from March 2002 to March 2007, commissioned by the Evaluation Department of DFID (EvD) and undertaken by ITAD Limited, an independent consultancy company. The main fieldwork was conducted in Lusaka during November/December 2007, following which this report was prepared and subject to review and comment by EvD and DFID Zambia.

### **Development Context**

S2 Zambia has turned a corner since the turn of the century, 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.

S3 Challenges remain huge however, especially with regard to human development, HIV/AIDS, rural poverty and governance. The downside of Zambia's remarkable political stability is entrenched patronage politics, which contributes to weak public administration capacity and a general lack of effective political stewardship. Progress towards Millennium Development Goals (MDGs) is mixed; where positive trends exist, regional differences and urban/rural divides are substantial.

S4 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.

S5 DFID Zambia 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. PRBS accounted for 57% of DFIDZ's total spend (outside debt relief) in the last year of the evaluation period.

### **Relevance of DFID Support**

S6 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.

S7 DFID's transition from mostly stand-alone projects to a mix of aid instruments including pooled donor funding and PRBS has overall 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 Strategy (CAP) as the main driver of DFIDZ's programme.

S8 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 the balance of DFID's programme moves increasingly towards general budget support and loses direct engagement through SWAps, and provides less direct support to Civil Society Organisations (CSOs). On the other hand, PRBS is providing more opportunities for strengthening partnerships with Government around policy dialogue and resource allocation.

S9 DFID has supported relevant governance and social sector interventions, addressing critical problems including public finance management, corruption, access to primary education, health services, HIV/AIDS and rural poverty. Interventions have generally been drawn from sound and comprehensive diagnostic studies and match country priorities. Policy advice has generally been well received, but in some cases has been perceived as 'overly pushy'. DFIDZ has not fully grasped the ambitious agenda for improving the enabling environment for pro-poor growth set out in the CAP.

S10 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 overall been well reflected, though more should have been done to fully mainstream gender, and increase the scope for rights-based approaches.

S11 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.

S12 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 of DFID Support**

S13 DFID interventions have generally been quite effective, though with some exceptions. PRBS has increased the total resources available to GRZ, and has encouraged reform in public financial management. As a result, public expenditure is now more transparent and – potentially – more accountable. Beyond this, there is no conclusive evidence that PRBS in Zambia has contributed to an increase in pro-poor spending.

S14 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 clear evidence of improved performance.

S15 Social sector interventions by DFID 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 health sector. A similar transition is underway in education but may be more difficult for DFIDZ to manage effectively, as DFID are not sector leads in accordance with the JASZ division of labour.

S16 DFID has made a solid start to addressing the vulnerability of poor people in terms of 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 who in some cases feel that DFID is pushing its own agenda too hard. However, DFID has delivered significant results, notably in humanitarian assistance where it was able to respond rapidly and effectively to severe droughts, pooling funds with other agencies and government.

S17 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 their 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 programme.

S18 DFIDZ has delivered well on its CAP commitment to enhancing 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 through DFID Headquarters. DFIDZ has been an efficient provider of aid to Zambia, in terms of its external policy engagement with GRZ and other partners, 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**

S19 The impact of the DFIDZ programme has been assessed in relation to DFID's Public Service Agreement and related MDGs, and also in terms of sustainability, by looking at governance and capacity building, accountability and the quality of aid.

S20 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 vertical programmes.

S21 Capacity building in the form of logistical support and technical assistance has not always led to improved institutional capacities. Its long-standing involvement in supporting the Zambia Revenue Authority is where DFID has been the most successful. Improvements in budget reporting – which PRBS contributed to – has opened new avenues for Parliament and civil society to hold the government to account. However, there is still much to do before domestic accountability in Zambia is strengthened. In addition, monitoring and evaluation (M&E) practices remain weak – and a substantial

change in institutional culture will be needed before M&E starts to support policy decisions. The main focus for DFID in this regard should be to support the M&E system for the Fifth National Development Plan (FNDP).

S22 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. A substantial – though reducing – proportion of aid continues to be provided off-budget, making it difficult for the government to budget future financial inflows in an adequate manner. This has undermined the impact of harmonisation and alignment efforts on aid quality.

S23 Country ownership has been supported by a range of policy discussion platforms, but some senior civil servants are concerned that they are losing the variety of donor policy debate, as donors begin to speak with one voice. On the donor side, there are concerns that policy dialogue does not adequately involve political representatives – Ministers – and is overly focused on technical aspects with civil servants.

S24 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 alike. Further rationalisation of aid management, and stronger domestic leadership, will be needed to sustain efficiency gains and increase effectiveness and impact.

## **Major Recommendations**

S25 For DFID Zambia:

- Develop an effective performance management framework for the country programme, and ensure overall progress reviewed at least annually.
- Maintain full-time advisory capacity in the sectors in which DFIDZ leads, with strong influencing skills to compensate for the loss of ‘funding-leverage’ available under pre-PRBS aid modalities.
- Further strengthen and deepen political economy analysis at sector level to support the influencing agenda, and the targeting and design of more effective and sustainable capacity building interventions.
- Undertake jointly with GRZ and other donors public expenditure tracking studies to quantify the cost of fiduciary risk for PRBS, and track efficiency through benchmarking unit costs.
- Work towards M&E of PRBS which is based solely on FNDP M&E reports, without the need for a separate PAF.
- Develop standard approach to evaluating performance of donor partners within JASZ structure, and formalise mechanisms for changing leads
- Work with other donors to ensure better and more rational overall donor resource allocation to sectors to reflect MDG needs.

- Examine more 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 private sector development to help make the joint Private Sector Development Reform (PSDR) programme deliver.
- Undertake joint impact evaluations for key policy advice to increase understanding of policy cause and effect, and help strengthen consistency of policy advice.
- Strengthen communication of DFIDZ policy and objectives to partners and public

S26 For DFID Headquarters

- Address issues of multilateral efficiency through consolidated national engagement at board level.
- Enforce discipline with annual reviews of country programmes: hold country offices rigorously accountable for regular and effective reporting of progress.



# Management response to the Zambia Country Programme Evaluation Study

DFID Zambia welcomes the findings of this Country Programme Evaluation for the period April 2002 to March 2007. The study has been well timed to inform the development of DFID Zambia's next country assistance plan. Its conclusions and recommendations will be a very useful and significant part of the evidence base as we identify issues and develop choices that will shape that plan.

We have been given ample opportunity to feed in to this review, see early drafts of the report and are pleased that we have been able to reach a common position with the evaluation team on most issues. While some minor disagreements inevitably remain we largely accept the main points and recommendations in this report.

The report identifies a number of strengths which we will look to maintain and build on in developing Zambia's new country assistance plan. Specifically these include:

- the finding that the programme has been relevant to country needs, effective, efficient and consistent with Zambian Government policy;
- the conclusion that DFID has taken a lead role with partners and Government in country, influenced the pro-poor direction of national policy and resource allocation, and "punched above its weight";
- the recognition that managing the shift from a largely project based portfolio in 2002 to a programme dominated by budget support in 2007 has been a significant management challenge, but ultimately resulted in a strengthened partnership with the Zambian Government;
- the conclusion that the humanitarian, social protection and social service delivery work has been of high quality with a strong poverty focus and has been complementary with the move to budget support;
- the recognition of DFID's lead role in enhancing aid management under the Paris Declaration. This work consumed significant effort but has delivered results and changed the nature of donor and government interaction. The Joint Assistance strategy now provides the main strategic framework for all donors in Zambia; transaction costs to the Zambian Government have been reduced and the division of labour process has shifted co-ordination effort from government to donors as intended;

The report also however, identifies some areas where the programme has performed less well and draws from these some important recommendations about issues that should be addressed going forward. We will ensure that each of these is scrutinised carefully in the process of developing the new country assistance plan. For most of the recommendations, however, we are pleased to note that steps have already been taken to implement or respond to them since the conclusion of the evaluation period.

**On the development of an effective performance and management framework,** DFID Zambia has had a strong framework to work within, consisting of a 10 year agreement with the Government of Zambia to provide continued development assistance,

including through budget support, a Joint Assistance Strategy and Division of Labour to which DFID is a signatory, and a new rolling 3 year Budget Support Programme agreed by Ministers in 2007. Beneath this, since October 2006, each programme team has had formal written objectives and performance indicators which have covered the whole of DFID Zambia's programme and have been assessed annually and summarised for reviews of the Africa Divisional Performance Plan.

In addition to this, we decided in late 2007 to reinforce our results and monitoring and evaluation work by appointing a Results Adviser who will take up post in August 2008. She will lead our work with the Government of Zambia to reinforce Government monitoring and systems, focus on results and progress towards MDGs and look at strengthening measurement of progress towards the national development plan indicators for example, through assisting with gender monitoring systems and work on removing the need for separate budget support performance indicators.

We have also already taken steps to increase our engagement in **growth analysis and private sector development**, moving from background to active donor status in this area. We will be working on making closer links with regional growth issues such as infrastructure, trade, energy and water resource management. A Regional Growth Adviser, who will reinforce these links, is expected to be located in Zambia later in 2008. We have also decided to maintain two economic advisory posts in our Growth team in order to support this work, even though cutting one of these posts would have been a relatively straightforward way to manage the significant reduction in our administrative budget for 2008/09.

We fully agree with the report's conclusion that **vertical funding particularly in the social sectors remains a big challenge in Zambia**. We are committed to continuing to be a lead donor in health. Zambia is a pilot country for the International Health Partnership initiative and we will be working with Government and other lead partners to try and ensure support and alignment with Government of Zambia systems and budgeting.

We have also taken significant steps since the evaluation period to further develop the **demand side of our governance work**, continuing to lead for the donor community on anti corruption, supporting new parliamentary reforms and working with other donors to strengthen civil society voice on governance, including through setting up a joint civil society fund. We will also continue to lead on the important reform programmes in the public sector and public financial management.

Finally, we think it is worth making the point that there is one area where we feel the evaluation could have been of greater use to us in planning our future work in Zambia. This is on the question of trade-offs between different activities and interventions. There are a number of references in the report to areas where the Zambia programme could have done more, including deeper engagement in Private Sector Development, Social Sector Access to Justice, broader rights based approaches and other demand side governance work. The evaluation team did not, however, feel able to comment on what, within finite

resources, the Zambia team might have done less of. This seems to us to be missing an opportunity. A challenge we have all recognised going forward is to ensure that we are not just doing things which have a positive impact on development but that we are doing the best things we could be doing with the resources we have. This is an issue we will be playing close attention to in planning our new strategy, and it would be good to see DFID's evaluation framework both testing and supporting these judgements.

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## **Abbreviations**

ACC	Anti-Corruption Commission
ACCESS	Anti-Corruption Commission Enhanced Support
AIEMS	Action for Improving English, Mathematics and Science
APPR	Annual Programme Performance Review
ART	Anti-Retroviral Therapy
BESSIP	Basic Education Sector Strategic Investment Plan
BHC	British High Commission
CAP	Country Assistance Plan
CBoH	Central Board of Health
CIMT	Change Impact Monitoring Table
CMS	Central Medical Stores
CP	Cooperating Partner
CPE	Country Programme Evaluation
CSO	Central Statistical Office
CSO	Civil Society Organisation
CSP	Country Strategy Paper
CSPR	Civil Society for Poverty Reduction
DFID CA	DFID Central Africa
DFID HQ	DFID Headquarters
DFID	Department for International Development
DFIDZ	Department for International Development, Zambia Office
DoC	Drivers of Change
DPP	Director of Public Prosecutions
EC	European Community
ECGD	Export Credit Guarantee Department

<b>EEP</b>	<b>Enabling Environment Programme</b>
<b>ESIP</b>	<b>Education Sector Investment Plan</b>
<b>ETCD</b>	<b>External and Technical Cooperation Department</b>
<b>EU</b>	<b>European Union</b>
<b>EvD</b>	<b>Evaluation Department</b>
<b>FBE</b>	<b>Free Basic Education</b>
<b>FCO</b>	<b>Foreign and Commonwealth Office</b>
<b>FDI</b>	<b>Foreign Direct Investment</b>
<b>FIAS</b>	<b>Foreign Investment Advisory Services</b>
<b>FNDP</b>	<b>Fifth National Development Plan</b>
<b>GBS</b>	<b>General Budget Support</b>
<b>GNI</b>	<b>Gross National Income</b>
<b>GPEX</b>	<b>Gross Public Expenditure (on Aid)</b>
<b>GRZ</b>	<b>Government of the Republic of Zambia</b>
<b>HIP</b>	<b>Harmonisation in Practice initiative</b>
<b>HIPC</b>	<b>Highly Indebted Poor Country debt relief initiative</b>
<b>IFMIS</b>	<b>Integrated Financial Management Information System</b>
<b>IMF</b>	<b>International Monetary Fund</b>
<b>JASZ</b>	<b>Joint Assistance Strategy for Zambia</b>
<b>LCMS</b>	<b>Living Conditions Monitoring Survey</b>
<b>M&amp;E</b>	<b>Monitoring and Evaluation</b>
<b>MDG</b>	<b>Millennium Development Goal</b>
<b>MDRI</b>	<b>Multilateral Debt Relief Initiative</b>
<b>MFNP</b>	<b>Ministry of Finance and National Planning</b>
<b>MMD</b>	<b>Movement for Multiparty Democracy</b>
<b>MoE</b>	<b>Ministry of Education</b>
<b>MoESP</b>	<b>Ministry of Education Strategic Plan</b>
<b>MoH</b>	<b>Ministry of Health</b>

MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
MTPRS	Medium Term Pay Reform Strategy
NAC	National HIV/AIDS Council
NACP	National Anti-Corruption Policy
NAO	National Audit Office
NGO	Non-Governmental Organisation
NHSP	National Health Strategic Plan
ODA	Official Development Assistance
OECD/DAC	Organisation for Economic Cooperation and Development/ Development Assistance Committee
OPM	Oxford Policy Management
OVI	Objectively Verifiable Indicators
PAF	Performance Assessment Framework
PBA	Programme Based Approaches
PCR	Project Completion Report
PEMFA	Public Expenditure Management and Financial Accountability
PEPFAR	President's Emergency Plan for AIDS Relief
PFM	Public Financial Management
PMCT	Prevention of Mother to Child Transmission
PMEC	Payroll Management and Establishment Control
PPA	Public Private Agreement
PRBS	Poverty Reduction Budget Support
PRGF	Poverty Reduction and Growth Facility
PRP	Primary Reading Programme
PRSP	Poverty Reduction Strategy Paper
PSA	Public Service Agreement
PSCAP	Public Service Capacity Programme

PSD	Private Sector Development
PSDR	Private Sector Development Reform
PSM	Public Service Management
PSR	Public Sector Reform/ Public Service Reform
PTR	Pupil Teacher Ratio
RHVP	Regional Hunger and Vulnerability Programme
RIZES	Revenue Institutions in Zambia: Enhanced Support
RNE	Royal Netherlands Embassy
SAG	Sector Advisory Group
SAIC	Staff Appointed in Country
SCT	Social Cash Transfer
SSAJ	Safety Security and Access to Justice
STARZ	Strengthening the AIDS Response, Zambia
SWAp	Sector Wide Approach
TAZARA	Tanzania Zambia Railway Authority
TNDP	Transitional National Development Plan
UNDP	United Nations Development Programme
VCT	Voluntary Counselling and Testing
WFP	World Food Programme
WHIP	Wider Harmonisation in Practice initiative
ZCCM	Zambia Consolidated Copper Mines
ZERG	Zambia Economic Recovery Grant
ZHAN	Zambia HIV/AIDS Network
ZRA	Zambia Revenue Authority

# 1. Introduction and Methods

## Introduction

- 1.1 This report is an evaluation of DFID's country programme in Zambia. The evaluation was commissioned by the Evaluation Department of DFID (EvD) and was undertaken by ITAD, an independent consultancy company. The evaluation is one of a series of Country Programme Evaluations (CPEs) with the aim of assessing the relevance, efficiency, effectiveness and impact of DFID assistance at country level.
- 1.2 Each CPE covers a five year evaluation period. For Zambia the evaluation period is March 2002 – March 2007, but events both immediately prior and after this period are also taken into account in order better to understand the context and factors influencing DFID's approach, and the results that have been achieved. In particular, the period since March 2007 is of importance because a major initiative in which DFID played a key role – the Joint Assistance Strategy for Zambia (JASZ) - was formally launched in April 2007, as a culmination of preparatory work underway from early 2003.

## Methodology

- 1.3 The Zambia CPE, which is characterised as a 'light evaluation,' was conducted in three stages (see Terms of Reference at Annex A). The inception stage comprised a one week visit to Lusaka by the team leader and EvD representative in October/November 2007 to plan the evaluation, collect documentation, conduct initial interviews and adjust the evaluation approach to reflect issues raised. The resulting inception note provided the agreed basis for the remainder of the CPE work, including the adapted evaluation matrix which formed the core evaluation instrument (Annex B).
- 1.4 The second stage of the CPE commenced with a visit to DFID headquarters by the team leader and deputy team leader to interview former DFID Zambia staff, followed by the main fieldwork in Lusaka during November/December 2007. A team of five independent consultants spent an intensive three weeks in Zambia gathering information from a large volume of documentation and interviewing a range of stakeholders including DFID Zambia staff (past and present), other donors, NGOs and Government officials. Review work focused primarily on larger DFID projects and programmes implemented during the evaluation period (those with a commitment value of over £2 million – approximately 40 projects).
- 1.5 A list of persons consulted is given at Annex C and documents reviewed in Annex D. On completion of the fieldwork, the team presented and discussed preliminary findings with the DFID Zambia Head of Office and programme team.
- 1.6 The third and final stage of the CPE was the drafting of this report, followed by circulation for comment and report finalisation.

## **Limitations**

- 1.7 The 'light evaluation' nature of the CPE imposes certain limitations on the depth and comprehensiveness of the evaluation work undertaken. No primary research or commissioned studies were performed, nor did the team undertake any direct inspection of project implementation in the field<sup>1</sup>. The primary source of documentary information was the files maintained in the DFID Zambia office. A logical and apparently comprehensive and well maintained system of physical files were available covering the evaluation period up until 2005, thereafter documents were obtained from the computerised QUEST system. The team found accessing documents through QUEST very time consuming, with the file structures making it difficult to obtain a comprehensive documentary trail; in general the physical files provided a better overall sense of the challenges of project implementation. However, as the period covered by QUEST is relatively recent, gaps in information could largely be addressed by current DFID Zambia staff.
- 1.8 In addition to the limitations imposed by the nature of the evaluation approach, there was one specific limitation imposed directly by DFID Zambia. The views expressed in this report in relation to DFID support to the anti-corruption Task Force are limited to the extent that the evaluation team were not permitted by DFID Zambia to access certain files relating to the Task Force, on the grounds that the files contain sensitive information in relation to ongoing court cases.
- 1.9 The limited extent to which the team has been able independently to verify evidence needs to be borne in mind when reading the report.

## **Report Structure**

- 1.10 This CPE report is structured as follows. Chapter 2 describes the development context in Zambia, the level of development support and DFID's overall contribution. Chapter 3 assesses the relevance of DFID support to Zambia's needs, its consistency with DFID's own policies, how risks were managed and how effectively DFID worked with partners. Chapter 4 focuses on the efficiency and effectiveness of DFID's strategy in delivering results. Chapter 5 considers impact in terms of sustainable development outcomes, and Chapter 6 summarises strengths and weaknesses of the DFID Zambia programme, and draws out lessons and recommendations for the future.
- 1.11 DFID Zambia have provided a Management Response to the report and this can be found on page xiii. This final chapter has not been drafted or edited by the evaluation team.

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<sup>1</sup> Given the time available for the evaluation it was decided at inception stage, in consultation with DFID Zambia, not to make a fieldtrip outside Lusaka. Instead, the team obtained an understanding of local conditions from the Zambian consultant team member, and donor and NGO interlocutors with extensive field experience.

## **Terminology note**

1.12 The preferred term in Zambia for donor agencies such as DFID is 'cooperating partner' or CP. However, as this report is intended for an international audience, the more widely used term 'donor' is used throughout the report.



## **2. Context**

- 2.1 This chapter provides an outline of the political and socio-economic context of Zambia, Zambia's progress towards the Millennium Development Goals (MDGs), the flows of Official Development Assistance (ODA) and DFID's programme expenditure over the evaluation period.

### **Political and socio-economic context**

- 2.2 After more than two decades of economic hardship and rising domestic discontent, Zambia appeared to turn a corner at the beginning of the century, with the majority of the evaluation period being characterised by improved economic prospects and positive changes in the political climate. The country, which achieved independence in 1964, faced a series of severe economic crisis in the 1980s and 1990s, owing to depressed world copper prices, a series of droughts, and gross financial mismanagement. The country was also hard hit by the HIV/AIDS pandemic. Economic growth was negative in most years from 1974 to 1999. Riots were frequent throughout the 1980s, as the government attempted to introduce unpopular economic reforms. The political situation remained tense thereafter, despite the ban on opposition parties being lifted in time for the 1991 election. President Chiluba's two terms of office (1991-2001) were largely characterised by poor governance and increasingly serious corruption, although some economic liberalisation and reform took place.
- 2.3 Levy Mwanawasa, who succeeded Chiluba as the party candidate for the Movement for Multiparty Democracy (MMD), was elected as president in 2001 amidst allegations of electoral fraud. President Mwanawasa was confronted with strong in-party fighting and opposition in the urban and 'copper-belt' areas where the Patriotic Front party draws its support. He was nonetheless re-elected in what international observers describe as the country's most transparent and satisfactorily run elections in 2006. Since taking office, President Mwanawasa and his government have slowly regained the confidence of the international community, by showing strong commitment in the fight against corruption and making steady headway towards sound economic management. Importantly, the country is also seen as a pole of stability in the region, owing to the absence of inter-ethnic tensions.
- 2.4 The economy has been on a path of recovery since the end of the 1990s, with real GDP growth steadily accelerating from 2.2% in 1999 to an estimated 6% in 2007. This is explained by a number of factors. Firstly, economic management has improved: despite some slippage in 2003, GRZ has managed to pursue a relatively prudent fiscal and monetary policy. Inflation dropped from 22% in 2002 to an estimated 11% in 2007 as a result, although there are still some concerns about official domestic borrowing. Secondly, mining has undergone a steep recovery on the back of surging copper prices driven by demand from China and other fast developing nations. Performance in construction, agriculture and tourism has also become stronger.
- 2.5 Zambia's external position has also improved substantially. The country, which qualifies for the highly-indebted poor country (HIPC) initiative, has benefited from significant debt relief over the years, while total exports in dollar terms have more

than tripled compared with the late 1990s. Foreign direct investment (FDI) inflows increased from an average US\$140m in 1990-2000 to US\$365m in 2004-06 (World Development Report, 2006), with particularly significant and increasing investment by China in mining, business zones, infrastructure and general commerce. A negative consequence of this is that the country is known to be at risk of 'Dutch-disease' – as large inflows of foreign exchange (through debt relief and copper exports in particular) put upward pressure on the exchange rate of the Zambia's currency, the kwacha, which in turn, undermines the country's competitiveness.

**Table 1. Zambia's real GDP growth: annual percentage increase**

2002	2003	2004	2005	2006	2007 (estimate)
3.3%	4.3%	5.4%	5.2%	5.9%	6.0%

Source: Africa Development Bank

- 2.6 There are concerns that the country's economic recovery since early 2000s has not yet benefited the bulk of the population. Despite a 4 percentage point decline on 2004, 64% of the population – that is, a total of 7.5m Zambians – remained below the national poverty line in 2006, according to the most recent Living Conditions Monitoring Survey (LCMS). According to the 2007/08 UNDP Human Development Report, Zambia is the 165th poorest country of the 177 countries listed, with many poverty indicators indicating that the country is still worse off than during the immediate post-independence years.
- 2.7 Although economic prospects have improved, the country continues to face deep-seated political and socio-economic issues. Threats to human development remain profound. HIV/AIDS has had a devastating effect, with over 1,000 teachers a year dying of AIDS and 1 million orphans to be cared for, and malaria remains a leading cause of mortality. There is also a shortage of skilled labour to sustain economic development. Addressing regional disparities remains the biggest challenge, with the LCMS survey showing extreme poverty being much higher in rural areas (67%) compared to urban areas (20%)<sup>2</sup>.
- 2.8 The Government of the Republic of Zambia (GRZ) has shown commitment to poverty reduction since 2002, when its first poverty reduction strategy paper was completed. This strategy was replaced by the Fifth National Development Plan (FNDP) in 2006. But despite some signs of positive changes, policy implementation has remained slow. Patronage politics remains entrenched, resulting in weak public administration capacity and a general lack of effective political stewardship. Despite much publicity around high-level corruption cases, including that of former President Chiluba, corruption in Zambia remains endemic. Transparency International's 2006 corruption perception index places the country among the more corrupt countries in the world, with a rank of 123 out of the 179 countries listed.

<sup>2</sup> Zambia is one of the most urbanised countries in sub-Saharan Africa, with 35% of the population categorised as urban in the 2006 LCMS. However, high rural population growth rates are shifting the balance: the 2004 LCMS showed 39% of the population as urban.

**Box 1 Zambia's Poverty Reduction Strategies: the I-PRSP, PRSP, TNDP and FNDP**

1. The Government of Zambia first presented an interim poverty reduction strategy paper (I-PRSP) to the IMF in July 2000, and after extensive consultations – and a change of government – launched a full PRSP in May 2002. The main focus of the 2002 PRSP was sustained growth and employment creation through:

- Economic development in agriculture, mining tourism and manufacturing
- Infrastructure development
- Social sector investments
- Cross-cutting initiatives in HIV/AIDS, the environment and gender
- Improved macro-economic management, public sector reform and more effective governance.

2. The PRSP was a substantial advance towards a more strategic and coordinated approach to tackling poverty in Zambia, and was generally welcomed by development partners, including DFID who explicitly linked their development assistance to it. The PRSP was partially institutionalised within the Zambian Government system as the Transitional National Development Plan (TNDP). However, weaknesses in the PRSP/TNDP were acknowledged by DFID in the 2004 Country Assistance Plan (CAP), including an inadequate focus on vulnerability, hunger and malnutrition; limited mainstreaming of HIV/AIDS, environment and gender; and, most seriously, weak prioritisation and no linkage between the PRSP and the annual budget process.

3. The Government issued the Fifth National Development Plan (FNDP) in 2006, as the overarching medium term growth and poverty reduction strategy. The FNDP replaced and built on the PRSP and TNDP, and benefited from very extensive consultation with civil society and donors partners. The broad strategic thrust of the FNDP remains similar to the PRSP/TNDP but with a more direct link to the MDGs and a more explicit focus on vulnerability, social protection and cross-cutting issues. The FNDP is a core Government policy document with an institutionalised structure for review, monitoring and evaluation, and linkage to resource allocation. In particular, credible attempts have been made to cost the five-year FNDP and identify funding gaps, and to link the FNDP to the rolling three year Medium Term Expenditure Framework (MTEF) which in turn guides the annual government budget process.

4. The JASZ, signed by all major donors to Zambia, recognises the FNDP as the national framework for reducing poverty, which all donor strategies will seek to support.

## Progress towards MDGs

2.9 According to the 2005 MDG Progress Report, MDG targets that are *likely* to be met by 2015 include halving extreme poverty and hunger (Goal 1), achieving universal primary education (Goal 2), promoting gender equality in primary and secondary schools (Goal 3), and halting the spread of HIV/AIDS (Goal 6). MDG target indicators that are only *potentially likely* to be met include reducing child mortality (Goal 4) and increasing access to water and sanitation (Goal 7).

2.10 Positive trends in Zambia's MDG indicators can hide strong regional divides. For example, the recently published LCMS, shows that 51% of the population was extremely poor (using the food poverty line index) in 2006, compared with 58% in 1990 and 2004. But it also indicates an increase in the percentage of the population living in extreme poverty in rural areas from 64% in 2004 to 67% in 2006, whereas extreme poverty in urban areas declined from 34% to 20% over the same period. Increasing access to water and sanitation to achieve Goal 7 will also be particularly challenging in rural areas. In 2003, the percentage of households with access to an

improved water source was 86% in urban areas and 37% in rural areas – which is equivalent to a national average of 53%.

- 2.11 For HIV/AIDS, the 2005 MDG progress report indicates that 16% of the population aged 15 to 49 years were HIV-positive in 2002. But the urban rate at 23% is currently more than twice the rural rate of 11%. Whereas the urban rate is thought to have stabilised, there is a serious risk that the rural prevalence will continue to increase.
- 2.12 Progress with other MDGs has been lacking. The MDG goals of improving maternal health (Goal 5) and reversing the loss of environmental resources (Goal 7) are deemed *unlikely* to be met by 2015. National statistics show that maternal mortality increased from 649 deaths per 100,000 in 1996 to 729 deaths per 100,000 births in 2001. This mostly indicates inadequate availability of skilled midwives and other medical staff. Concerning environmental sustainability, Zambia is facing a high rate of deforestation, owing to rising agricultural needs, and the population's heavy reliance on wood fuel to cover their energy needs.

## Development Assistance

- 2.13 ODA inflows to Zambia stepped up in significance in the early 2000s, as the government successfully restored its relationships with donors and the Bretton Woods institutions in particular. On average, annual Official Development Assistance (ODA) receipts totalled US\$943m in 2002-2006, against less than US\$500m in the mid-1990s. Variations nonetheless remained high year-on-year, in part because of movements in debt relief.
- 2.14 The government remains heavily dependent on donor funding to meet its poverty reduction targets. FNDP projections show that external grants and loans will need to increase by 66.2% in 2006-10 for FNDP targets to be achieved. This is assuming a steady increase in domestic revenue. In total, according to the OECD/DAC figures, net ODA amounted to 14.3% of GNI in 2006.

**Table 2. Zambia net ODA receipts (US\$m)**

	2002	2003	2004	2005	2006
<b>Total</b>	<b>639</b>	<b>589</b>	<b>1125</b>	<b>935</b>	<b>1425</b>
<b>of which:</b>					
<b>G7</b>	<b>212</b>	<b>438</b>	<b>545</b>	<b>592</b>	<b>842</b>
UK	56	28	66	283	87
US	48	64	82	111	310
Germany	44	233	36	118	288
Japan	68	28	14	132	32
<b>Others</b>					
Netherlands	35	35	54	56	56
Sweden	19	20	26	34	48
Norway	29	36	37	49	66
<b>Multilateral</b>	<b>277</b>	<b>-8</b>	<b>377</b>	<b>110</b>	<b>308</b>
EC	104	79	124	13	98

Source: OECD-DAC

- 2.15 As a least developed country, Zambia has access to highly concessional loans from the World Bank and other lending institutions. Debt service relief started in 2000, which is when the country reached decision point under the HIPC initiative. HIPC Completion point in 2005 – followed by further debt cancellation under the multilateral debt relief initiative (MDRI) in 2006 – brought debt stock down from US\$3.7bn in end-2005 to US\$957m in end-2006, according to World Bank estimates. As well as freeing public resources for poverty-reducing spending, the debt relief package has enhanced the country's sovereign debt rating. The government is nonetheless committed to pursue a prudent external borrowing policy. In 2006, the government acquired six new loans on concessional terms, totalling US\$79.7m. These loans were contracted to finance various activities related to public service management reforms, investment in the water sector and in the Tanzania-Zambia Railway Authority (TAZARA) protocol (with China).
- 2.16 All OECD/DAC donor countries and multilateral agencies operating in the country have signed up to the Paris Declaration agenda. The Harmonisation in Practice initiative started in 2002, with seven donors - UK, Sweden, Ireland, Norway, Finland, Denmark and the Netherlands and GRZ agreeing to a framework of action in 2003. A Memorandum of Understanding (MoU) was subsequently signed by GRZ and 10 donors (the Nordic+ group, the World Bank, the UN system and Germany) in 2004, with five other donors (Canada, the EU, France, Italy and Japan) joining in at a later stage. Zambia was one of the first countries in which donor countries agreed on a strict division of labour to support the government's priorities under a Joint Assistance Strategy for Zambia (JASZ) signed in 2007.
- 2.17 It is worth noting that the steep recovery in world copper prices since 2004 is expected to help the country reduce its dependency on development assistance. Total copper exports in 2006 are estimated at US\$2.9bn, against US\$1.4bn of net ODA received by Zambia in that year. However, in part because of generous agreements negotiated with private mining companies, only a small proportion of copper

proceeds currently flow into government revenue or the wider Zambian economy. (see further discussion in Appendix E).

## DFID in Zambia

2.18 The UK has maintained a close relationship with Zambia since independence and has provided development assistance since the 1960s. The UK ranks with the US and Germany as the largest bilateral donors. The DFID programme in Zambia was managed from DFID Central Africa (DFIDCA) in Harare until 2001, when DFID Zambia was established as a separate devolved country office in Lusaka.

2.19 Over the five-year evaluation period the DFID bilateral programme has provided Zambia with a total of £208 million, including £27m DFID debt relief (Table 3). The year-by-year analysis shows a high spend of £41m in 2002/03, falling by a third in 2003/04, then increasing steeply over the next three years with a spend in 2006/07 of £61m. If 'extraordinary items' are excluded, a more consistent slowly increasing trend in core development spend is apparent (Table 4). Extraordinary items include peaks in humanitarian assistance for the droughts of 2002/03 and 2004/05; support to copper privatisation over 2000-2003; and DFID debt relief payments including £21 million in 2006/07.

2.20 Over the evaluation period Zambia ranked in 16<sup>th</sup> or 17<sup>th</sup> place globally in terms of DFID bilateral non-humanitarian aid received, except for 2006/07 when it climbed to 9<sup>th</sup> place as a result of debt relief.

**Table 3. DFID Bilateral Programme to Zambia (£m)**

	Zambia	% Total DFID Bilateral Africa	% Total DFID Bilateral Global
2002/03	40.9	5.5	2.3
2003/04	27.6	3.9	1.4
2004/05	30.6	3.5	1.4
2005/06	47.6	4.2	1.9
2006/07	61.4	5.4	2.4

Source: Table 14 Statistics on International Development, DFID, 2007

**Table 4. DFID Bilateral Programme to Zambia : Core Development (£m)**

	Total Zambia	Less...			Core Development Spend
		Humanitarian	Copper Privatisation	Debt Relief	
2002/03	40.9	6.4	5.0	2.7	26.8
2003/04	27.6	1.3		1.2	25.1
2004/05	30.6	0.4		0.9	29.3
2005/06	47.6	4.6		2.0	41.0
2006/07	61.4	0.7		20.7	40.0

Source: PRISM

## Wider UK support

2.21 Looking more widely at UK support to Zambia, the evaluation period shows high fluctuation year on year (Table 5). This fluctuation is mainly the result of debt relief from non-DFID sources, in particular the Export Credit Guarantee Department (ECGD). In 2004/05, the UK total bilateral gross public expenditure on aid (GPEX) to Zambia reached an all-time high of £163m, as UK commitment to 100% bilateral debt cancellation led to a £132m ECGD debt relief<sup>3</sup>. As a result, Zambia was ranked third globally in terms of UK net bilateral ODA received in 2004.

2.22 For the five year evaluation period, total UK bilateral aid (as measured by GPEX) amounted to £406m, of which £213m was debt relief. The DFID aid programme accounted for 51% of total GPEX. The DFID programme (excluding debt relief) accounted for 87% of GPEX (excluding debt relief).

**Table 5. UK Total Bilateral GPEX to Zambia (£m)**

	Zambia	% Total Bilateral GPEX to Africa
2002/03	45.1	5.0
2003/04	32.3	3.0
2004/05	163.5	12.8
2005/06	101.7	4.2
2006/07	63.4	2.1

Source: Table 14 Statistics on International Development, DFID, 2007

2.23 Over the evaluation period, the UK imputed share of net multilateral aid to Zambia ranged between £7m and £18m a year from 2002 to 2005 (data for 2006 is not yet available). For these four years, the total UK imputed share of multilateral aid accounted for 14% of total UK ODA to Zambia.

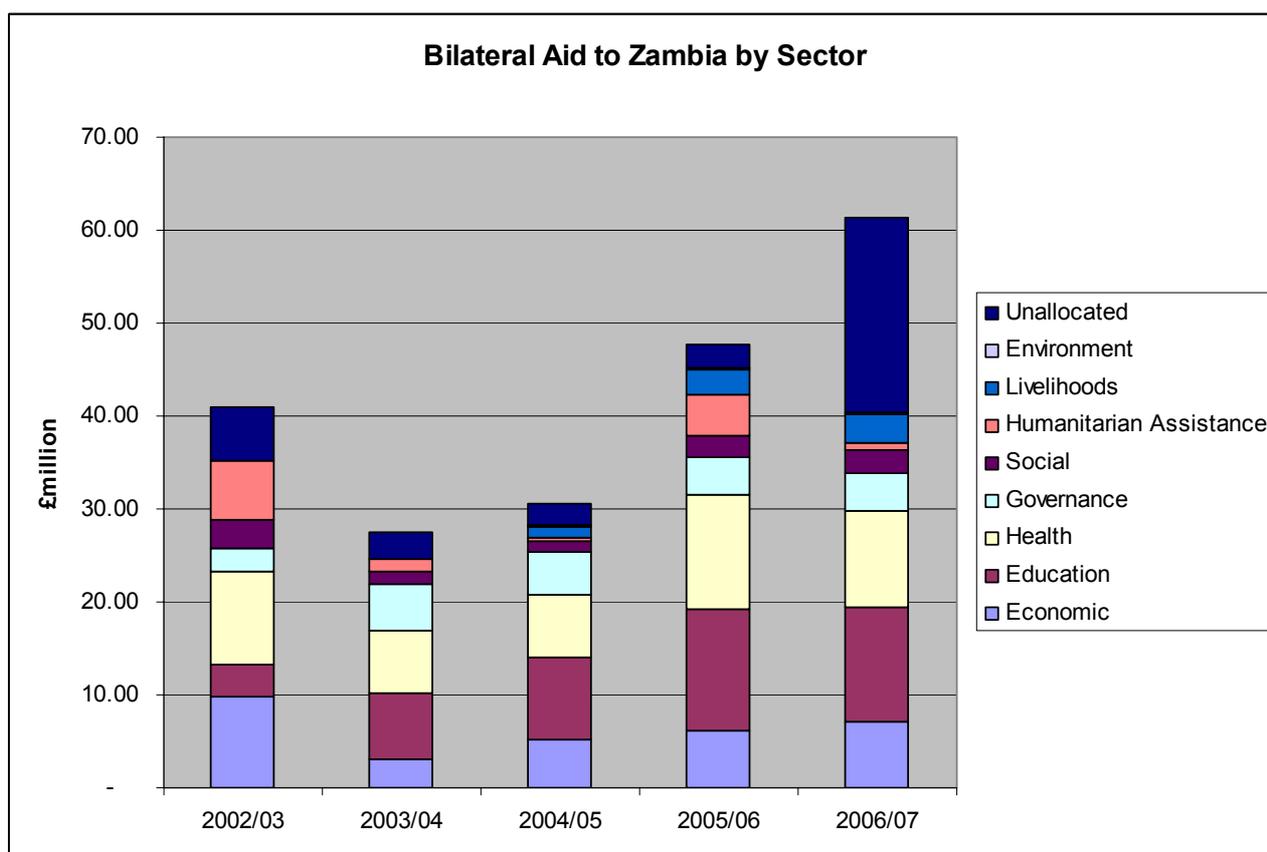
## DFID portfolio profile

2.24 Figure 1 provides an analysis of annual bilateral spend for the Zambia programme, using DFID standard input sector codes as defined in Statistics on International Development<sup>4</sup>. The analysis includes Poverty Reduction Budget Support (PRBS) which is notionally allocated across sectors. The 'unallocated' category is mainly DFID-funded debt relief, which is a retrospective adjustment and does not represent a significant flow of resources from DFID to Zambia during the evaluation period.

<sup>3</sup> The ECGD is a UK government agency which provides payment default guarantees to UK companies selling into certain overseas markets. In the event of default by the overseas buyer, the ECGD reimburses the UK seller, then assumes the debt which it seeks to recover from the overseas buyer. The £132m ECGD debt relief provided to Zambia, represents the cumulative capital value of debt owed to ECGD by defaulting Zambian buyers – mostly parastatal businesses – written off by ECGD in anticipation of HIPC completion point in 2005. By far the largest element of the debt written off (54%) was incurred by Zambia Consolidated Copper Mines (ZCCM), whose main assets were privatised with DFID support in 2000.

<sup>4</sup> Statistics on International Development 2002/03-2006/07, DFID/National Statistics, page 124

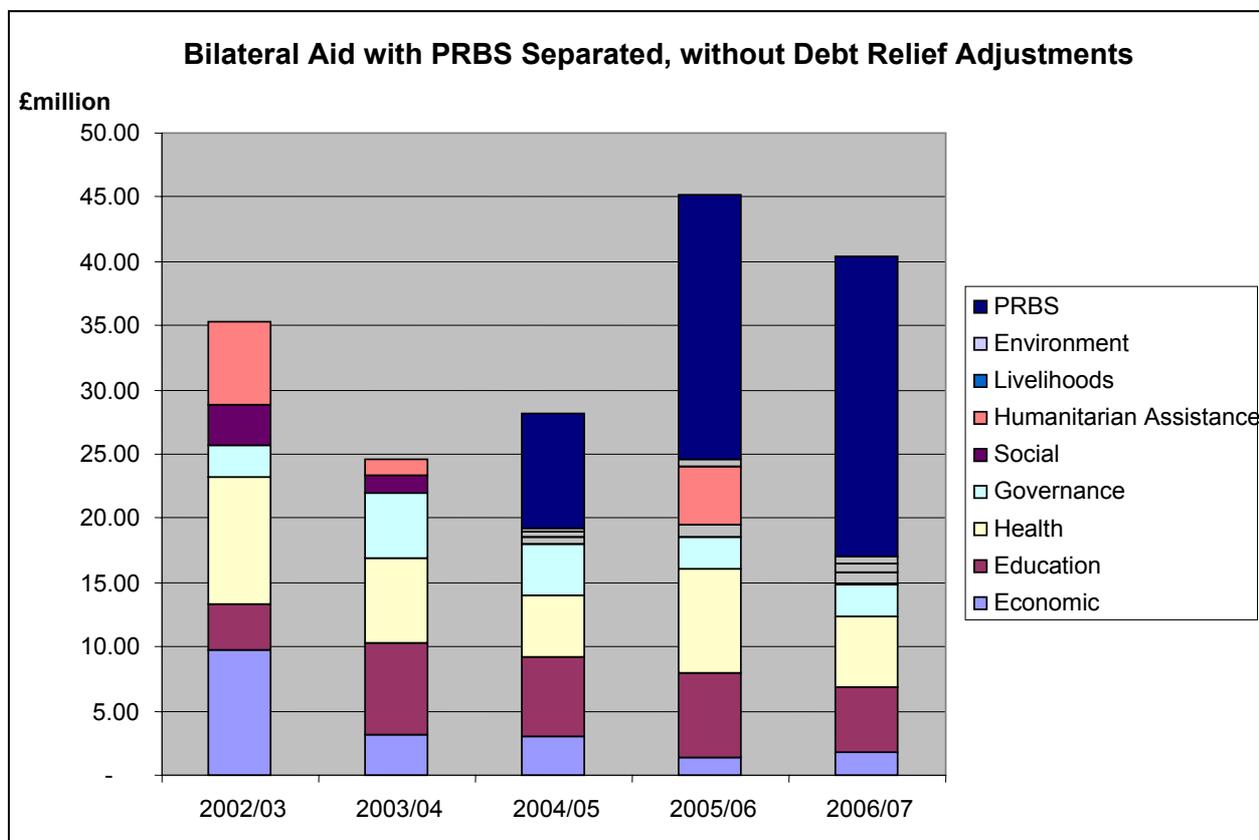
**Figure 1. Bilateral Aid to Zambia by Sector**



Source: PRISM

2.25 Figure 2 shows the same data as Figure 1, but with PRBS shown as a separate category, and without the unallocated/debt relief category. The portfolio profile indicates three large programmatic areas of activities. DFID’s health programme continued to receive the largest share of DFID budget over the evaluation period. Health expenditure appears to fall as resources are reallocated to PRBS in 2006/07 – but the effect is partly masked by an increase in HIV/AIDS spend, classified under the health category. The second sector to receive an important – yet declining – share of DFID spend outside PRBS is education. Governance ranks third.

**Figure 2. Bilateral Aid with PRBS Separated, less Debt Relief Adjustments**



## **Context - Summary**

Zambia has turned a corner since the turn of the century, 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.

Challenges remain huge however, especially with regard to human development, HIV/AIDS, rural poverty and governance. The downside of Zambia's remarkable political stability is entrenched patronage politics, which contributes to weak public administration capacity and a general lack of effective political stewardship. Progress towards MDGs is mixed; where positive trends exist, regional differences and urban/rural divides are substantial.

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 Zambia 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 in 2005. PRBS accounted for 57% of DFIDZ's total spend (outside debt relief) by the end of the evaluation period.

### 3. Programme Relevance

- 3.1 This chapter discusses the relevance of DFID's strategic approach in Zambia by looking at the evolution of DFID Zambia's strategy and its choice of partners and aid instruments; assessing the relevance of DFID programmes in relation to Zambia's needs and DFID corporate priorities; and evaluating the relevance of DFID programmes through its management of risk and focus on results.

#### Evolution of DFID's strategy - towards a harmonised approach

- 3.2 DFIDZ's strategic focus over the evaluation period has switched from an extensive and well-articulated DFID country strategy to working with other cooperating partners on a joint assistance strategy. Table 6 summarises the evolution of DFID's strategic framework in Zambia. Prior to 2002, DFID's strategy was guided by the 1999 Country Strategy Paper (CSP) developed when the Zambia programme was managed from DFID Central Africa in Harare. The CSP focused on four core areas or pillars: (1) governance (comprising macroeconomic management, public sector restructuring, human rights and safety, security and access to justice (SSAJ)), (2) livelihoods, (3) health and education, and (4) HIV/AIDS. Following establishment of the DFID Zambia office in 2001, the CSP was extended by one year to cover 2002/03 based on the 2001 Annual Plan and Performance Review (APPR). The APPR maintained the focus of the CSP, with two modifications: making the newly developed GRZ Poverty Reduction Strategy Paper<sup>5</sup> (PRSP) the overarching framework for DFID engagement; and prioritising support to public financial management reform, with a view to future budget support.
- 3.3 Following an extensive analysis and consultation process, the DFID Zambia Country Assistance Plan (CAP) was issued in draft in March 2003. While still in draft the CAP provided the strategic framework for DFID's programme in 2003/04. After a rather extended review period, during which the risks and benefits of budget support were extensively debated between DFID Zambia and Headquarters, the CAP was eventually finalised in May 2004. The focus of the CAP drew extensively from previous CSP/APPR pillars of activities but also introduced key differences, with less explicit emphasis on human rights; deletion of safety, security and access to justice (SSAJ); a departure from livelihoods with a wider focus and new emphasis on pro-poor growth and private sector development in the agricultural sector; and a more explicit commitment to improving aid management and effectiveness. The CAP also included a statement of the 'high case' scenario and triggers for poverty reduction budget support (PRBS).
- 3.4 The CAP remained the main DFID Zambia strategic framework for the remainder of the evaluation period covering 2004/05, 2005/06 and 2006/07. However, from 2005 onwards the main strategic driver for the office became preparations for the

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<sup>5</sup> Also referred to as the Transitional National Development Plan (TNDP)

Joint Assistance Strategy for Zambia (JASZ). This was in accordance with the stated CAP objective of enhancing aid management and effectiveness, and reflected DFID's corporate commitment to the Paris agenda and Harmonisation in Practice (HIP) initiative launched in Zambia in 2003. The JASZ is primarily a harmonisation mechanism for joint donor support of the FNDP and is not a strategic framework to guide or monitor a programme of work by an individual donor. Nevertheless, from 2005 onwards it appears that the CAP was effectively sidelined in favour of a commitment to the JASZ. The CAP was not formally amended to reflect this change, nor was an alternative strategy document prepared. This left something of a gap in the overarching strategic framework for the DFID Zambia programme for the last two years of the evaluation period 2005/06 and 2006/07 (see focus on results below).

**Table 6. Evolution of DFID Zambia Strategy 2002-2007**

<b>Year</b>	<b>Strategy Document</b>	<b>Main Objectives/Impact Areas</b>	<b>Performance Management Framework</b>
Pre-2002	Country Strategy Paper 1999	Governance: <ul style="list-style-type: none"> <li>• Macro-economic management</li> <li>• Public sector restructuring</li> <li>• Human rights</li> <li>• Safety, security and access to justice (SSAJ)</li> <li>• Livelihoods/social protection</li> <li>• Health and education</li> <li>• HIV/AIDS</li> </ul>	Annual Portfolio Performance Reviews
2002/03	One year extension to CSP, with change in emphasis (as set out in 2001 APPR)	As CSP, except: PRSP central to engagement with GRZ Support to public financial management with view to direct budget support	Performance Indicators for 2002/03 set out in Annex 8 to 2001 APPR. (Mainly process indicators)  Progress reported in 2002 APPR report
2003/04 2004/05 2005/06 2006/07	Country Assistance Plan (draft March 2003, finalised May 2004)	Improving governance, public sector management and PRSP implementation  Promoting more effective and equitable service delivery to the poor, through Government health and education programmes  Improving the enabling environment for pro-poor private sector growth, particularly in agriculture  Reducing vulnerability of the poor to key risks, including food insecurity and HIV/AIDS  Improving aid management and effectiveness in Zambia  Setting out a 'high case' scenario and triggers for PRBS	Annual Change Impact Monitoring Tables (CIMTS) for 2003/04 contained in draft CAP and progress reported in November 2003 Annual CAP Review  Annual CIMTS for 2004/05 contained in Part 3 of final May 2004 CAP and progress reported in 2004 Annual CAP/PSA Country Review  Plus quarterly progress reports by CAP objective in Quarterly Management Reports (until end 2004)

- 3.5 Overall, the shift in focus from the CAP priorities towards the JASZ lead sectors did not represent a radical change in approach for DFID, as the main rationale for allocation of JASZ lead responsibility was donor capacity and commitment to a particular sector. The division of responsibility that it entailed nonetheless triggered some programme changes.
- 3.6 DFID initially chose to lead in only three sectors – health, governance and macro-economics - these three sectors representing only about half the 2004 CAP. GRZ subsequently requested DFID to lead in HIV/AIDS and social protection as well. Despite capacity concerns, DFID agreed, on condition that the US and UNAIDS were joint leads in HIV/AIDS thereby bringing together the largest HIV/AIDS funder and the UN system in the national coordination mechanism. DFID worked to delegate responsibilities in education and private sector development which had been CAP priorities, but under the JASZ division of responsibility are classed as active and background areas for DFID respectively. Within the office, DFIDZ also re-organised itself in 2006 around three pillars of activities - Governance, Human Development, and Pro-Poor Growth - marking a permanent departure from the CAP 4-pillar structure.

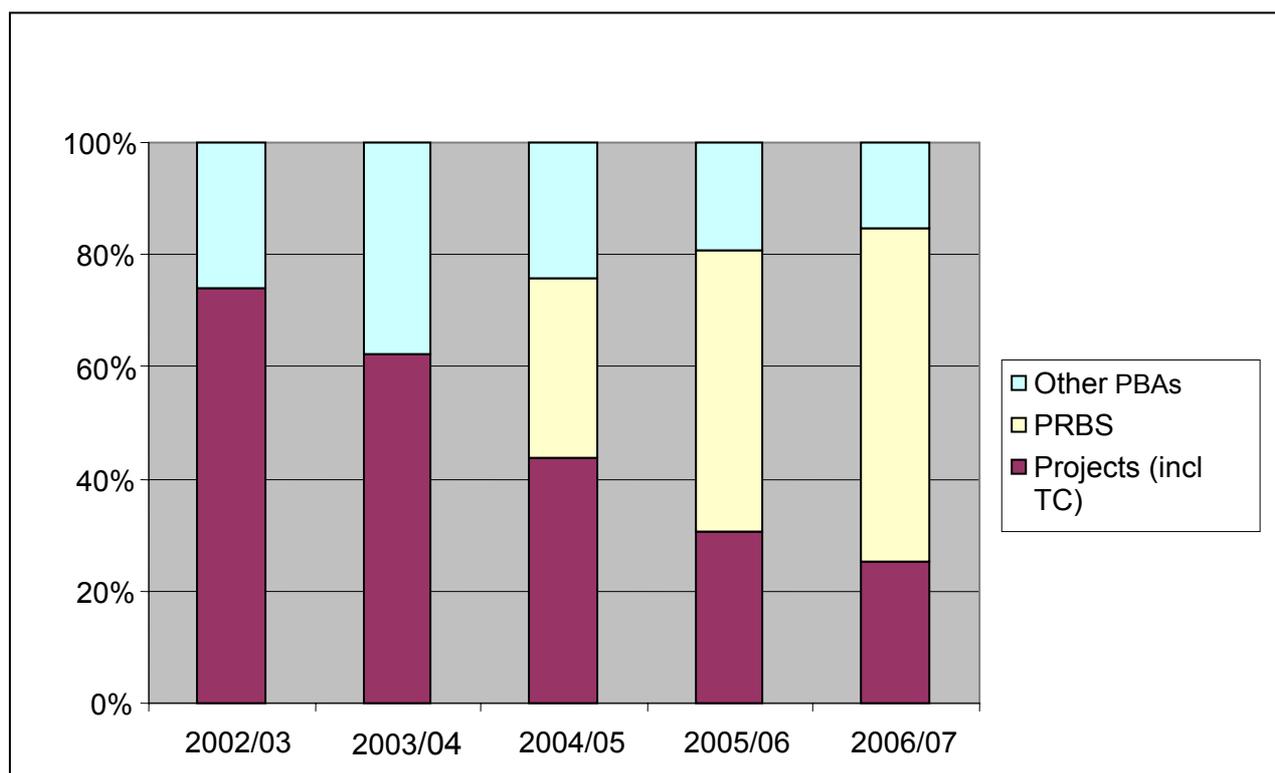
### Choice of aid instruments

- 3.7 The mix of aid instruments used by DFIDZ over the evaluation period has changed significantly. At the start of the evaluation period, **stand-alone projects** dominated the portfolio, amounting to 70% of total expenditure in 2002/03 (Figure 3). These projects included large scale social sector investments in education (primary reading and teacher training) and in health (reproductive health), as well as governance/public sector reform projects and private sector development (micro-finance and copper privatisation).
- 3.8 But DFIDZ was committed to move towards more programmatic support in line with the 1999 CSP, and by 2002/03 was already making substantial contributions to pooled funding of the health SWAp which it continued to support until 2006. DFIDZ expanded its use of **programme based approaches** (PBAs) as the period progressed, with substantial funding to the education sector SWAp from 2003/04 onwards. PBAs were also introduced in other DFID programme areas, including pooled funding for the GRZ private sector development reform programme starting in 2006, and pooled funding of public financial management reform under the Public Expenditure Management and Financial Accountability (PEMFA) project in 2007. DFID was also instrumental in setting up a pooled funding mechanism with other donors to the anti-corruption Task Force which, while not a PBA in the accepted sense, provided the advantages of sharing responsibility and risk for a very challenging but important intervention.
- 3.9 Several of the large projects in the early part of the evaluation period supported the introduction of a programmatic approach, for example, the DFID education projects influenced the design of, and were subsequently incorporated into, the education SWAp. However, in some cases there was a disconnect between development of stand-alone projects and the introduction of PBAs; for example the DFID Enabling Environment Programme (EEP) was developed as a stand-alone project in parallel

with the GRZ private sector development (PSD) programme, and was eventually abandoned in favour of joint funding of the PSD programme.

- 3.10 By 2006/07 DFID technical cooperation projects had declined to less than 25% of total expenditure, but nevertheless remain an important part of the total portfolio, especially in sectors where well developed mechanisms for pooled funding have yet to be established (such as HIV/AIDS).

**Figure 3. Zambia - % Bilateral Spend by Aid Instrument**



Source: PRISM and consultants' analysis

- 3.11 By the end of the evaluation period, **poverty reduction budget support (PRBS)** had become the dominant aid delivery mechanism, with other PBA expenditure falling as funds were switched to PRBS, initially in the health sector. This trend is set to continue with transfer of DFID education SWAp funding to PRBS after 2007. The move from SWAp-based funding to PRBS has created opportunities for better alignment of incentives within government systems, but also raised some concerns from government and other donors about possible DFID disengagement at the sector level; these issues are discussed further under Aid Effectiveness in Chapter 4.

- 3.12 The introduction of PRBS in 2005 marked the culmination of several years work by DFID and like-minded donors to help Zambia qualify for direct budget support. DFID Zambia showed a strong commitment towards PRBS right from establishment of the Lusaka office in 2001. The 2001 APPR prioritised public financial management (PFM) reform with explicit reference to future PRBS, and the 2004 CAP (originally drafted in 2003) charted out the necessary triggers for PRBS to be initiated. Furthermore, DFID, as part of the Nordic+ group, signed the Harmonisation in Practice (HIP) agreement for Zambia in 2003, which committed the signatories to move towards general budget support (GBS).
- 3.13 From 2002 onwards there was extensive discussion between DFID Zambia and Headquarters as to the readiness of Zambia for PRBS. DFID Zambia approached other DFID country offices – in particular Tanzania – to learn from PRBS experiences elsewhere. Although in line with corporate policy, the move towards PRBS was viewed more cautiously at Headquarters than in Zambia; London having particular concerns over fiduciary risk given the history of GRZ fiscal mismanagement during the 1990s. The case for PRBS was not helped when GRZ went briefly but seriously off track with the IMF in 2003 following unaffordable public sector pay awards (subsequently rescinded).
- 3.14 The HIP signatories commissioned a diagnostic study by Oxford Policy Management (OPM) in 2003 of Zambia's readiness for GBS. Using a recently completed Public Expenditure and Financial Accountability review, the OPM study concluded that, although progress had been made, Zambia was not ready for GBS because budget allocations were insufficiently aligned to PRSP objectives and, critically, because PFM systems were inadequate and in need of substantial reform. DFIDZ disputed the findings of the study and continued to lobby Headquarters and other donors to move ahead with PRBS.
- 3.15 DFIDZ's basic argument was that the potential developmental benefits of PRBS outweighed the fiduciary risk. Potential benefits were framed in terms of increased allocations to social sectors, greater GRZ ownership, and improved governance and efficiency (Fiduciary Risk Assessment 2004). PRBS also aimed at increasing donor coordination, as Nordic+ countries, followed by the EC and the World Bank, were expected to join in. It was another two years before donors agreed that sufficient progress had been made on macro-economic management and development of a credible PFM reform programme, to enable PRBS to commence in 2005.
- 3.16 While controversial in the early years of the evaluation period, DFID's provision of general budget support to the Zambian government from 2005 was appropriate and timely. Combined together, PRBS and the Public Expenditure Management and Financial Accountability (PEMFA) responded to the country's readiness to transform the budget as a main policy tool for poverty reduction, following HIPC completion point and with it, significant budget support in the form of debt relief. Sufficient progress had been made on macro-economic management with the adoption of a medium-term expenditure framework (MTEF) in 2004. The PFM reform programme was also credible and based on solid diagnosis (as discussed in the section on governance below). Importantly, the Memorandum of Understanding (MoU) for PRBS and the design of PEMFA programme were completed in the same year. In conclusion, financial aid through PRBS was relevant to the country's needs insofar as DFIDZ and other donors provided complementary support for building capacity in public finance management and elsewhere.

3.17 DFIDZ's approach to general budget support in Zambia is perceived as 'soft' by other donor agencies. This reflects partly DFID's preference for a 100% fixed tranche and partly the office's push for budget support in the early years of the evaluation. Concerns expressed elsewhere that the country was not ready for general budget support suggest that this push was driven by corporate objectives rather than by the country context. There were powerful institutional incentives on the DFIDZ office to move towards budget support, and so be seen among the development successes in sub-Saharan Africa. PRBS is an attractive mechanism for meeting DFID's corporate objectives of increasing aid while reducing headcount in line with the Gershon targets. These internal incentives, combined with a genuine belief that PRBS was right for Zambia, no doubt played a part in DFIDZ's push for PRBS.

3.18 DFIDZ's choice of aid instruments and its transition from stand-alone projects, towards programme based approaches aligned to government systems, and ultimately to direct budget support, is directly relevant to the GRZ 2005 Aid Policy and Strategy which states:

- *'All external resources given to the Government (both financial and human) shall be delivered, managed, monitored and reported through the existing public sector management system in the same manner domestic resources are handled'*<sup>6</sup>.
- *'The Government encourages its cooperating partners to progressively move towards Direct Budget Support'*<sup>7</sup>.

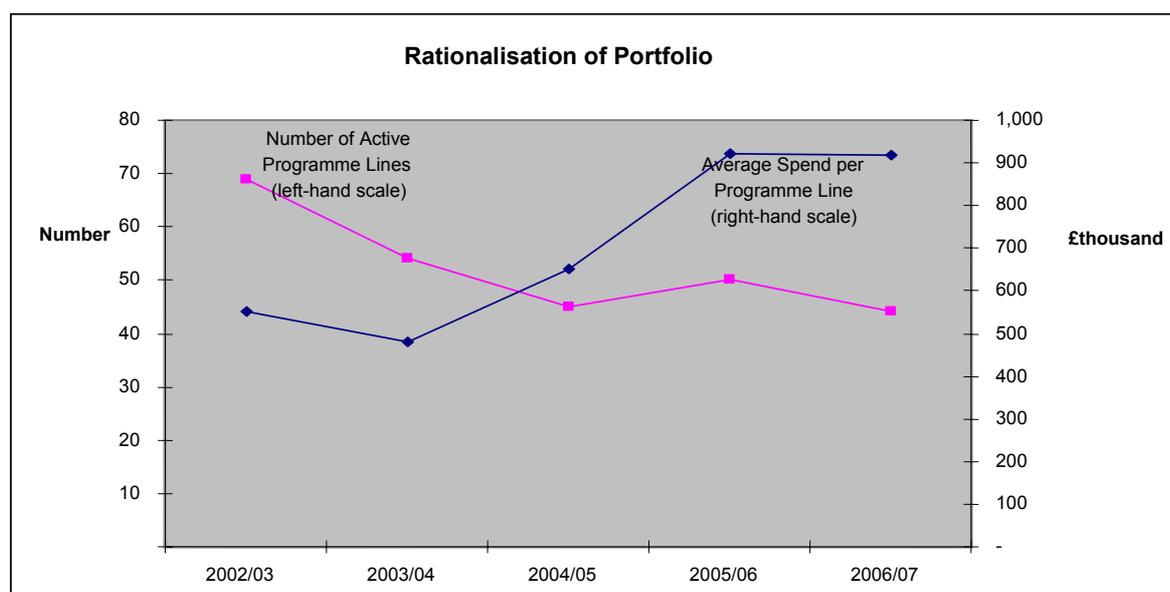
3.19 However, not all donors are comfortable with all aspects of the harmonisation approach and the US and Japan, in particular, are major funders who retain stand-alone projects as their main form of assistance. Notwithstanding the Aid Policy, the GRZ does not appear to be discouraging any particular form of grant assistance, including projects. In the CAP, DFIDZ recognised that in practice, a mix of aid interventions is likely to remain appropriate. DFID's use of a mix of instruments over the evaluation period, and its generally well sequenced transition - from projects to pooled funding of SWAps to PRBS - has indeed proved highly relevant to the country's needs and made the best of DFID's comparative advantage in providing flexible funding.

3.20 The **rationalisation of the portfolio** which has resulted from the shift from projects to PRBS and other PBAs is illustrated in Figure 4. Over the evaluation period, the number of active programme lines has fallen by 36%, while the average spend per programme line has increased by 67%.

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<sup>6</sup> 3.2.1 (a) page 10, Zambia Aid Policy and Strategy, Ministry of Finance and National Planning September 2005

<sup>7</sup> 4.1.1 (3) page 11, *ibid*

**Figure 4. Zambia – Portfolio Rationalisation**

Source: PRISM and consultants' analysis

## Choice of partners

- 3.21 The relationship between the GRZ and donors, and amongst donors themselves, has transformed dramatically during the evaluation period. At the turn of the century dialogue between the government and donors was strained largely due to poor government performance, and as a result substantial bilateral and multilateral funds were left un-disbursed. Coordination between bilaterals and the Bretton Woods institutions was also limited. By the end of the evaluation period, all major bilateral and multilateral donors were working together to support the government in its fight against poverty, with the Joint Assistance Strategy to Zambia supporting a division of donor responsibility coordinated and agreed by government. DFIDZ has played a leading role in this transformation, which it identified as a key focus of its work in the 2004 CAP.
- 3.22 Building on the UK's strong historical relationship with Zambia, the newly established DFIDZ office from 2001 worked closely with the World Bank, EC and Nordic countries to enhance coordination. Among bilateral donors, DFID was the first point of contact by GRZ on a wide range of development issues, including public sector reforms. DFIDZ was for example instrumental in assisting the government in reaching completion point for HIPC. But DFIDZ did not jealously guard this relationship, rather using it to benefit donor coordination and dialogue more broadly. By 2005, all DFID support to the government was defined within a multi-donor setting.
- 3.23 Working with the government through other donors has allowed DFID to maintain a close relationship with partners. PRBS has been inclusive of other non-PRBS donors and encouraged them to participate in reviews as observers. DFIDZ has also maintained close relationships with other bilateral and multilateral donors through

SWAPs and other multi-donor platforms. There is nonetheless an obvious divide between the signatories of the Paris Declaration and those that do not take part in it. There is notably little coordination with China, a highly-significant and growing partner for GRZ in both development and commercial investment terms.

- 3.24 DFID has also maintained an extensive **partnership with civil society** in Zambia. Such partnerships are particularly relevant in a context such as Zambia where the government is not always able or willing to provide public goods, and accountability mechanisms are weak. The partnership has changed over the evaluation period from a focus on service delivery in health, education, HIV/AIDS and social protection, towards civil society advocacy and holding government to account. This transition reflects the move from project support to a more programme based approach, and especially the introduction of PRBS. DFID with other donors supported the umbrella organisation Civil Society for Poverty Reduction (CSPR) to contribute to and monitor the first PSRP and subsequent FNDP. DFID also advocated strongly and successfully for the inclusion of civil society representatives in the FNDP Sector Advisory Groups (SAGs), and has provided highly strategic and relevant support to mobilise and empower CSOs to respond to the draft NGO bill (including bringing pressure from the UK Charities Commission through the FCO).
- 3.25 The 2007 Norad civil society study, undertaken on behalf of all Nordic+ donors, concluded that Zambia is a 'normal' developing country in terms of the relationship between government, donors and civil society. The same study concluded that overall the civil society 'sector' is benefiting from a steady inflow of funds, and the sector is growing in size and competitiveness. However, concerns have been expressed by CSOs that as DFID increasingly moves towards budget support, it will lose focus on civil society. Although there are a few notable exceptions, CSOs in Zambia struggle with the advocacy role, apparently limited by cultural and capacity reasons from being publicly critical of government. Many see their role as primarily one of service delivery, which the new aid modalities are not well suited to support as funding is focused on the state. Many CSOs and NGOs question whether the Paris Declaration is really inclusive of civil society; they are sceptical about both the reform process and the way that the Paris Declaration proposes management of aid; they question its likely impacts (especially the real impact on the lives of the poor) and scope for inclusion of non-state actors. Notwithstanding the upbeat tone of the Norad civil society study, the 2007 Norad Country Programme Evaluation found that *harmonisation is leading to a concentration on the two big players, government and donors, at the expense of CSOs and NGOs. The place for third parties at the development cooperation table is becoming smaller, and more contested.*
- 3.26 To some extent this finding is borne out in the DFID programme. While several of the earlier DFID governance projects mainstreamed engagement with civil society the newer programmatic approaches - such as Public Sector Management (PSM) - do not highlight this engagement to the same extent at the programme level. DFIDZ take the view that engagement with civil society on governance issues can take place effectively through the Central Administration SAG. However, while civil society membership is a major strength of the SAG approach, the SAGs have yet to demonstrate that they are an effective substitute for programme-level dialogue with civil society.
- 3.27 Overall, DFID has been a supportive partner of civil society during the evaluation period, and its move towards a more strategic engagement with CSOs is broadly

appropriate given the shift to PRBS. DFIDZ point out that non-PRBS donors continue to support CSOs directly. But this source of funding will decline when/if PRBS becomes the dominant modality. One of the most useful benefits for CSOs of direct engagement and support from donors is the access it gives them to information on government and reform issues, but access is being lost in the new aid modalities. CSOs are concerned that implementation of national policies remains weak and they are not convinced that giving advice on SAGs is a very effective way of influencing policy and practice.

- 3.28 A similar concern, relevant to both the education and health sectors, is that the move towards PRBS risks turning SWAs into 'SNAs' – sector-narrow approaches. Both the health and education SWAs are notable for the wide range of partners involved beyond central government who benefit from pooled funding, including district levels and non-state service providers. As funding moves to general budget support, there is a risk that expenditures under the direct budget control of the central ministry are favoured at the expense of broader resource flows to the sector. DFID has worked hard to address this risk through policy engagement with Ministry of Finance and National Planning (MFNP) and sector ministries, and there are indications that SWA partnerships are being retained and institutionalised through the SAGs; though questions remain as to how effective they will be.

## Strategy alignment with Zambia's priorities

- 3.29 DFID strategy in Zambia during the evaluation period has been characterised by increasing close alignment to the policies and plans of the GRZ, with JASZ in effect fully recognising FNDP as the national framework for reducing poverty. As well as following government's lead, DFIDZ strategy has also been informed by its own Drivers of Change (DoC) analysis. DFIDZ's strategy is discussed below in terms of the DoC analysis, the strategy's linkage to Zambia's PRSP/FNDP, the relevance of its main strategic pillars and other interventions, and the inclusion of cross-cutting issues.

## Drivers of Change

- 3.30 The Drivers of Change (DoC) analysis commissioned by DFIDZ in early 2003 provided a useful insight into the constraints on Zambia's development. It identified patrimonial politics and associated patronage relationships as both the backbone of Zambia's remarkable stability, and the main constraint on economic and social progress. The DoC identified entry points for DFIDZ to support pro-poor change in two broad areas:

- *First, there are measures [needed] to strengthen the social, political and economic context, for instance through supporting education and literacy, improving the functioning of markets so that they are more inclusive and less constrained, enhancing the health status of the population, and reversing the decline in living standards.*

- *Second, there are measures [needed] to support particular agents of change, including the media, civil society, reform-minded elements of the political system and of the civil service, associations of professionals and of large and small businesses, the churches, and perhaps traditional leaders*<sup>8</sup>.

- 3.31 The DoC analysis was moderately well reflected in the CAP approach, particularly in regard to the first area which is largely concerned with 'supply side' interventions in governance, health, education etc, which are well covered by the four main CAP pillars. The CAP also explicitly recognised corruption and patronage problems - though rather coyly suggesting they belonged to the past and *might* continue to be a problem in the future. However, this recognition was only partially reflected in the strategy through an emphasis on strengthening formal accountability mechanisms, and building the capacity of government *however difficult this may be*. The CAP did not consider the possibility (suggested by DoC) that a transition from traditional patrimonial politics to a 'modern' state with separation of powers, a professional bureaucracy etc may be impossible in Zambia without losing social cohesion. And yet many of the approaches in the CAP, such as support to government health and education programmes and budget support, assume that such a transition is well under way.
- 3.32 The second area recommended by the DoC analysis - the 'demand-side' - was much less well reflected in the CAP, with no specific mention within the four main pillars, although the CAP did note that DFIDZ should prioritise *increasing civil society capacity and voice to demand better governance*.
- 3.33 Overall the DoC analysis provided a useful background to the strategy design, but it does not appear to have been particularly influential in the development of the strategy, compared with the influence of aligning with the GRZ PRSP. One criticism of the DoC approach by DFIDZ staff is that the analysis is too brief and high level; what is needed is more detailed and specific guidance on how to bring about change, including insight into relationships between, and incentives on, specific powerful individuals<sup>9</sup>.

## Strategy linkage to PRSP/FNDP

- 3.34 DFID's strategy in Zambia from the 2001 APPR onwards has explicitly supported national PRSPs. The four main impact areas of the 2004 CAP aligned broadly with four of the five main focal areas of the 2002 PRSP. DFID Zambia has, in turn, worked closely with other development agencies to influence the development of official policy in Zambia towards a more consistent pro-poor focus. The 2004 CAP recognised shortcomings of the 2002 PRSP, particularly failure to address social vulnerability and linkage to the budget. The FNDP, which was completed in 2006, was welcomed by donors as a far more comprehensive and widely owned poverty

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<sup>8</sup> Page v, Zambia Drivers of Pro-Poor Change: an Overview Short Version, Duncan Macmillan and Simutanyi, Oxford Policy Management, March 2003

<sup>9</sup> The evaluation team understand that DFIDZ has recently commissioned such analysis but were not given access for confidentiality reasons.

reduction document. The FNDP has ownership at the highest levels of government, and is institutionalised as the core medium term planning and resource allocation tool, providing the link between the longer term aspirations of the GRZ Vision 2030 and annual resource allocation through the rolling three year MTEF and annual budget. FNDP monitoring and evaluation arrangements, though still weak in a number of areas, are being developed. The FNDP benefits from significant engagement by civil society in the Sector Advisory Groups in part due to advocacy by DFID and other donors.

- 3.35 Nonetheless, the depth of ownership of the country's poverty strategy has been questioned. Although some SAGs – especially those where strong SWAp structures already existed – have been effective and meet regularly, some SAGs exist more in theory than practice. There are concerns that civil society organisations involved in the monitoring of the PRSPs through the SAGs are drawn from the urban elite and hence not representative of the wider population. Civil society representation on the SAGs is sanctioned by government, and therefore potentially 'sanitised'. Despite donor pressure, the PRSP/FNDP has not been submitted to Parliament, which is also not involved in the monitoring of progress. At government level, the monitoring and evaluation arrangements of the FNDP have yet to be fully operationalised. Much donor attention, including from DFID, has been focused on building the capacity of the Ministry of Finance and National Planning to develop the PRBS M&E mechanism - the Performance Assessment Framework (PAF). Whilst the PAF is officially designated as a sub-set of FNDP M&E by PRBS donors, there are concerns that it may become a parallel M&E framework, detracting attention from broader FNDP M&E.
- 3.36 While DFID is widely recognised by GRZ and other donors as strongly respecting country ownership, it may not always strike the right balance with its promotion of innovative pro-poor policies. For example, while DFID support for social protection in the FNDP has been widely welcomed by other donors, GRZ and civil society some interlocutors in government and humanitarian agencies suggested that DFID is pushing a particular social protection modality – social cash transfers – too hard. It was felt that there was stronger government buy-in in sectors where DFID had had a long-standing engagement, such as in health, education and HIV/AIDS.
- 3.37 Government officials have on some occasions questioned whether they really had the freedom to choose their own programmes, with the lack of donor funding clearly acting as a hindrance to activities in some sectors. An unintended consequence of this is that sectors that display the greatest institutional weaknesses but also some of the greatest needs – such as water and sanitation - have received little attention under the FNDP. By contrast, other sectors, such as health and education, have retained the largest shares of the FNDP budget (20.1 % and 27.3% respectively), despite being recognised by most donors, including DFID, as potentially over-funded. By not explicitly recognising, and addressing, poor allocations across MDG sector areas, DFID and other OECD/DAC donors have failed fully to recognise the multiple-dimensions of poverty. This could become more significant as donors have started to ask the government to further prioritise, if resources to finance the FNDP are constrained.
- 3.38 Notwithstanding these concerns, the linkage of DFIDZ strategy to the FNDP is broadly relevant and appropriate to the needs of the country inasmuch as these needs are well articulated and effectively addressed by the PRSP/FNDP.

## **Governance**

- 3.39 DFID support in public sector reforms has moved towards a more sectoral, programmatic approach during the evaluation period. In the earlier part of the evaluation period, DFID undertook several stand-alone projects in support of its strategic governance objectives, including anti-corruption education and capacity building of the Anti-Corruption Commission, support to pay reform and payroll management, and building capacity of the Zambia Revenue Authority. DFID also provided key advisory input to the Ministry of Finance in its dealing with IMF programmes and related interventions. This support was relevant to the needs of Zambia, and in line with CSP/CAP priorities, but arguably rather disjointed and not part of an overall government-wide strategy.
- 3.40 From 2003 onwards, DFID played a leading role in supporting the GRZ develop a more strategic, joint programmatic approach to public service reform (PSR). This entailed dialogue with other donors, direct advisory inputs and the commissioning of extensive diagnostic studies. For example, DFIDZ played an active role in coordinating the design of PEMFA; the existence of a credible public finance management reform package being a main DFID HQ prerequisite for general budget support. This programme is seen as highly relevant to the country's needs, firstly because it seeks directly to address the main weaknesses of the PFM system, and secondly because these weaknesses were identified using a comprehensive and innovative diagnostic study, known as the Public Expenditure and Financial Accountability Review (PEFAR). The recently released UK National Audit Office (NAO) report shows that fiduciary risk assessments do not always inform the design of the reform programme in other PRBS countries.
- 3.41 The PEFAR was conducted in 2001 by the government and the World Bank with support from other donors, including DFID. This review drew on existing World Bank tools, such as the Country Financial Accountability Assessment and the Country Procurement Assessment Review. The diagnostic studies were ratified by Cabinet in late 2003, and a second PEFAR was completed in late 2005. DFID has used PEFAR to support its own assessment of fiduciary risk of the country. It is worth noting, however, that DFID rejected the conclusions of the OPM general budget support study, despite its outcome being drawn from PEFAR 2003 (see 3.14 above). DFID has also preferred to focus on the process of reforms, rather than the outcome of the review. It has done so by introducing directions of changes for all PEFAR categories in its own assessments. This leaves room for considerable subjectivity as it then becomes quite easy to make a persuasive case for government support as long as they focus on 'positive changes'.
- 3.42 DFID also financed technical assistance for the design of rightsizing (i.e. identifying the most suitable number of civil servants with relevant qualifications for ministries, departments and agencies, related to their appropriate function) and developing pay reform strategy. Low pay is a major constraint on the quality and coverage of public services, particularly in the social sectors. The Medium Term Pay Reform Strategy (MTPRS) adopted by GRZ in 2002 included introduction of selective salary enhancement for critical posts, to address incentive and retention issues more affordably than across-the-board pay increases. Although the MTPRS was the first step towards a comprehensive pay reform policy, it has made very little practical progress with implementation. DFID has provided support for sector-specific incentive schemes as stop-gap measures, pending implementation of a

comprehensive policy; for example incentive schemes for staff working on PSR programmes, and the rural retention scheme for health workers. These schemes have been developed jointly with other JASZ donors, and are aligned as far as possible with the likely structure of the future comprehensive policy.

- 3.43 As well as supporting a slow maturing public sector reform process, DFID took a more opportunistic approach to capitalise on positive changes within the government. For example, DFIDZ's support to the anti-corruption task force was a response to a direct request in 2002 from the newly elected President Mwanawasa to help finance high-profile corruption investigations and prosecutions. DFIDZ, working closely with the FCO, was instrumental in bringing together a team of donor agencies willing jointly to fund this initiative. DFIDZ's response was highly relevant to Zambia's need to shed the corrupt image of the Chiluba era, and built on the momentum of a new administration willing to tackle the extremely difficult task of prosecuting officials and politicians at the highest levels.
- 3.44 In a multi-donor environment, DFIDZ is becoming more pro-active in identifying gaps in donor support to governance and seeking to fill these. For example, DFID has recently played a leading role with UNDP and the EU on structuring support to Parliament following a less successful project funded by USAID. On the other hand, there are gaps which DFID could potentially fill but has decided not to. For example, while safety, security and access to justice (SSAJ) was a priority in the CSP and APPR it was dropped from the CAP because of capacity constraints in the DFID office. DFID has extensive experience with SSAJ programmes in other countries, especially with regard to strengthening primary and informal justice, and women's access to justice. This experience could be highly relevant to the needs of Zambia, given the very serious concerns about gender violence voiced in the JASZ and elsewhere. However, the decision not to engage actively in SSAJ has enabled DFID to focus resources elsewhere, and is rational within the context of the JASZ division of labour – other donors, notably Norway, having relevant expertise in-country.

## Social sectors

- 3.45 The focus of DFID support - increasing access to health and education services - is undoubtedly a priority in Zambia. The two sectors receive special attention in the PRSP and FNDP as well as in the government's commitment towards MDGs.
- 3.46 DFID has provided extensive strategic and policy input to the **health** sector since the mid-1990s when it was instrumental in establishing one of the first ever health SWAs. Throughout the evaluation period DFID health advisers, and DFID contracted consultants, continued to take a leading role in policy dialogue with government and other donors, helping to develop the National Health Strategic Plan (NHSP) and were instrumental in establishment of a functioning health SAG. The NHSP, which forms the basis for the health SWAp, focuses on strengthening health systems, in recognition of fundamental capacity weaknesses which undermine service delivery. The greatest challenge in the health sector is the critical shortage of health professionals, especially in rural areas. DFID responded by supporting the development of the Human Resources for Health Strategic Plan (2006-2011), and financed, jointly with the Netherlands, Sida, CIDA, EU and USAID, an incentive programme for retention of health workers in rural areas as a temporary measure pending broader public sector pay reform.

- 3.47 DFID provided funding to the health SWAp basket fund, plus some targeted projects to address specific challenges particularly around maternal mortality (Zambia has a severe maternal mortality problem, with poor prospects of achieving MDG5). DFID played a key role in supporting the Ministry of Health through the difficult transition from sector basket funding to PRBS after 2006.
- 3.48 DFID has also been influential in the development of health policy, notably in its support for abolition of primary health user fees, implemented by GRZ in 2006. DFIDZ commissioned studies which showed that, based on regional experience, abolition should lead to substantially increased utilisation of services, and that the cost of collecting user fees in Zambia was probably greater than the value of the fees collected. DFID provided additional PRBS funding to finance the anticipated expansion in service delivery following user fee abolition. The reform was in line with DFID corporate policy on user fees, and relevant to Zambia, where user fee abolition was politically popular in the run up to the 2006 presidential elections, and was strongly supported by the Minister for Health.
- 3.49 There is extensive international debate as to the costs and benefits of health user fee removal. Benefits include the potential for increased access to services by the poorest and, where fees are low and collection is expensive and inefficient, a net cost saving. Costs may include loss of net fee income (if this is positive), reduced economic viability of non-state health providers, and removal of a funding source for empowering local communities to demand better services (where fees are retained at the local level).
- 3.50 Some concerns have been expressed by DFIDZ, other donors and non-state health providers as to whether the analysis that underpinned user fee abolition in Zambia adequately addressed the potential costs as well as benefits of abolition. The evaluation team is concerned that the decision may have been driven more by political considerations – in terms of both GRZ and DFID corporate policy – than objective technical analysis. This does not mean that the decision was wrong, but that more work is required to assess whether the benefits outweigh the costs. The planned impact evaluation of user fee abolition, to be undertaken jointly by the London School of Hygiene and Tropical Medicine and Zambian Ministry of Health, funded by DFID HQ, should address these concerns, and provide valuable policy lessons relevant to Zambia and internationally. Initial research suggests a positive impact: a recent study by the University of Zambia drawing from a sample of 23 districts concluded that following user fee removal there has been substantial increase in total utilisation of public health services, and an increase in drug consumption. It is also reported that, based on patient perceptions, there is no evidence of deterioration in the quality of care since user fees were removed.
- 3.51 Notwithstanding specific concerns over user fees, overall DFID support to the health sector has been highly relevant to Zambia's needs during the five year evaluation period.
- 3.52 Over a longer time frame, providing consistent and relevant support to the sector has been very challenging. The centrepiece of the strategy initially supported by DFID in the 1990s was the innovative and radical split of the health sector along 'purchaser/provider' lines. In 1995, the Central Board of Health (CBoH) was created as the main state provider of care, with the Ministry of Health (MoH) being the policy body and purchaser of care from CBoH, not-for-profit and for-profit providers.

However, following a change of health minister in 1998 these reforms slowed and began to reverse, with the CBoH reabsorbed into the MoH in 2005, effectively reverting to the pre-1995 position.

- 3.53 Throughout this process, DFID, alongside other donors, was providing policy advice, change management and capacity building support in line with explicitly stated - or inferred - national priorities. Trying to ensure relevant support was difficult, as the GRZ preference for reversing the reforms was not clear cut with different parts of government having strongly differing views. Donor and GRZ officials concede that the 'flip-flop' of institutional reform in the sector over a ten year period absorbed a huge amount of time and effort, which could otherwise have been employed more directly in health service delivery.
- 3.54 The challenge for DFID is to provide consistent policy advice over timescales of a decade or more, while being flexible and adaptable to changing political interests, and emerging experience of what works and what does not. DFID's relatively short institutional memory, with health advisers changing every three years or so, can make it difficult to get this balance right. DFIDZ is in a stronger position than many offices in this regard, with several advisers remaining in post for more than 4 years and a high proportion of senior Zambian staff employed over the longer term.
- 3.55 In the **education** sector, the focus at the beginning of the evaluation period was on the basic education sub-sector, through the Basic Education Sector Strategic Investment Plan (BESSIP). BESSIP was expanded from 2003 onwards into a full sector SWAp: the Ministry of Education Strategic Plan (MoESP). A key element of the strategy was to achieve universal enrolment in basic education; the President announced free primary education for grades 1-7, and abolition of examination fees, in 2002.
- 3.56 The initial focus on basic education under BESSIP was strongly advocated by DFIDZ in line with corporate policy, the focus on MDG2, and concerns (shared by the World Bank) that the broader Education Sector Investment Plan (ESIP) which had been prepared by the Ministry of Education (MoE) in 1997 was insufficiently robust to form the basis of a SWAp. Some interlocutors have suggested that the focus on basic education was excessive, that broader sectoral development was neglected and that the approach led to a quantity focus (enrolment rates, number of classrooms, textbooks etc) at the expense of quality (completion rates and educational attainment). The counter-argument, which this evaluation supports, is that Zambia needed to 'get the basics right' before moving on to a broader sector strategy, which it did with DFID support in 2003.
- 3.57 From 2003 onwards, DFID provided relevant and appropriate support to the full education SWAp, through policy advice, contributions to pooled funding, and integration of successful DFID education projects into government systems. Following the realignment of DFID priorities under the JASZ, DFIDZ reduced its emphasis on education and the education adviser who played a key role in development of the SWAp was not replaced when he left in 2006. DFIDZ continued to contribute to the education SWAp for the remainder of the evaluation period, and provided relevant policy advice drawing on the education sector background of the newly recruited social sector governance adviser.

- 3.58 Subsequent to the evaluation period, DFID ceased to contribute to the education SWAp from 2007/08, with funds reallocated to PRBS. DFIDZ helped prepare the sector for this transition, providing 18 months' advance notice to MoE of their intention. Partly as a result of this preparation, total funding to education did not fall following the transition, and the ratio of GRZ to donor funding in the sector has increased. However, the shift away from direct support to education, though fully consistent with national policy (the JASZ) and reflecting DFIDZ headcount constraints, has raised concerns in the MoE about losing the UK's long and beneficial association with the sector at the technical level. There are also concerns that, unlike in health, there has been insufficient time for DFIDZ to fully explore the potential and lessons of the SWAp, before moving to general budget support.
- 3.59 Zambia has an extremely severe HIV/AIDS burden, with an estimated prevalence of 16% overall and 18% for women. DFID has provided a combination of technical assistance for strategic planning and capacity building of the National HIV/AIDS Council (NAC), commodities and support to civil society. DFID support has been highly relevant to Zambia's national response to HIV/AIDS, and has reflected the UK and Zambia's commitment to the 'three ones' – one national coordinating agency, one national HIV/AIDS strategy and one national HIV/AIDS M&E framework.
- 3.60 DFID has contributed to a national strategic approach to **social protection (SP)** through support to developing a social protection chapter of the FNDP, and piloting social cash transfer (SCT) schemes in rural areas with a view to possible national scale up.
- 3.61 Support to social protection is highly relevant to Zambia's needs as set out in the FNDP, and provides an opportunity for direct intervention to address the needs of the very poorest who have not benefited from Zambia's economic growth over the past five years. DFID's approach to social protection includes piloting alternative beneficiary targeting methodologies, including HIV/AIDS affected households, women and vulnerable children, and the elderly.
- 3.62 DFIDZ funding of social protection interventions provides a relevant counter-balance to general budget support. PRBS is an intervention at the highest possible level, whose impact on the poor is dependent on a large number of assumptions (e.g. that funds increase public sector pro-poor expenditure; that expenditures are efficient, well targeted and effective; that funds are not misappropriated) while social protection interventions have the potential to bring about direct, measurable, positive impacts on the very poor.
- 3.63 Social cash transfer is identified in the FNDP as the major strategy for welfare support to incapacitated households. However, there is some unease among partners, especially the Ministry of Finance and National Planning who are concerned about affordability, that DFID is pushing SCT too hard as a social protection solution, and that other mechanisms not involving direct cash payment to the poor would be more appropriate to Zambia's needs. DFID's approach of lesson-learning from SCT pilots is an appropriate way forward, but only if it is very clear to partners that DFID is keeping an open mind as to what social protection solutions should be scaled up.

## Pro-poor growth

- 3.64 DFIDZ's strategic focus on pro-poor growth is consistent with the FNDP/PRSP emphasis on creating an enabling environment for broad-based private sector led growth.
- 3.65 Zambia's weak enabling environment is clearly a major constraint on development. The JASZ notes that the business climate in Zambia remains hostile, and that progress of private sector reform has been slow. The World Bank Doing Business 2008 survey ranks Zambia 116<sup>th</sup> out of 178 countries for overall ease of doing business. In the same survey, Zambia scores particularly badly in terms of business licensing (ranked 148<sup>th</sup>) and trading across borders (160<sup>th</sup>).
- 3.66 In the early part of the evaluation period, DFIDZ support to pro-poor growth lacked a clear over-arching strategy, with a variety of project interventions mainly focused on micro-credit schemes in both rural and urban areas. Following the 2004 CAP, DFIDZ sought to develop a more strategic approach to enabling environment reform, with a particular emphasis on commercial agriculture because of its potential broad-based impact on rural poverty. DFIDZ invested substantial analytical and design efforts developing the stand-alone Enabling Environment Programme (EEP). The EEP was approved in 2005, and consultants were invited to submit proposals to manage and implement the programme. The design of the EEP was relevant to the CAP objective, including support to policy and regulatory reform in government, and also strengthening the capacity of the private sector to advocate for change.
- 3.67 However, before implementation could commence, DFIDZ decided in March 2006 to abandon the EEP in favour of contributing through a pooled fund to the Zambia Private Sector Development Reform (PSDR) strategy, jointly developed by GRZ, donors and Zambia private sector representatives. The strategic decision reflected DFIDZ and other donors' preference for a joint programmatic approach to PSD in line with Paris principles, and DFIDZ's shift away from direct engagement in PSD as a result of new JASZ priorities. The decision could have been taken much earlier – and resources spent on developing the EEP saved - given that DFIDZ had been involved with development of the PSDR strategy since 2004.
- 3.68 The PSDR has the potential to provide a more relevant solution to Zambia's private sector development needs, although a 2007 independent review by the World Bank Foreign Investment Advisory Service (FIAS) indicates that progress to date has been disappointing. Reasons include an overly-complex implementation structure and a lack of prioritisation across multiple interventions. There have also been disagreements between lead donors as to how tough a line to take with government on critical reforms. The PSDR does not include the same emphasis that the EEP had on private sector advocacy, thereby losing an important driver of change.
- 3.69 These problems do not mean that DFIDZ took the wrong decision to support the PSDR – a joint, pooled funded, approach to PSD is clearly more in line with DFID and GRZ policy than a stand-alone DFID project - but they do call into question the value of the JASZ division of labour with regard to PSD. DFID is only a 'background' PSD donor under the JASZ, and hence can no longer justify having a PSD adviser. DFIDZ justified the decision to abandon the EEP in part by the need to reallocate resources to sectors in which it is a JASZ lead. But reforming the enabling environment, and strengthening the capacity of the private sector to demand reform,

are critical to the pro-poor growth agenda. Social cash transfers to the poor will not be sufficient to address poverty unless markets can work efficiently to respond to the incentives created.

3.70 Overall, DFIDZ have not fully grasped the ambitious agenda for improving the enabling environment for pro-poor growth set out in the CAP. The reasons for this include a change of emphasis under the JASZ, indecisiveness over the appropriate instrument (EEP or PSDR), and slow progress – largely beyond DFID control – with the PSDR.

## Relevance of other interventions

3.71 Elsewhere, DFID has been able to react flexibly, and in a relevant manner, to urgent development needs in Zambia, even where these needs fell outside its core programme. The most notable examples during the evaluation period are humanitarian assistance and support to copper privatisation.

3.72 DFIDZ provided over £13m in **Humanitarian aid** during the evaluation period, which was a relevant and appropriate response to the droughts in 2002/03 and 2005/06, which affected 2.8 million and 1.4 million people respectively. DFIDZ support for humanitarian assistance was also made relevant to the country's long-term needs, as support was given to the relevant institutions in charge of tackling food insecurity.

3.73 From 2000 to 2003 DFID disbursed the Zambia Economic Recovery Grant (ZERG) of US\$81m (then £56m) to GRZ to support the **privatisation of the Zambia copper industry**. Total ZERG spend post-March 2002 was £5m, making it the sixth largest expenditure line during the evaluation period. The ZERG project met an essential development need of Zambia. DFID was able to mobilise a very large infrastructure investment in a copper smelter at short notice. The investment facilitated the privatisation of the copper industry, which many economic commentators view as having been critical to Zambia's economic turnaround, and the underpinning of economic growth over the past six years. However, the evaluation questions certain aspects of the ZERG project, including the lack of DFID or independent evaluation (ZERG was PCR exempt), and the potential for an apparent conflict of interest in the involvement of a senior DFID official. More details are provided in Annex E.

## Inclusion of cross-cutting issues

3.74 **HIV/AIDS** has been actively mainstreamed by DFID across its portfolio, including curriculum development for HIV/AIDS awareness in the education sector, HIV/AIDS relevant selection criteria for social protection and HIV/AIDS mainstreaming in key governance programmes including PEMFA and the Zambia Revenue Authority. DFIDZ has also mainstreamed HIV/AIDS awareness, stigma reduction and voluntary counselling and testing (VCT) within its own office. The Performance Assessment Framework (PAF) for PRBS includes HIV/AIDS indicators (although currently none for gender, or the environment).

3.75 **Gender** is reflected as a priority in the design of DFID social sector interventions, with a focus on equality in girl: boy enrolment rates in the education sector, gender

specific interventions within the national HIV/AIDS strategy, and a focus on maternal mortality and reproductive health within the health strategy. The Public Service Management programme includes an indicator for implementation of the Gender Equity Strategy across the public service. However, there has not been a systematic focus on gender across the DFID portfolio. The JASZ recognises gender-based violence as a severe developmental problem in Zambia, but DFID governance interventions have not consistently reflected gender issues. For example, the integrity committees set up in four pilot ministries have only adopted an ethical code of 'impartiality' and the terms of reference for service delivery charters do not address gender concerns specifically. However at the programme level, there is a strong commitment in the PSM log frame to mainstreaming gender in the public service through the Gender Equity Strategy. The DFID Headquarters Gender Equity Action Plan (2007) does not list any specific commitments from DFIDZ to address gender issues (not all country offices have listed specific activities, but many have).

- 3.76 The Zambia National Gender Action Plan dates back to 2000, but has never been implemented. The GRZ has appointed a minister responsible for gender, but no funding is attached to this position. 'Gender focal points' have been appointed in Ministries, Departments and Agencies, but they have little power and are not an effective alternative to mainstreaming gender within core public services reforms.
- 3.77 DFIDZ has recently become more active in pursuing gender, advocating for the mainstreaming of gender in the JASZ and FNDP gender SAG. However, donor capacity on gender in Zambia is overall very limited. Currently DFID have 5% of one adviser's time dedicated to gender and the Netherlands and Norad 20% of one person.
- 3.78 **Social exclusion** is well reflected in the DFID programme, which has an emphasis on inclusivity in health and education (e.g. 100% enrolment targets in primary schools, removal of health user fees and increased service levels in rural areas), and specific targeting to vulnerable and marginalised groups (e.g. social protection and support for people infected and affected by HIV/AIDS).
- 3.79 The DFIDZ programme set out in the 1999 CSP and 2001 APPR had an explicit **human rights** focus. The CSP stated that a *human rights-based approach permeates the whole strategy*, and the APPR maintained this approach, noting the *tarnished human rights record* of the Chiluba government. But the country strategy from the 2003/04 CAP onwards does not explicitly mention human rights, though human rights concerns are implicit in much of DFID's programme. Human rights concerns are implied – though not specifically mentioned - in the underlying principles set out in the PRBS MoU, and respect for human rights is one of the three objectives set out in DFID's Ten Year Development Partnership Arrangement with the Zambian Government.
- 3.80 The change in emphasis was in part an appropriate response to the better human rights record of the Mwanawasa government; when the CAP was being developed, human rights were not perceived to be as threatened as they had been. However, DFIDZ also explain the reduced emphasis on human rights as reflecting the fact that GRZ does not generally use human rights language in its policy dialogue; the argument presumably being that, in a PRBS environment, DFID needs to speak the same 'policy language' as Government to have an effective dialogue. The evaluators acknowledge the importance of effective dialogue, but are concerned that DFID

should also adopt a constructive challenge function and raise issues – including human rights – even if they are not generally discussed by Government. Although human rights have undoubtedly improved in Zambia, this is no cause for complacency; the 2007 JASZ reports declining indicators for rule of law from 2000 to 2005, and highlights human rights abuses against women.

- 3.81 A major strength of the wider UK engagement in Zambia is the close working relationship between DFID and FCO, with FCO taking a leading role in human rights issues around police, prisons and security. While this engagement is very welcome, FCO has less capacity and resources than DFID to support key reforms, and despite the close working relationship is not in a position to mainstream human rights across DFID's programming. The evaluation team is not suggesting that DFIDZ should have undertaken major additional human rights initiatives. But broader rights-based approaches - going beyond a narrow definition of human rights in terms of police, prisons and security - could add value to existing DFID interventions and help address the demand-side agenda highlighted in the Drivers of Change analysis. For example, DFID-supported public service reforms have focused mainly on supply-side interventions. This would seem to be a missed opportunity, given the poor progress with such reforms over the past decade. There is some move towards more demand-driven reform with the development of service charters, but without a greater focus on rights awareness, charters may simply be captured by public service providers.
- 3.82 There is very limited reflection of **environmental concerns** within the DFID programme, probably because few DFID interventions have a direct environmental impact for good or ill. One exception was the ZERG support to copper privatisation, which gave rise to civil society criticism in both Zambia and the UK as to the potential polluting effects of the DFID funded rehabilitation of the Nkana copper smelter. An internal DFID environmental assessment in 2004 found that there was no formal environmental liability attaching to DFID, as the effect of DFID support has been to improve the environmental performance of the smelter, albeit from a very poor base.
- 3.83 With regard to broader environmental concerns over global warming, DFID's focus on vulnerability reduction, food security and better planned humanitarian assistance based on vulnerability assessment and early warning systems, should help Zambia cope better with the impact of climate change.

## Strategic relevance to corporate priorities

- 3.84 DFIDZ strategy over the evaluation period was broadly in line with **DFID's corporate objectives**, as defined by the 2000 White Paper and Public Service Agreements. Progress on Public Service Agreement (PSA) targets in Zambia was last reported on comprehensively in the 2004 PSA/CAP Annual Review. In stopping systematic monitoring of progress against PSA and, more generally, CAP priorities from 2004, DFIDZ may have reduced the opportunity for internal discussion over possible responses to emerging corporate priorities. One result may have been the lack of gender focus discussed above.
- 3.85 DFIDZ made strong efforts to align with DFID 2006 **conditionality policy**, in which a new approach to successful partnership for poverty reduction is defined as one in which relationships with partner governments are based on the following criteria:

- commitment to poverty reduction and the MDGs
- respecting human rights and other international obligations
- strengthening financial management and accountability

- 3.86 Violation of these commitments can lead to a reduction or suspension of UK development assistance. In turn, DFID is committed not to use any specific policy conditionality.
- 3.87 DFIDZ used its influence to incorporate partnership principles in the PRBS MoU, which was signed by GRZ and contributing partners in 2005. While human rights is not explicitly mentioned, the underlying principles of the MoU include 'GRZ's commitment to peace, democratic principles, the rule of law, good governance and integrity in public life, including the fight against corruption'. The three remaining principles compel GRZ to commit to poverty reduction, public financial management reforms and sound macro-economic policies.
- 3.88 In its 2007 Annual Report, DFID reported that aid in 2006/07 was suspended, reduced or changed because partner governments failed to meet conditions in nine countries, including Zambia, where aid was reduced. DFID used a 75% fixed/25% variable disbursement mechanism for support to the GRZ 2006 budget. In adherence to the PRBS MoU, DFID confirmed in October 2005 that it would disburse £19.3m to support GRZ's 2006 budget. This was a reduction of £700,000 from the maximum commitment of £20m to reflect GRZ's underperformance against the iPAF indicators.
- 3.89 Overall, DFIDZ's use of conditionality in relation to PRBS disbursements has remained unclear, with the country office switching from fixed to fixed/variable tranches from year to year. DFIDZ used DFID's corporate approach to conditionality to explain its decision to revert back a 100% fixed tranche to support GRZ's 2007 budget. A 100% fixed tranche is being provided to support GRZ's 2008 budget but further ahead, PRBS will be composed of a core and indicative component to comply with DFID's corporate approach to conditionality. This may send confusing signals to the government and other donors.

## Management of Risk

- 3.90 At the turn of the century Zambia appeared a very risky place to pursue to a development agenda. It was widely seen as a 'basket case' with a highly corrupt and unpopular government, key development indicators going backwards, and an economy on the brink of collapse. It was in this risky environment that DFID decided to establish a country office in 2001, and progressively step up its development assistance. DFID has clearly been prepared to take risks in Zambia, and political and economic progress since 2001 would tend to endorse DFID's approach.
- 3.91 Table 7 summarises how DFID approached country-level risks in its strategic framework during the evaluation period. Prior to the 2004 CAP (drafted in 2003) there does not appear to have been a very systematic assessment of the risk environment. The 1999 CSP and 2001 APPR provide some limited scenario analysis which essentially identifies just one overarching risk – the success or failure of the Zambia Consolidated Copper Mines (ZCCM) privatisation. This obsession with one

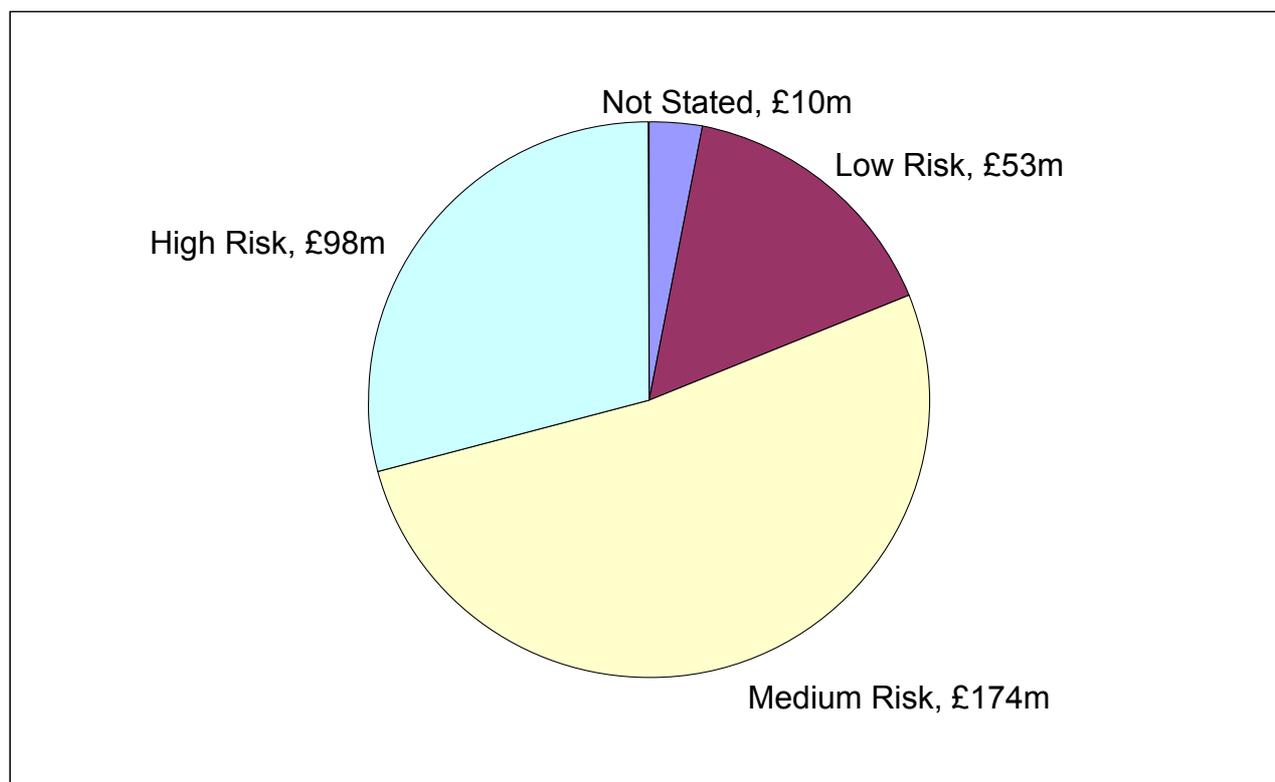
risk factor may well reflect the economic realities of the late 1990s in Zambia, but there were surely other risks worthy of assessment at that time, not least on the political front with the change of Government at the end of Chiluba's second term.

3.92 The CAP provides a more comprehensive assessment of risk, which with the benefit of hindsight seems reasonably appropriate. The high probability/high impact risk of political instability did not fortunately materialise, and was perhaps overly pessimistic given Zambia's long tradition of stability. On the other hand, assigning only a medium impact to the risk of failure to reform the central civil service, understates the critical importance to poverty reduction of improving the capacity to deliver services.

**Table 7. Risk Assessment in Strategic Framework 2002-2007**

<i>Period</i>	<i>Strategy Document</i>	<i>Risk</i>	<i>Impact</i>	<i>Probability</i>
2002/03	Country Strategy Paper 1999 & 2001 APPR	No explicit risk assessment. Scenario analysis provides some insight into perceived risks:  High case: ZCCM privatisation takes place and GRZ takes forward pro-poor policies in health and education  Mid case: ZCCM privatisation takes place but no progress on pro-poor policies  Low case: ZCCM privatisation fails, copper industry collapses with serious economic social and political consequences.	-	-
2003/04 – 2006/07	Country Assistance Plan	External conflict Worsening terms of trade Popular & public sector resistance to reforms Reduced business & investor confidence IMF default and fiscal crisis Failure to reform PFM systems Spread of HIV/AIDS Failure to reform the central civil service Climatic shocks Poor expenditure patterns Political instability – generally, and in the run-up to the 2006 elections	M M M M H H H M M H H H	L L M M M M H H H H H

3.93 Figure 5 provides an analysis by commitment value of the assessed risk for all active DFIDZ programme lines during the evaluation period, based on PRISM data. Although there is no record of a risk assessment in the PRISM system for the ZERG project or for support to the anti-corruption task force, these projects have been classified as high risk in the figure. Overall, the assessed risk level is medium to high, which appears consistent with the ambition of DFID's strategic objectives in Zambia, and its position as lead bilateral donor.

**Figure 5. DFID Zambia Risk by Commitment Value 2002-2007 (£million)**

Source: PRISM and consultants' analysis<sup>10</sup>

- 3.94 There is evidence of a good appreciation of risks at the level of individual interventions, and the development of appropriate risk mitigation strategies. However, the risk analysis has not extended to an assessment of the extent to which public financial management weaknesses could lead to inefficiencies or leakages in the use of aid to government, especially with regard to budget support.
- 3.95 Several studies, including Drivers of Change (DoC) in 2003 have assessed political risks in Zambia. Overall DFIDZ appears to have a good appreciation of political risks, though this appreciation has not always been realistically reflected in the ambition of public sector reform interventions which threaten the ability of the elite to maintain patron-client relationships. As a result, the implementation of several governance interventions has been much slower than originally anticipated. DFIDZ has, however, been prepared to support highly risky strategies (in particular support to the anti-corruption Task Force) which seek fundamentally to address these underlying political risks.
- 3.96 In particular cases, there are some concerns that DFIDZ risk analysis has been influenced by a desire to pursue a particular aid strategy. For example, none of the six 'high impact' risks identified in the PEMFA project memorandum were assigned

<sup>10</sup> Chart includes all projects for which spending was recorded during one or more of the five years of the evaluation period. The value of each project in the chart is the total committed funds for the life of the project, not expenditure during period. Hence total value of projects (£423m) in chart is greater than total actual expenditure during evaluation period (£208m).

'high probability', despite the fact that similar risks – particularly around political will and high staff turnover – had been identified as seriously affecting implementation of earlier technical assistance projects.

- 3.97 DFIDZ has not shied away from interventions with a high level of **reputational risk** where there is a strong development argument. In the case of support to the anti-corruption Task Force reputational risk was mitigated by risk-sharing with other donors through a pooled fund; ensuring a distance between DFID contributions and specific expenditures (so, for example, DFID could not be shown to be paying for a particular lawyer); and by enforcing a much higher level of confidentiality than normal for development programmes. In the case of the ZERG project however, more could possibly have been done to assess and mitigate a potential reputational risk (see Annex E for more discussion).

## Focus on Results

- 3.98 DFIDZ's country strategic framework as set out in the 2001 APPR and 2004 CAP was strongly results focussed. In particular, the Change Impact Monitoring Tables (CIMTs) which formed Part 3 of the CAP set out desired results in terms of pro-poor change, against which quarterly progress was to be monitored. However, **no annual CAP reviews have been conducted since 2004**. The last quarterly management report setting out progress against CAP objectives was issued in the third quarter of 2004/05. Since early 2005, there does not appear to have been a consistent system for monitoring and reporting progress against CAP objectives, either as originally defined, or as modified by JASZ priorities. Hence, at the country level, results focus is harder to assess for the latter part of the evaluation period. Discussions with DFIDZ staff suggest that in fact the results focus was maintained, but through more informal mechanisms including weekly programme review meetings. **This evaluation is strongly critical of the lack of a formal, documented, performance management framework for the country programme from early 2005 to the end of the evaluation period.**
- 3.99 In common with other DFID programmes using the instrument, focusing on results for PRBS has proved challenging. The logframe used for the first cycle of PRBS funding (2005-07) did not provide a wholly satisfactory basis to assess performance for PRBS. The stated purpose of PRBS was 'To improve the effectiveness of the budget as Government's key policy instrument for poverty reduction'. This stated purpose locked DFID into a rather blurred view on what PRBS can and cannot do. While a powerful financial incentive and policy dialogue instrument, Zambia's PRBS does not entail capacity building. As a result, PRBS cannot claim contribution to strengthening budget preparation and execution in isolation from the PEMFA programme.
- 3.100 In practice, DFIDZ recognised the need to mix budget support with other types of complementary aid, such as technical assistance, and the PRBS was clearly implemented in tandem with the PEMFA programme. This complementarity was, however, poorly reflected in the logframe used for monitoring the PRBS in 2005–07. The logframe planned for monitoring and evaluating PRBS over 2007–10 has since been revised to support the more realistic objective of 'providing predictable, timely and flexible financing through PRBS to improve Zambia's ability to implement the FNDP'. Going forwards, it will continue to be important to view the strengths and

weaknesses of PRBS as an integral part of a complementary package of interventions, rather than an independent instrument.

3.101 Individual programmes and projects during the period generally had appropriate results frameworks. The evaluation team undertook a detailed review of a sample of 12 major projects and programmes which together accounted for more than 50% of total committed funds during the evaluation period:

- All but one (the ZERG project discussed above) were judged to have a good strategic fit with the APPR or CAP.
- In terms of 'stretch', nine projects were judged to be realistic in their ambition, with two governance projects being judged too ambitious given their broad scope and previous experience with the slow progress of public service reform. One project was judged as possibly having an insufficiently stretching logframe: the Public Service Management project memorandum states that it is taking a demand-side approach, but demand-side outputs and Objectively Verifiable Indicators (OVIs) were not included in the logframe.
- Eight of the projects were judged to have 'SMART' indicators to measure progress. Three projects which were supporting SWApS were judged not to have indicators attributable to the DFID contribution, as indicators were for the SWAp as a whole. One project was judged to have indicators excessively geared towards the very early stages of the project (and hence too easily achievable).
- All but one project (ZERG) were subject to annual and, where completed, project completion reviews. However all reviews were conducted either by DFID staff, or, in one case, the project implementer (British Council for the Action for Improving English, Mathematics and Science (AIEMS) project). None of the reviews were independently conducted. However, the reviews of DFID support to SWApS, though conducted by DFID staff, were usually based on independent reviews of the SWAp as a whole.
- The risk ratings were judged to be broadly reasonable in light of information available at the time of design, though with some concerns (discussed under Risks section above).
- Review scoring was considered appropriate in eight cases, with two projects judged as being over-generous (score too high<sup>11</sup>). In addition one review score was questioned on the grounds of conflict of interest: British Council awarded the project it had implemented a top score of 1 at both purpose and output level.

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<sup>11</sup> The scores judged over-generous were for support to the Anti-Corruption Commission (scored 2 – evaluators concerned over lack of evidence for core OVIs and falling GRZ funding for ACC) and support to the education SWAp (scored 2 – evaluators concerned over quality outcomes in education sector)

## Relevance - Summary

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 has also been informed by Drivers of Change analysis, but has not fully taken on board its findings especially on the demand-side.

DFID's transition from mostly stand-alone projects to a mix of aid instruments including pooled donor funding and PRBS has overall proved relevant to the country's needs and 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 JASZ, which has supplanted DFID's 2004–2006 CAP as the main driver of DFIDZ's programme.

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 the balance of DFID's programme moves increasingly towards general budget support and loses direct engagement through SWaps, and provides less direct support to CSOs. On the other hand, PRBS is providing more opportunities for strengthening partnerships with Government around policy dialogue and resource allocation.

DFID has supported relevant governance and social sector interventions, addressing critical problems including public finance management, corruption, access to primary education, health services, HIV/AIDS and rural poverty. Interventions have generally been drawn from sound and comprehensive diagnostic studies and match country priorities. Policy advice has generally been well received, but in some cases has lacked consistency and has been perceived as 'overly pushy'. DFIDZ has not fully grasped the ambitious agenda for improving the enabling environment for pro-poor growth set out in the CAP.

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 overall been well reflected, though more should have been done to fully mainstream gender, and increase the scope for rights-based approaches.

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.

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 onwards.

## 4. Programme Effectiveness and Efficiency

- 4.1 This chapter reviews the extent to which DFID's strategy in Zambia has been effective at delivering results, and whether DFIDZ has used aid resources efficiently.
- 4.2 Assessing the effectiveness of DFID's programme in Zambia comes with two main challenges. Firstly, in the case of DFIDZ, the absence of systematic reporting of progress against the Director's Delivery Plan and other targets means that there is no document covering DFID's overall input over the evaluation period. There is also little evidence of a strategic review/lessons learned exercise. This challenge is specific to DFIDZ. The second challenge, which is shared across DFID, is that DFIDZ's role in influencing other donor, government and civil society stakeholders towards pro-poor policies has become increasingly important relative to its direct project interventions. But while there are established systems for monitoring project effectiveness, there are currently none for measuring 'influencing'. The evolution of the strategy during the evaluation period, particularly the move from a CAP-driven strategy to a JASZ-driven one, also needs to be taken into account.
- 4.3 This evaluation takes the following approach. Firstly, the evaluation considers the effectiveness of DFID interventions in delivering the strategy under broad sectoral themes which encompass the main strategic objectives of the evaluation period: poverty reduction/pro-poor spending, governance, health and education, vulnerability, and private sector development. Secondly, the evaluation considers the effectiveness of DFID interventions in terms of aid management, including the JASZ, SWAps, PRBS, project interventions and multilateral aid. Finally efficiency is considered in terms of policy engagement and use of DFID office resources.

## Delivering on Strategy

### Pro-poor spending

- 4.4 To support poverty reduction in Zambia DFID, alongside other donors, have focused their efforts on helping the government use its budget as an effective and efficient policy tool for poverty reduction. Focus has been on increasing the share of pro-poor expenditures in line with FNDP targets through improved budget planning, monitoring and execution. Although the government has remained committed to increase pro-poor spending, budget estimates show little evidence of progress. Cash flow management has improved, but there are still some important variations between budgeted and actual expenditures; the rate of execution in the Poverty Reduction Programme capital expenditures has also remained extremely low; and there was some concern over an increase in military spending in 2006. DFID support in public finance management through PRBS, PEMFA, and other standalone interventions, have therefore not conclusively led to a reallocation of public resources. This was recently confirmed in the UK NAO report on PRBS. In addition, the use of tools such as public expenditure tracking surveys has barely started, making it difficult to know if public money indeed reaches local districts.
- 4.5 While pro-poor spending has shown no signs of real increase over the evaluation period, the government has nonetheless made progress in some areas of public

finance management. This includes the introduction of a 3-year rolling MTEF and Activity-Based Budgeting in 2004 and the piloting of the Integrated Financial Management Information System IFMIS (an IMF benchmark) in 2007. The government has also become more transparent about its internal processes. The frequency and quality of budget reporting has improved steadily – and the Auditor General's reports have received increased scrutiny from Parliament, civil society and the press in recent years. There is a general sense, however, that the government has yet to move away from a 'just enough' approach.

- 4.6 Until the PEMFA programme began in 2005, donors supported public finance reforms in an incremental and fragmented way. DFID occasionally complemented its long-standing engagement with the Zambia Revenue Authority (ZRA) with technical assistance to the Ministry of Economy and Finance. This support proved highly-effective in helping the country meet the conditions for full debt relief under HIPC. The comprehensive nature of the PEMFA programme aimed to promote a more systemic and coordinated approach to PFM, with the focus shifting from short-term measures to long-term priorities. With the launch of the PRBS, the PEMFA programme also came under increased scrutiny, as more donors started to draw on the country's financial systems.
- 4.7 Progress has overall been slow. While comprehensive in nature, the PEMFA programme has lacked good practice in terms of sequencing and prioritisation. Annual work plans have not proved an effective tool for strategic planning and articulation across the programme components has remained weak. Uneven progress in part reflects the different capacity of the task managers and other stakeholders involved in the process, as well as varying level of support or interest coming from donors and GRZ. Overall, the size of the PEMFA programme remains challenging – and the morale of the PEMFA secretariat has been low as their huge efforts to push through some of the recommended reforms seem to be lost in relation to PEMFA's over-ambitious targets. The main hindrance to successful PFM reforms is institutional, as civil servants seem to receive little financial and non-financial incentives to take forward the reform program.

## **Governance**

- 4.8 DFID governance interventions have had some success in addressing specific areas of concern identified in the CAP – including revenue collection, anti-corruption initiatives, personnel management and public financial management (PFM) reform – but overall progress has been disappointing on fundamental reform and capacity building of the public service.
- 4.9 DFID supported the World Bank led Public Service Capacity Programme (PSCAP) from the late 1990s, which was intended to deliver a holistic Public Service Reform (PSR) programme for GRZ. DFID support comprised project interventions in the areas of pay reform, downsizing/rightsizing, and payroll/personnel management systems. The PSCAP programme overall had limited impact, lacking effective political support and, according to GRZ officials, was perceived as externally imposed. The £8m DFID Payroll Management and Establishment Control (PMEC) project was one of the more successful elements of PSCAP. PMEC developed a computerised payroll and establishment control system, which by 2005 contained all public service staff except for the health sector (some 87,000 records). The system

has enabled the elimination of 'ghost workers', prevention of re-entry of retrenched workers on to the payroll, prevention of over-payment of allowances, better information for staff policy, planning and budgeting purposes, and has reduced opportunities for corruption.

- 4.10 Despite well- designed and costed strategies being adopted in principle by GRZ, very little progress has been made to date with implementation of pay reforms. In the absence of a systematic solution to pay reform, off-budget, sector and project specific incentive schemes have attempted to address motivation issues on an *ad hoc* basis, further exacerbating distortions across the public service. The least bad approaches – such as the DFID/Royal Netherlands Embassy (RNE) rural health schemes – are aligned with government systems, rather than donor projects.
- 4.11 DFID has played a key role in developing a more government-owned, programmatic approach to PSR as a successor to PSCAP encompassing decentralisation, PFM and public service management (PSM). Progress with implementation has been uneven. Decentralisation has largely stalled, the programme on PSM has barely started and, as discussed above, progress with developing and implementing the PFM strategy has been mixed. In addition, ministerial coordination between the three strands of PSR has been limited, leaving little scope for sequencing.
- 4.12 The different rates of progress can be ascribed to the different incentives driving reform. The greatest incentives have been behind PFM, both for donors (who have sought to reduce the fiduciary risk of PRBS) and for government keen to qualify for HIPC debt relief. The incentives for PSM progress have been more limited; on the donor side because attention has been focused on PFM and the government side because reform is perceived as a threat to existing patronage relationships. Decentralisation has stalled because there is a strong political incentive for the current administration not to give more power to political opponents. DFIDZ has taken a more pragmatic approach to these incentives and constraints than some other donors and has supported progress where it is most likely to succeed. However, the slow progress with PSM threatens pro-poor service delivery across government – as illustrated by the critical staffing shortages in rural health centres and shortage of quality teachers.
- 4.13 DFIDZ has recognised that delivering the PSM programme is key to improving service delivery and has worked with government to sequence the programme and identify development of comprehensive pay policy as a priority objective. DFID is currently supporting the development of a common set of governance indicators and a joint governance assessment framework for the FNDDP and PRBS. This framework should help to focus donor attention on broader PSM reforms, and may help change the incentive structure for government if budget support funding is linked to reform progress.
- 4.14 DFID capacity building support to the Zambia Revenue Authority (ZRA) under the Revenue Institutions in Zambia: Enhanced Support (RIZES) project has helped to broaden the tax base with increased voluntary compliance. Revenue/GDP performance is in line with GRZ and Poverty Reduction and Growth Facility (PRGF) agreed targets and is stable at around 17.5% of GDP. Collection cost/revenue ratios have fallen since 1999 to about 3%. ZRA's performance overall compares well with other revenue authorities in the region.

- 4.15 DFID support to the Anti-Corruption Commission (ACC) under the £5m ACC Enhanced Support (ACCES) project has, according to the ACC, been critical to its development and on-going operation. The project started from a very low base; in the decade prior to 2002 the ACC had been systematically crippled by lack of funding and loss of critical human resources. This and the lack of political support left the ACC ineffective and dysfunctional. Early efforts in the ACCES project centred on making the organisation functional internally by developing management systems.
- 4.16 However, the number of corruption cases investigated, tried and convicted by the ACC is reputedly very low. The evaluation team was unable to obtain case statistics during the evaluation mission on ACC's performance from ACC, or in the OPRs of the ACCESS project, even though they are logframe indicators. Subsequent to the evaluation mission partial statistics have been provided by ACC, showing a low but improving rate of convictions achieved (10 convictions out of 954 complaints received in 2006, 20 convictions out of 880 complaints in 2007). Interlocutors in the media and civil society suggest that the public perceive the ACC to be largely ineffective. The ACC developed, with DFID support, a draft National Anti-Corruption Policy (NACP) in 2006, but the document is still pending Cabinet approval. Most worryingly, GRZ funding for the ACC appears to be falling, although sources differ as to the extent of the falls (a 2007 SAG issues paper show a steady decline with actual funds released falling faster than budgeted funds, while figures provided by ACC after the evaluation mission suggest an inconsistent year-on-year funding pattern). Falling, or inconsistent, GRZ funding for ACC calls into question GRZ commitment to the ACC and the sustainability of the ACC without DFID funding.
- 4.17 By contrast, DFID support to the anti-corruption Task Force (TF) has helped bring about some high profile results. A DFID file note observes: *'The Task Force has established claims to over \$50m of plunder and (May 2007) recovered \$14m. Its costs were \$22m to end 2006 (\$16m contribution by donors); it achieved 3 convictions (2 of which [were] considered among the high priority cases) and has seen 3 questionable acquittals; other cases under investigation/on trial; only 2 high priority cases saw consent denied by the DPP. The Donegal case [in which the former President Chiluba was successfully sued in a UK Court] was a good result for Zambia but also as a showcase for Africa.'*

## Social Sectors

- 4.18 DFID played a leading role in supporting the health SWAp throughout the evaluation period. The stated purpose of the SWAp is *to provide Zambians with equity of access to cost effective, quality health care as close to the family as possible.* Overall, the health SWAp was judged to be highly effective, with the mid-term review in 2003 finding that 18 out of 22 health indicators were moving in the right direction. DFID annual reviews of support to the SWAp show consistent scores of 2 (likely to be largely achieved) for the SWAp purpose. Because of the pooled nature of the funding, direct attribution of results to DFID SWAp contributions is difficult. DFID can nonetheless claim to have supported significant improvement in health policies, including users' fees, increase of district budget, and the drug budget. DFID health advisers provided leadership through chairing of the donor group, and provided extensive policy advice and advocacy for more pro-poor expenditure patterns in the

sector. DFID also contracted technical assistance in support of the SWAp. DFID advice and TA contributed to the success of the SWAp through:

- strengthening strategic planning capacity in MoH
- research into health financing, including user fees and development of proposals or user fee abolition
- support to and facilitation of expanding the SWAp funding basket
- review of health sector transport management and development of transport management activities in the annual work plans
- reviews of human resource constraints in the sector and development of strategies for addressing these
- strengthening of technical capacity at provincial level
- research into allocation of basket funding to reproductive health
- strengthening procurement procedures and capacity, including renovation of Medical Stores Limited
- distribution of insecticide treated bed nets through social marketing

4.19 The evaluation judges DFIDZ's combination of policy advice, technical assistance and SWAp funding to the health sector over the evaluation period to have been highly effective.

4.20 In the **education** sector DFID played a leading role in developing the sub-sector SWAp (BESSIP) and subsequently the full SWAp (MoESP), both of which it funded through pooled arrangements. The implementation of BESSIP and MOESP coupled with the abolishment of school fees in 2002 contributed to an enormous expansion of enrolments in basic education which increased from 1.8 million in 2000 to 2.9 million in 2005. The DFID 2005 Annual Review of support to the MoESP – drawing on the joint donor annual review – found that the SWAp purpose of enhancing equitable access to quality education was likely to be largely achieved. In addition to its nearly £20m funding to the SWAp, DFID contributed significantly in policy and technical development of the SWAp and the sector plan. It contributed key technical assistance in the area of unit cost studies, HIVAIDS mainstreaming, planning and monitoring guidelines, decentralisation of services, girls' education and distance education.

4.21 DFID SWAp support was complemented by two highly effective project interventions which piloted innovative approaches, subsequently institutionalised by the Ministry of Education.

4.22 The £12m DFID Action for Improving English, Mathematics and Science (AIEMS) project was mostly implemented prior to the start of the evaluation period in 2002. It is of importance to the evaluation because it successfully established a national school-based in-service training programme in all 787 education zones in Zambia, which was then institutionalised within the Ministry of Education and subsequently supported under the SWAp. The project was scored 1 at purpose level, and the 2002 Project Completion Report (PCR) noted that the AIEMS interventions had been integrated into the MoE structures and all the zonal, district and provincial centres were being funded regularly by the government. Moreover, the role of teachers'

centres as distance learning centres and HIV/AIDS counselling centres were being realised.

- 4.23 The £10m DFID Primary Reading Programme (PRP) successfully introduced an approach to literacy improvement, which has now been adopted as official policy. The June 2005 project completion report for the PRP rated it 2 against its purpose to improve the quality of reading in the seven official Zambian languages and in English for all Zambia children of eligible school age.
- 4.24 The PCR noted that the project has been absorbed into normal Ministry of Education structures. Institutionalisation was made straightforward by the approach to implementation, which was embedded in the Teacher Education Department and Standards Centre. The programme has become the official literacy route for all pupils from Grade 1 to Grade 7 in government and community schools.
- 4.25 The PRP Final Review Report of June 2005, quotes Professor Richard Kraft, a distinguished US professor of education, with special interests in African education who wrote whilst carrying out work in Zambia for USAID:

*‘The most important innovation in Zambian schools is the Primary Reading Programme. On a classroom level, it is immediately apparent when one enters an NBTL classroom, as it contains children working in groups, age appropriate reading materials in Zambian and English languages, children learning individually and in groups, teachers working with groups of children rather than the whole class, little copying off the board, etc. Its success has been exceptional ... Zambia has become THE international leader in literacy and its successes are now being copied throughout the continent.’*

## Vulnerability

- 4.26 In HIV/AIDS the DFID ‘Strengthening the AIDS Response, Zambia’ (STARZ) project has enabled Zambia to fulfil its commitment to the ‘three ones’. STARZ has built the capacity of the National HIV/AIDS Control Council to be an effective national coordination body, and supported the development of the national HIV/AIDS strategic plan, financing strategy and M&E framework. In line with the national strategy DFIDZ has also provided commodities (condoms and testing kits) and supported civil society organisations (ZHAN and CRAIDS) providing prevention and care services. HIV/AIDS has been well mainstreamed into other DFID interventions as discussed above.
- 4.27 But at least as valuable has been DFID’s influencing ability in bringing other HIV/AIDS donors within a common support structure. In return for agreeing to be a lead HIV/AIDS donor, DFID was able to bring the largest HIV/AIDS funder – the US Government - and UNAIDS in as the other lead donors in the JASZ HIV/AIDS group. This was a major achievement, given the difficulties of aligning international vertical programmes with national systems. DFID also helped persuade a range of donors to sign up to the joint HIV/AIDS strategic framework and joint funding agreement. The United States PEPFAR programme now channels anti-retroviral drugs through the Central Medical Stores (CMS) following DFID advocacy, and strengthening of CMS procurement systems under the health SWAp.

- 4.28 DFIDZ provided over £13m in **Humanitarian aid** during the evaluation period, with another £9m provided from DFID regionally. DFID was able to respond rapidly and effectively with emergency food relief and support for agricultural recovery, coordinating resources with other agencies including Oxfam, Care and World Food Programme (WFP), and GRZ. The humanitarian aid was an effective and appropriate response to Zambia's needs. In addition, DFIDZ learned from experiences in the earlier drought – which affected many more people than has been expected, given its severity – to strengthen national vulnerability assessment and crop monitoring systems. These strengthened systems enabled quicker and better targeted relief during the second drought.
- 4.29 DFID support to crop monitoring systems, initially through FAO, was institutionalised at the instigation of DFID in the Ministry of Agriculture, which now produces regular crop monitoring reports to support food security forecasting
- 4.30 The Regional Hunger and Vulnerability Programme (RHVP) managed out of DFID Pretoria provided capacity building support to vulnerability assessment processes in Zambia, but this support was not well coordinated with national systems. Local stakeholders saw RHVP as trying to replace them, rather than provide support. These challenges were recognised in the mid-term review of RHVP in June 2006, and action taken to strengthen the effectiveness of RHVP country coordinators.
- 4.31 DFID has been very effective in taking forward the **social protection** agenda in Zambia. At the national level DFID has strengthened institutional capacity and coordination through: facilitating establishment of the social protection SAG; leading the preparation of the social protection strategy and its inclusion as the social protection chapter within the FNDP; playing a pivotal role in the write-up of the social protection 12 month action plan and supporting establishment of an effective social protection M&E system in partnership with GTZ. At the local level, DFID has supported the operationalisation of social protection instruments/social transfers, through financing social cash transfer (SCT) pilots for lesson learning through a Public Private Agreement (PPA) with Care International. DFIDZ has also worked to mobilise resources for possible scaling up of SCT from within DFID itself and other donors.

## **Pro-poor growth**

- 4.32 The effectiveness of DFID's private sector development support has been mixed. In the early part of the evaluation period, DFID funded two large micro-credit projects; the Peri-Urban Lusaka Small Enterprise Project (£2.9m) and the Northern Zambia Microfinance Project (£7m). The approach was very supply-driven and the projects were not very effective in reaching out to target beneficiaries, or in developing sustainable micro-credit businesses. Implementing NGOs were unable to provide the necessary quality of fiduciary management or marketing ability, and there were three reported cases of fraud. Both projects were closed by DFID Zambia in response to the poor performance, although not before 97% of committed funds had been utilised. Notwithstanding the problems encountered, both projects were rated at 3 (likely to be partially achieved) in their project completion reports.
- 4.33 DFID support to the privatisation of the copper industry through the ZERG project was highly effective in its immediate aim of securing a sale of the largest state owned

mine to an international investor. But it also raises a number of wider concerns about the effectiveness of DFID making such a major (£56m) quasi-private sector investment in extractive industry (see Annex E for more discussion).

- 4.34 DFID's more strategic approach to enabling environment reform and private sector development following the 2004 CAP is discussed in Chapter 3 above. DFID's Enabling Environment Programme (EEP) developed from 2004 to 2006 was wholly ineffective, as the programme was cancelled before implementation. The replacement – joint pooled funding of the GRZ private sector development reform strategy – should in theory be more effective as it takes a strategic, holistic approach to PSD which has been agreed by key stakeholders. However, progress has been problematic, partly because of major differences of opinion between PSD lead donors (which do not include DFID) about PSD priorities and GRZ's commitment to them. DFID, although officially only a 'background' PSD donor in the JASZ allocation of responsibility, has a strong interest in seeing PSDR succeed given its core commitment to pro-poor growth.
- 4.35 DFIDZ has a difficult decision to make, which goes to the heart of the harmonisation challenge. It can maintain its commitment to the JASZ division of labour, staying in the background on PSD and trying to use its influencing skills behind the scenes to strengthen PSD donor coordination, and deliver PSD objectives indirectly. It could seek 'to go it alone' and intervene more directly to strengthen the PSDR programme, but at the risk of undermining JASZ. Or it could seek to change the JASZ Division of Labour (DoL) to upgrade its status to 'active' donor. The evaluation team understands that, subsequent to the evaluation mission, DFIDZ has opted for the last option. This would seem to be the most pragmatic way forward, though it will place additional demands on DFIDZ staffing in the absence of a PSD Adviser. It also raises the question as to how binding the JASZ DoL is, or should be, on DFID's priorities.

## **Aid Management**

- 4.36 This section discusses the effectiveness of DFID aid instruments in meeting DFID's commitments under the OECD-DAC Paris Declaration rather than in relation to the objectives of the programmes that they support. In the 2004 CAP, DFIDZ set itself the objective of enhancing aid management and effectiveness in Zambia as an additional pillar of its strategy.

### **Joint Assistance Strategy for Zambia (JASZ)**

- 4.37 Policy engagement with government and donor officials has become the backbone of DFID's harmonisation and alignment agenda, with its staff spending more and more time talking to donors outside specific DFID spend activities. The process started at sector level with the launch of SWAp in the 1990s and evolved quickly over the evaluation period, with 20 donors now actively coordinating their activities in support of the country's PRSP/FNDP.
- 4.38 Although initially viewed as something of a distraction by the country office, the choice of Zambia in 2003 as a test case for the Harmonisation in Practice (HIP) initiative by the Nordic+ countries was an important catalyst. However, the initial HIP structure was seen as unnecessarily complicated and likely to increase

transaction costs, and DFID successfully advocated for a more streamlined approach. The HIP was expanded with the addition of other major donors to a Wider HIP (WHIP) initiative in 2004, and evolved into the JASZ from 2005 onwards.

- 4.39 A major challenge of the JASZ process was the division of donor responsibility by sector. The aim was to have a small number of lead donors (usually three) per sector, with other donors in the sector classed as active or background. The initial allocation was by self assessment of capacity and interest, with the Government through the External and Technical Cooperation Department (ETCD) of the MFNP making the final selection in July 2006. The process dragged out over 2003–2006, as donors engaged in extensive self analysis and discussion with each other over who should lead in which sector. Some donors expressed the view that this ‘navel gazing’ was an unnecessary distraction from addressing development challenges; however the majority view is that the substantial investment of time and effort in getting the division of responsibility agreed, has established a uniquely strong and efficient donor coordination mechanism in Zambia.
- 4.40 Challenges remain, particular over the role of lead donors (sole representative versus facilitator), how the performance of JASZ structures will be monitored and how these structures will be adapted in future. Currently there is no procedure for review of lead donor performance, or for periodic adjustment or ‘re-election’ of donor leads. DFIDZ has been active behind the scenes in trying to create an effective and appropriate allocation of responsibilities, particularly in sectors which it considers important, but in which it does not lead. This has been a difficult task involving as much diplomatic as technical development skill. By agreeing to be represented by another donor, DFID has also to some extent had to forego its close relationship with GRZ in the interests of wider aid effectiveness, and is hostage to the official policy and personal qualities, of the other donor representative. This is not an entirely comfortable position to be in, and DFIDZ has recognised the need to evaluate actively the quality and performance of its partners, in order to identify and mitigate aid delivery risks.

## **Relations with multilaterals**

- 4.41 DFIDZ has actively, and relatively successfully, maintained a close relationship with cooperating partners in Zambia as the aid landscape evolves. Multilateral institutions have received special attention from DFID in all sectors. For governance, DFID has worked closely with the EC and World Bank in particular. These relationships were at times strained, as DFID’s perceived ‘soft’ position towards budget support was not shared by the multilateral organisations. The GRZ for its part is concerned about the late release of budget support by the EC and World Bank.
- 4.42 As elsewhere, the offices of multilaterals in Zambia are highly ‘HQ focused’ with vertical reporting relationships to their headquarters more significant and influential than horizontal relationships with other donors in country. Hence the scope for DFIDZ to influence these multilaterals towards, for example, speedier release of budget support funds has remained limited. There may be more scope for DFID centrally to coordinate country office concerns on multilateral aid delivery, and use the UK’s national leverage to bring about change through board-level engagement.

4.43 In the health and HIV/AIDS sectors, DFID has retained its position as lead bilateral donor, forming troikas with UN agencies, notably WHO and UNAIDS. The move to general budget support in the health sector did not challenge this position, as DFID health advisers continue actively to contribute to, and lead, discussion within the SAGs. Importantly, in the Health and HIV/AIDS sectors, DFID was instrumental in bringing in new players such as the Gates and Clinton foundations.

## From SWApS to PRBS

4.44 DFID support to sector strategies through SWApS and other programmatic approaches has strengthened alignment at the sector level. From 2006, DFID support to the health sector has shifted from SWAp contributions to general budget support through PRBS. This was a traumatic transition for the Ministry of Health which had come to rely on SWAp funding to compensate for inadequacies in allocations through the central government budget, especially for district services. DFID provided policy advice, advocacy and technical assistance to help the Ministry of Health (MoH) take control of its own resource processes, and strengthen its negotiation abilities with the Ministry of Finance.

4.45 The initial impact of this change was to undermine pro-poor resource allocation in the sector (especially to the district level), as donor-driven funding prioritisation through the SWAp was not immediately replaced by appropriate resource allocation by government through MFNP and MoH. After pressure from health sector donors, lead by DFID, GRZ increased district health budget allocations to compensate. DFID's move to PRBS, though initially painful for MoH and health stakeholders, contributed to more rational and efficient incentives within the sector. However, some interlocutors have suggested that pro-poor resource allocation within the sector is still dependent on external donor pressure, in addition to internal pressure from districts and other stakeholders.

4.46 Total health sector funding has increased since the shift to PRBS, though not as fast as the total GRZ budget envelope, suggesting that the hoped-for PRBS benefit of larger social sector allocations has only been partially realised. DFID nonetheless claims PRBS as a **policy lever** in the health sector, having committed to provide an additional US\$5 million annually to finance the expected expansion of demand following removal of health user fees.

4.47 In education DFID is also moving away from direct support to the SWAp towards PRBS. Although this transition is taking place during 2007/08 after the end of the evaluation period, it raises some interesting contrasts. In health, DFIDZ remains a lead donor under the JASZ division of labour, while in education it is classed as 'active' only. Headcount constraints mean that DFIDZ no longer has an education adviser, though the social sector governance adviser is able to provide significant support on education issues. In the health sector, DFID is still widely regarded as leading the policy and resource allocation debate even though it no longer contributes financially to the SWAp. Although there was an initial perception among partners that DFID was retreating from the health sector, these now appear to have been allayed by its continuing leadership role. But in education, DFID is less well placed to manage the transition to PRBS, both in terms of its relationship with government and with other donors - as it is no longer a lead donor under the JASZ. While DFID's governance inputs to the sector have been valuable, the lack of a full-time DFID

education adviser means that in-depth technical and operational engagement with education sector development is no longer possible. This engagement has previously been highly valued and respected by both government and other donors. One consequence is that DFID is less well placed to learn from the lessons of the education SWAp, and ensure that the benefits of better alignment are fully embedded, before moving on to a new aid modality.

4.48 Sector leadership, supported by full-time advisory capacity, appears to be a critical success factor in managing the very challenging transition from SWAp funding to PRBS. PRBS is not an 'easy option' requiring less technical engagement; indeed, unless DFID wishes to leave a sector completely, technical engagement is arguably even more important in PRBS mode to underpin policy and resource allocation influence, as direct financial leverage in the sector is no longer available.

### Poverty Reduction Budget Support

4.49 The most powerful instrument for alignment and country ownership is general budget support. By bringing aid on-budget and subject to national resource allocation decision making, PRBS is an important departure from the plethora of projects and programmes that by-pass government systems and create distorting incentive structures and high transactions costs. Although the EC was the first donor to resume budget support in 2003, DFID was at the forefront of the coordinated, multi-donor, PRBS which started in 2005.

4.50 The three budget cycles of PRBS to date show an increasingly sophisticated approach to linking PRBS to national priorities, and the expansion of the PRBS PAF to reflect more comprehensively FNDP priorities. There are some concerns that, in the absence of an operational M&E system for the FNDP, the PRBS PAF has become the dominant monitoring instrument for donors and diverts resources from national M&E. DFID has committed to moving to the national FNDP M&E system as the basis for PRBS when operational, and supports the PAF as a 'sub-set' of FNDP M&E. However, the PAF is under continual pressure to expand as different PRBS donors push their particular areas of interest, and this expansion is not always consistent with the structure and priorities of the FNDP. It is important that the PAF stabilises, and capacity building support is provided to operationalise the FNDP M&E system.

4.51 A related concern is that, while the PAF has grown to represent FNDP priorities more comprehensively, in practice the PRBS group is primarily concerned with sound PFM and the effective use of public resources in key priority sectors. As a result, non-PFM PAF indicators *de facto* receive lower priority during the PRBS reviews. This has been compounded by the WB and EC's usage of their own sub-set of indicators.

4.52 Differences in the use of fixed/variable tranches and some donors giving more importance to some indicators than others have partially dented donor harmony, and with it predictability. The World Bank did not disburse its \$10m contribution in 2006, while the government has threatened to refuse its \$10m contribution in 2007 on the basis that it is a loan. The EC was also late in disbursing its in-year contributions, but has since reduced its number of variable tranches. DFID switched from a fixed/variable to a fixed tranche in 2007 (based on 2006 performance) which helped to increase in-year predictability.

- 4.53 Predictability year-on-year was good, with donors overall meeting their commitments. Total contribution has increased from \$94.2m in 2005 to \$134.5m in 2006 and \$184.5m in 2007, as more donors joined in and others increased their commitments.
- 4.54 The PRBS has put extra demands on the MFNP. As the main interlocutor with the PRBS donors, the MFNP has found it hard to manage the process, partly because donors' expectations have increased in terms of the quality of reporting required. The ministry had to respond to other political demands, such as in 2007 the renegotiations of mining contracts. The November PRBS reviews were consequently delayed in 2006 and 2007. The PRBS platform has also put new demands on donors, as new skills around policy analysis, dialogue and negotiations are required. DFID seems to have been well prepared to take on this task.

## **Project interventions**

- 4.55 Although the DFID portfolio has shifted substantially away from project interventions over the evaluation period, projects have proven to be effective interventions where they are linked to a wider strategic approach. Projects can provide opportunities to innovate and take risks, to respond flexibly and quickly to new opportunities, and to introduce techniques and approaches which more risk-adverse programmatic approaches would not be prepared to attempt.
- 4.56 DFIDZ has provided highly effective project support under the education and health SWAp. In the education sector, both the AIEMS and PRP projects existed under the umbrella of the sub-sector plan (and later the sector plan). DFIDZ was able to ensure coordination of the implementation and monitoring of the project interventions with the broader SWAp. AIEMS and PRP had the advantages of projects (acting quickly in response to a changing environment, and introducing innovative approaches) while being part of a sector-wide approach which enabled institutionalisation and hence sustainability of the programme interventions.
- 4.57 Similarly, although most DFID funding for HIV/AIDS has been in project mode, its approach has been programmatic, working within the national strategy in close coordination with GRZ and other donors. The STARZ project has worked to increase government ownership and alignment of donor support to national systems.
- 4.58 DFID has successfully mainstreamed vulnerability project initiatives – for example crop monitoring – into core government systems. DFID project support to personnel and payroll systems has been incorporated in the public service.
- 4.59 Projects have been less successful where they have been implemented without reference to a national or sector strategy, for example micro-finance initiatives during the early part of the evaluation period.

## **Aid management – conclusion**

- 4.60 Overall, the evaluation judgement is that DFID has been highly effective at delivering its CAP objective of improving aid management and effectiveness in Zambia and

contributing to Paris Declaration commitments. With regard to its own aid delivery, as discussed above and in Chapter 3, it has utilised an effective mixture of project and programme based instruments which have generally been well coordinated and mutually supporting.

## Efficiency

4.61 Overall DFIDZ has been an efficient provider of development assistance to Zambia, both in terms of its external policy engagement with GRZ and other partners, and its internal office operations.

### Efficient policy engagement

4.62 DFIDZ has ‘punched above its weight’ influencing the pro-poor direction of national policy and the coordination and allocation of donor resources, far in excess of the value of its own programme. Examples include DFID’s leadership as part of the Nordic+ group of the Paris agenda and move to multi-donor PRBS, development of the social protection chapter of the FNDP, and advocacy for health user fee abolition and free primary education. Outside its core programme, DFID also plays a strong role behind the scenes to influence partners. For example DFIDZ was instrumental in helping civil society mobilise in response to the draft NGO Bill.

4.63 To a large extent this success has been driven by the respect accorded by GRZ and other partners to the quality of DFID’s policy, strategic and technical advice. The approach taken by the office since establishment in 2001 has been open and cooperative, with a clear focus (evident in the APPR, CAP and commitment to JASZ) on trying to do what is best for Zambia, rather than pushing a particular DFID corporate priority. The key to this success has been the high quality of DFID staff – both UK and locally recruited – and the willingness to take a holistic rather than narrowly technical approach to development; see 4.69 below for more discussion of the skills set required.

4.64 However, some partners have suggested that DFIDZ sometimes tries too hard to influence the policy agenda, albeit for the best of motives (for example, pushing social cash transfers). It can be very efficient to influence others rather than implement directly, and DFIDZ has shown influencing skill *par excellence*. But influencing should be a two way process, and while DFID has been a successful advocate, it also needs to demonstrate that it can be a good listener, and be prepared to accept alternative approaches. Of course this is a difficult balance to get right, as the high quality of DFID’s policy analysis and strategic understanding means that it often does have the best approach.

4.65 DFIDZ had chosen to take a harmonised, joint approach to policy dialogue which is in accordance with Paris commitments. But there are risks with this approach which can, at least in the short run, be inefficient as there may be pressure for ‘lowest common denominator’ policy advice. The process is also hostage to the quality of the dialogue structures. For example, while the SAGs and PRBS can be effective platforms for technical dialogue, without ministerial engagement they are of limited value for policy leverage.

4.66 DFID operational advice and technical assistance at the sectoral level have contributed to the efficient use of aid. There is concern that as DFID moves away from active involvement in some sectors (e.g. education) as a result of JASZ priorities, and more generally away from SWAPs in favour of budget support, the more hands-on, operational level advice and technical assistance will fall away, and a powerful driver of aid efficiency will be lost.

### **Efficient use of DFID office resources**

4.67 The opening of the Lusaka office in 2001 incurred some initial transition costs as staff relocated from Harare, and staff were brought across from the High Commission in Lusaka. However, there were immediate benefits in terms of closer, more regular, engagement with government and other donors in Zambia. Importantly, its presence on the ground enabled DFID to form a more realistic view of the economic prospects of the country than had been possible from Harare. By having an in-country programme team, able to assess in detail Zambia's progress with economic reforms, it was possible to dispel some of the overly pessimistic 'basket case' perceptions of Zambia at that time, and so prepare the ground for an up scaling of aid after the 2001 elections.

4.68 The staffing levels have grown gradually since establishment, and have been appropriate to the size and complexity of the programme. The total aid spend per staff member has increased steadily over most of the evaluation period – as would be expected with the shift to budget support - from just over £2m per person (advisory + programme staff) in 2003/04 to just over £3m per person in 2006/07. The figure for the first year, 2002/03, was higher than trend because of high humanitarian expenditure and copper privatisation funding in that year. Total administrative costs as a percentage of programme spend have also fallen significantly over the evaluation period, from 7.6% in 2004/05 to 3.6% in 2006/07.

4.69 The shift to budget support, and other programme-based approaches, within a harmonised multi-donor environment under the JASZ, places new demands on DFID advisory staff. Whilst good technical abilities in relevant sectors are still essential, a new skill set, which could be termed 'development diplomacy', is increasingly required. In the old model, advisers managed portfolios of projects and programmes, provided advice to government and other partners, and coordinated with other donors in the same sector. In the new harmonised world, DFID may only be providing advice. Advisers now need to be effective change agents through different channels; for example, influencing the selection of a lead donor in a key sector; or influencing the resource allocation relationship between a line ministry and the finance ministry. DFIDZ appears to have been well supplied with these development diplomacy skills. The challenge going forward will be to ensure that the need for such skills is recognised when recruiting and training advisers.

4.70 The office has benefited from a high proportion (around 20%) of advisory and programme staff appointed in-country (SAIC) including those who transferred over from the High Commission in 2001. SAIC staff have made a major contribution to the depth of policy analysis and quality of programme design and implementation. Critically, the SAIC staff have also enabled continuity in institutional memory going back more than a decade, providing invaluable context for the programme. The office has also been fortunate in its retention of UK-appointed staff, several of whom

remained in post for four or more years, greatly enhancing efficiency by minimising the learning curve effects of new arrivals and benefiting from accumulated experience. However, even with these strengths, there is still a need for DFID to institutionalise longer term policy consistency for its support in key sectors, to avoid costly policy reversals as illustrated in the health sector between 1995–2005.

- 4.71 The efficiency of the DFID programme has been enhanced by an increasingly effective close working relationship with the FCO in Zambia. The FCO and DFIDZ work jointly on governance, anti-corruption and Safety Security and Access to Justice (SSAJ) interventions, with the FCO Second Secretary representing DFID in the joint donor SSAJ group. The High Commission and DFID share the same building in Lusaka, though in self-contained offices on different floors, and this physical proximity is mirrored in close operational working. A DFID staff member attends the weekly High Commission policy and planning meeting, and *vice versa*.
- 4.72 The efficient delivery of aid by DFIDZ has not always been matched by public perceptions of the DFID – and UK – role in Zambia. Public relations could in some cases be better handled, to ensure that a fair and balanced view is received. For example, the move to budget support is not widely understood by the general public, many in GRZ, and even some other donors. Hence the existence of rather unfair, but damaging, perceptions that DFID is ‘pulling out’ of health and education, when in fact overall funding levels are increasing.
- 4.73 The operational management of the DFID programme appears to follow good practice, with effective internal communication to staff and teams as to what is expected of them. Regular weekly programme meetings provide an effective tool for monitoring progress at the operational level. However, the lack of a formal monitoring process at the country-programme level since 2004 would appear to be a weakness in the performance management relationship between DFID Zambia and Headquarters. The CAP is effectively the ‘contract’ between the country office and Headquarters. The CAP establishes expectations for delivery which justify an allocation of funds, and the annual CAP reviews determine progress. But there has not been a formal CAP review since 2004. Without an actively managed and regularly monitored CAP it is difficult to see how DFID Headquarters can assess whether the country office is fulfilling its side of the contract; i.e. whether it is meeting, exceeding or failing expectations.

## Effectiveness and Efficiency - Summary

DFID interventions have generally been quite effective, though with some exceptions. PRBS has increased the total resources available to GRZ, and has encouraged reform in public financial management. As a result, public expenditure is now more transparent and, potentially, more accountable. Beyond this, there is no conclusive evidence that PRBS in Zambia has contributed to an increase in pro-poor spending.

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 clear evidence of improved performance.

Social sector interventions by DFID 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 health sector. A similar transition is underway in education but may be more difficult for DFIDZ to manage effectively, as DFID are not sector leads in accordance with the JASZ division of labour.

DFID has made a solid start to addressing the vulnerability of poor people in terms of 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 who in some cases feel that DFID is pushing its own agenda too hard. However, DFID has delivered significant results, notably in humanitarian assistance where it was able to respond rapidly and effectively to severe droughts, pooling funds with other agencies and government.

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 their 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 programme.

DFIDZ has delivered well on its CAP commitment to enhancing 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 through DFID Headquarters. DFIDZ has been an efficient provider of aid to Zambia, in terms of its external policy engagement with GRZ and other partners, 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.

## 5. Programme Impact

5.1 This section discusses the contribution of the DFIDZ programme to DFID's Public Service Agreement (PSA) targets for Africa; its impact on governance, capacity building and accountability; and the impact of harmonisation and alignment initiatives on the effectiveness of aid.

### PSA Targets

5.2 DFID's key aims and objectives are set out in its PSA 2005–2008, whose overall goal is to eliminate poverty in poorer countries in particular through achievement by 2015 of the Millennium Development Goals. The PSA for Africa is based on the MDGs, and is made up of the following targets:

- Proportion of people living in poverty
- Net primary enrolment rates
- Ratio of girls to boys enrolled in primary schools
- Under 5 mortality rate
- Proportion of births assisted by skilled birth attendants
- Proportion of 15–24 year-old pregnant women with HIV/AIDS

5.3 Contributing to these targets is an important part of DFID's corporate mandate; the Secretary of State is publicly accountable for delivery of DFID's PSA and within DFID the Management Board has a collective responsibility for delivery. All country offices are collectively responsible for delivering the PSA. Although there are clear links between the selected MDGs on education, health and HIV/AIDS and DFIDZ's strategic framework over the evaluation period, there is evidently a problem of attribution.

5.4 While impact and sustainability can be quantitatively assessed at project level, PBAs entail wider goals and objectives as well as involving other players. This means that DFID's contribution to the overall development impacts cannot be easily assessed. In addition, the lack of good quality statistical data in Zambia compounds the problem; the 2007 MDG Progress Report was scheduled for issue in December 2007 by UNDP but has been delayed. When available this report should provide a more up to date statistical overview of overall MDG progress, though not of the DFID contribution. In the next sections, we look at the contribution of DFID, and like-minded donors, to poverty reduction, capacity building and governance.

### Poverty reduction

5.5 This target is measured by the proportion of Zambians living in poverty. DFID's contribution to addressing income poverty through pro-poor growth/private sector development has been less visible than expected, because of its decision not to implement the Enabling Environment Programme and instead contribute to the PSDR pooled fund. This has been a marked departure from CAP objectives. DFID's

support for copper privatisation has been instrumental in reviving growth in the mining sector, which has been a key driver in Zambia economic growth over the evaluation period. There is little evidence, however, that growth in copper exports has yet contributed significantly to poverty reduction, indirectly through government revenues or directly through decent work creation. Contributions to government revenue may improve in the near future, as substantial capital investments in the sector begin to yield higher taxable profits, and the tax regime for mining is reformed. With regard to job creation, a report published by a consortium of NGOs recently highlighted poor employment conditions and environmental damage in the Zambian copper sector<sup>12</sup>. However, these findings need to be set in the context of the wider economy; Zambian copper workers are some of the highest paid employees in the country, and contribute through their taxes to wider provision of social benefits.

- 5.6 In contrast, DFID's support for social protection has proved to have some benefits for people living in extreme poverty, though so far only on a pilot basis, but there are concerns over the sustainability of a national scheme. DFID's main contribution to poverty reduction in the country has therefore been through its support to the government to improve basic service delivery. Support through SWAps in the education, health and HIV/Aids sectors has been instrumental in expanding access to basic services (see below). As discussed in the previous chapter, PRBS and support for strengthening public finance management have not yet led to a marked increase in pro-poor spending; however, PRBS's contribution to service expansion in Zambia should become more apparent in the next cycle (2007-10).

## **Education**

- 5.7 The implementation of BESSIP (and later the MoESP) and the abolishment of school fees in 2002 contributed to a rapid expansion of enrolments in basic education which increased from 1.8 million in 2000 to 2.9 million in 2005. According to the education public expenditure review 2006, the education policy, and especially free basic education (FBE) had a positive effect on the enrolment of the poor, but the school funding was regressive, with 30% higher allocations to richer schools.
- 5.8 In most provinces, gender parity in primary enrolment is close to 100% at the lower grades (1-4), but it drops at the higher grades. Female dropout fell from 4.9% in 2000 to 3% in 2005. Male dropout fell from 4.6% in 2000 to 2.5% in 2005. In 2000, fewer than two thirds of children completed their primary education; by 2005 primary completion had risen to 82%. Increased investments in the sector have led to improved access to all levels of education mainly through expansion of school facilities and the reduction of financial and social barriers to education. As a result a significant proportion of previously disadvantaged social groups have accessed education at all levels.
- 5.9 Furthermore, DFID's support for the Government's Primary Reading Programme resulted in significant improvements in literacy performance and all primary schools in Zambia are now implementing this programme.

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<sup>12</sup> 'Undermining Development? Copper Mining in Zambia', SCIAF, Christian Aid, SCIAF, October 2007.

- 5.10 DFID has contributed to these remarkable achievements. However, there are concerns that, in common with programmes for expansion of basic education in other developing countries, quantity targets have been met at the expense of quality and sustainability. Overall, the quality of education remains low, for example about 70% of pupils at grade five do not attain the minimum level of performance for English. Training, motivating and retaining teachers, especially in rural areas, and strengthening the management skills of head teachers are critical concerns for the future. This will not only be a financial challenge, but also a question of rebuilding the social status of teachers which has declined markedly, and improving their living and working conditions.
- 5.11 Teacher numbers have been increased, but not as fast as pupil numbers, and in 2005 the pupil teacher ratio (PTR) of 56:1 was still far from the 40:1 target. Attrition – in part due to HIV/AIDS – is the main challenge to improving the PTR. There are also problems with attracting and retaining teachers in poorer rural areas, resulting in large differences in PTRs between schools. A major programme of classroom construction, and replacement of temporary classrooms, has been implemented, but there remains a classroom shortfall of over 20,000 classrooms. Pupil:textbook ratios improved from 1:5 (1998) to 1:2 in English and 1:3 in mathematics (2005).

## Health

- 5.12 DFID has worked closely with the Ministry of Health to strengthen human resources in the health sector and supported the Government's innovative plan to remove health user fees. Some outcomes improved over the evaluation period, notably infant and under-five mortality. However, maternal mortality has continued to worsen, to one of the highest rates in the world, despite an increase in supply of ante-natal services and supervised deliveries. This may in part be because traditional birth attendance, which may entail unsafe delivery practices, is included in the rate of supervised delivery, and in part because pregnant women suffer from other diseases, particularly HIV/AIDS. Although DFID has helped the government put in place a retention scheme, training and recruitment remain inadequate. In addition, qualified health workers are drawn to work under private schemes, such as those financed in the HIV/AIDS sector.

**Table 8 Selected Health Sector Results 2000-2006**

	2000	2006
Per capita Govt spending on health (\$US)	7	10
Life expectancy		38
Infant Mortality Rate (/1,00 live-births)	109	95
Under-five Mortality Rate (/1,000 live-births)	197	168
Health care utilisation by <5 children,		2.04
Underweight prevalence (% weight)	23%	16%
Fully immunised <1 children	76%	82%
Maternal Mortality Rate (/100,000 live-births)	649	729
First ANC	81%	97%
Average ANC visits	3.6	3.0
Supervised deliveries (incl. TBA)	39%	62%
TB cure rate		>80%
HIV prevalence	20%	16%
Outpatients per capita per year	0,42	0,78
Health centre staff load (patients/ staff)	17	17

Sources: DHS, HMIS< Health Sector Review 2005. USAID and DFID fact sheets

## HIV/AIDS

5.13 Although DFID has been a relatively small donor to HIV/AIDS in overall financial terms compared with global vertical programmes, its strategic interventions have contributed directly to the effectiveness of the national response. The national HIV/AIDS strategic plan has begun to have an impact as recent Joint HIV/AIDS Reviews demonstrate:

- Reduction in overall HIV/AIDS prevalence to 16.5% in 2006 from 23% in 1993 and ante-natal prevalence reduction from 14.1% in 1994 to 11.7% in 2004
- Voluntary Counselling and Testing (VCT) centres increased from zero in 2004 to 400 in 2006. 8% of population know their status in 2005 compared with 5% in 2000.
- Prevention of Mother to Child Transmission (PMCT) centres increased to 270 in 2005 from 77 in 2004. 25% of HIV+ expectant mother received a full course of PMCT ARVs in 2005.
- 60% of schools with teachers trained in HIV/AIDS issues (life skills, negotiation skills, prevention, etc.) by 2005
- Average age at first sex for 15-24 years has increased from 16 years (1998) to 18.5 years (2005)
- Use of condom at last sex increased 2000 to 2005 from 38% to 43.5% for men and from 26% to 33% for women.
- In 2007 120,000 people received free anti-retroviral therapy (ART), 30% of estimated need.

## Governance and Capacity Building

5.14 Notwithstanding the move to general budget support, DFIDZ has continued to provide capacity building support to the country through stand-alone projects or specific budget lines in pooled donor funding. This is in line with GRZ aid policy, which states that all external assistance, especially in projects and programmes, shall contain clear capacity building components: *'It is the Government expectation that development assistance shall always be provided in ways that build, rather than inadvertently undermine, Zambia's institutional and human resource capacities. In this respect, cooperating partners shall work closely with the country to address identified weaknesses in institutional capacities and in human resource development and retention'*. In the OECD/DAC 2006 survey, DFID reports that USD\$8m out of USD\$10m of its technical assistance was coordinated with other partners. Nevertheless, the survey also reported 'incoherent understanding of issues related to capacity building and capacity development', with little shared understanding amongst donors and the need to move towards a demand-driven, pooled-funding approach to technical assistance.

- 5.15 Looking more specifically at technical cooperation in public sector reforms, this evaluation partly endorses the findings of the 2006 OPM evaluation<sup>13</sup>, which concludes that DFID's approach to technical cooperation in economic management in Zambia has not helped to build capacity, except for the case of ZRA. The OPM report identifies the lack of progress in addressing institutional bottlenecks, and in particular the key incentive and management constraints on civil service management, as a binding constraint on capacity development within government.
- 5.16 The RIZES support to ZRA was a traditional technical assistance delivery mechanism which focused on developing an effective, efficient and well managed organisation. Improved tax administration has since helped to ensure better tax compliance in the country. However, domestic revenue to GDP ratio did not increase significantly over the evaluation period, indicating policy bottlenecks outside the remit of ZRA. DFID support for the Tax Policy Unit at the Ministry of Finance and National Planning was largely unsuccessful, because of a lack of clarity about the role of the organisation in the policy processes. In contrast to the findings of the OPM report, this evaluation considers that technical assistance for Payroll Management and Expenditure Control, as described in 4.9 above, has successfully build capacity, though sustainability will depend on the success of the new PSM programme in addressing institutional bottlenecks.
- 5.17 Notwithstanding its support for public service management, DFID has not actively tried to draw lessons from RIZES's successful completion to support efficiency gains elsewhere. Little donor attention has been given to improving the cost efficiency of delivering basic services, a finding also supported by the UK National Audit Office. Unit cost data is not widely available, though DFID has helped to remedy this deficiency, for example financing the 2002 Unit Cost Study in Education.
- 5.18 In addition to specific technical assistance inputs, PRBS has helped to build human resources capacity by active donor engagement in, and scrutiny of, the budget process resulting in 'learning by doing' effects.

## Accountability

- 5.19 An objective of DFID's programme was to help strengthen domestic accountability and government responsiveness. This was partly demonstrated in its support for civil society organisations as well as influencing behind the scene. For example, DFIDZ played a key role in helping civil society mobilise in response to the draft NGO Bill. The move to PRBS also claimed to contribute to increased accountability, the argument being that a more comprehensive and transparent budget process provides Parliament with greater scope for exercising its oversight responsibilities and influencing the budget. Support for the Public Accounts Committee under PEMFA has to some extent helped Parliament to hold the executive to account.
- 5.20 Yet, strengthening domestic accountability is an internal process, and donors should not underestimate what it takes to build government responsiveness in a country like Zambia. Parliament in Zambia lacks influence, capacity and a strong opposition. On

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<sup>13</sup> OPM 'Technical co-operation for Economic Management', 2006

a practical level, Cabinet has yet to present the FNDP, the Economic Report of the MFNP, or the PAF to Parliament, despite declared intentions to so do. The budget cycle also needs revising as part of the wider constitutional reforms. The Poverty Reduction Budget Support (PRBS) in Zambia - Joint Annual Review 2007: Learning Assessment recommended a wider access to PRBS documents and a more inclusive PRBS dialogue process, with stronger linkages to sectors, decentralised levels, Parliament and civil society. Yet, the participation of CSOs and Members of Parliament in the PRBS or SAG reviews should not divert attention away from establishing a constitutional system of checks and balances in Zambia, in which Parliamentary committees report irregularities and compel the government to bring forward remedial measures or even sanctions.

## Monitoring and evaluation

- 5.21 Monitoring and evaluation (M&E) is an essential tool for effective policy making. DFID and other donors have yet to help the government strengthen M&E practices. This should involve more than data collection – but a sea change in the way the government operates. As confirmed by the 2007 joint annual review, *‘basing future allocation and policy decisions on results is more than a technical question of how to produce timely, high quality data. It is a new paradigm that requires a fundamental shift of institutional culture and considerable time for change’*.
- 5.22 Managing for results – and so measuring effectiveness – will depend on a substantial strengthening of M&E systems for the FNDP. So far, the M&E Unit at the MFNP has spent a significant portion of its time collating and analysing data in the PAF, while falling behind the FNDP M&E timeline. Changes in the PAF indicators have also added extra work. At the same time, the PAF has permitted good skill transfers and a better understanding of monitoring and evaluation functions. Donors expect that the PAF eventually will not be needed and will be replaced by a FNDP Annual Progress Report. For this to happen, they will need to stabilise the PAF and provide additional capacity building assistance to strengthen the FNDP M&E framework. Claims that the PAF is now fully aligned with the FNDP should be treated with care. Comparing PAF with the FNDP M&E framework shows important omissions as well as additions. While broader than iPAF, the PAF has, for example, no indicators on water and sanitation, law and justice, gender, tourism and agriculture.
- 5.23 It will also be necessary to align the economic management cycle with planning and monitoring of PRBS and other aid modalities in a single coordinated system. More support to the Central Statistical Office and M&E Unit in MFNP will be essential. What is equally important is that donors have started to use government reports as a basis for their assessment of government performance.
- 5.24 M&E practices are also in need of improvement in selected sectors. While data hardly exist on water and sanitation, several information systems co-exist in the health sector, making it difficult to have an overall view of progress. According to the Assessment of the Health Information System in Zambia, while the use of indicators and data collection are generally adequate, data management, dissemination and use of information are not. PAF indicators on health and education also retain a strange mix of input, output and outcome indicators. In contrast, the M&E framework developed by the NAC provides a clear and comprehensive framework for HIV/AIDS

monitoring; and the Educational Management Information System provides an effective M&E system for the education sector.

## Aid Quality

5.25 The 2006 OECD DAC survey on the Paris Declaration<sup>14</sup> reports substantial progress in Zambia against the five core principles of country ownership, alignment, harmonisation between donors, managing for results and mutual accountability. This progress is beginning to have an impact on the predictability of aid, the nature of development partnerships and aid transaction costs.

## Predictability

5.26 The 2006 OECD/DAC survey confirms a complex aid landscape in Zambia. In 2005, the government system budgeted US\$361m of total aid, while US\$930m were actually notified by donors that took part in the survey. Only US\$696m of donor money was subsequently disbursed in that year. These figures show that actual disbursements remain difficult to predict and that aid data are poorly recorded in government systems.

5.27 According to the 2006 survey, only 34% of aid for the government sector makes it to the country system, implying that the government is far more dependent on aid inflows than its budget indicates. The position is improving, with more recent DAC data showing 60% of aid reflected in the government budget by the end of the evaluation period. According to government estimates, total foreign grants in 2006 amounted to K1,640.2bn (US\$372m at 2006 exchange rate), accounting for 19.9% of total revenues and 4.3% of GDP. But given the large proportion of off-budget financing, these aid-dependency ratios do not show a comprehensive picture.

5.28 JASZ signatories have made significant efforts to increase the predictability of their assistance, by indicating pledges against the three-year MTEF. PRBS has also proved to be the most predictable and transparent aid delivery mechanism. The main PRBS limitation in Zambia (as in other countries) is that the move to general budget support is unlikely to move much further than at present. All donors likely to contribute are now involved – with some of them using general budget support as just one form of aid delivery. At the same time, some expect off-budget financing to continue growing, especially in priority sectors, such as health. Consequently, the move to general budget support has done little to limit the access of line ministries and other layers of government to extra-budgetary finance, which is necessary to encourage commitment to the government budget process.

5.29 For example, the health SWAp brought much improved coordination of donor and GRZ resources in the sector. However, severe distortions remain due to the very large volume of vertical programme funding from the global disease-specific funds, some of which DFID contributes to centrally. Whilst it is highly desirable to mobilise additional resources to address diseases such as AIDS, malaria and TB, the impact is

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<sup>14</sup> OECD Journal on Development: Volume 8, No. 2, 2006

to distort national planning and resource allocation processes. For example, in 2006 vertical programmes contributed over US\$200m largely outside MoH systems, which exceeded the total MoH budget for the entire health sector including donor contributions. The distorting effect is particularly severe with regard to personnel emoluments and incentives for health workers. DFID has made great efforts to mitigate the effects of these distortions, through advocacy at the national level, and by engaging with global funds through Headquarters

## **Partnerships**

- 5.30 There are now several platforms for donor/GRZ dialogue including around PRBS, the FNDP SAG structure, SWAps and other programme based approaches. Overall, the benefits of donor coordination have not entirely allayed government fear of losing the breadth of perspectives from various donors. As a result, donor representatives (including DFID) have been encouraged to keep a finger on the pulse – with practical solutions including donor staff observing regular board meetings and lead donors focusing on coordinating donor response but allowing others to cultivate their relationships with government officials.
- 5.31 There are also concerns about partnership at the highest policy levels with GRZ, which JASZ does not provide for directly. The PRBS mechanism provides a partial solution, with non-PRBS donors invited to attend as observers; however the PRBS is chaired by the Treasury Secretary, rather than at the political level. There has been no Consultative Group meeting since 2003 and only a handful of donors (including the UK and the IMF) have been in a position to retain close contact with key cabinet members. Donors' ability to influence policy in a multi-donor setting has hence been increasingly questioned. The Government has since agreed to organise a high-level policy meeting in early 2008.

## **Transaction costs**

- 5.32 While time consuming for donors and government alike at the beginning of the process, the harmonisation process appears to have made a significant impact on the efficiency of aid delivery through reduction in transaction costs (for example, pre-JASZ, the Minister for Education had advisers from five different donors located around his office). Similarly, donors and government seem to agree that PRBS has increased transactions costs in the short-term, but could decline in the long-run.
- 5.33 As the main interlocutor with the PRBS donors, the current unit at MFNP has found it hard to manage the process, partly because donors' expectations have increased in terms of the quality of reporting while the unit continues to fulfil other functions. In order to reduce transaction costs, it is also important that consistency is ensured between PAF and progress made in the context of SAGs and other sector working groups. This calls for a tighter alignment of the PRBS machinery with domestic processes, as well as changes in the current economic management cycle.
- 5.34 The main challenge for JASZ will be to ensure that all SAGs are effectively working and operational. The positive experience of donor coordination in sectors such as health and education needs to be rolled over to other sectors. DFID has had influence in partnership with other donors in trying to make the structures for engagement between GRZ and donors more rationalised and easier to coordinate, but the

relationship and interface between programmes, GRZ/donors structures, SAGs and donor structures remains highly complex. In some cases, this is not so much about reducing the transaction costs, but more about identifying the right interlocutors; one example of the wrong interlocutor being the Governance SAG that currently sits within the Ministry of Justice.

## Impact - Summary

The impact of the DFIDZ programme has been assessed in relation to DFID's Public Service Agreement and related MDGs, and also in terms of sustainability, by looking at governance and capacity building, accountability and the quality of aid.

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 vertical programmes.

Capacity building in the form of logistical support and technical assistance has not always led to improved institutional capacities. Its long-standing involvement in supporting the Zambia Revenue Authority is where DFID has been the most successful. Improvements in budget reporting, which PRBS contributed to, has opened new avenues for Parliament and civil society to hold the government to account. However, there is still much to do before domestic accountability in Zambia is strengthened. In addition, monitoring and evaluation (M&E) practices remain weak and a substantial change in institutional culture will be needed before M&E starts to support policy decisions. The main focus for DFID in this regard should be to support the M&E system for the FNDP.

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. A substantial – though reducing – proportion of aid continues to be provided off-budget, making it difficult for the government to budget future financial inflows in an adequate manner. This has undermined the impact of harmonisation and alignment efforts on aid quality.

Country ownership has been supported by a range of policy discussion platforms, but some senior civil servants are concerned that they are losing the variety of donor policy debate, as donors begin to speak with one voice. On the donor side, there are concerns that policy dialogue does not adequately involve political representatives – Ministers – and is overly focused on technical aspects with civil servants.

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 alike. Further rationalisation of aid management, and stronger domestic leadership, will be needed to sustain efficiency gains and increase effectiveness and impact.

## 6. Lessons and Recommendations

6.1 This chapter summarises lessons, in terms of revealed strengths and weaknesses, which may be drawn from the evaluation and provides brief recommendations for the future.

### Lessons

6.2 The DFIDZ programme demonstrates considerable **strengths**:

- Rapid establishment of a credible, relevant and effective programme developed and managed in-country, following establishment of the country office in 2001.
- Good understanding of developmental, economic, political and governance challenges in Zambia.
- High quality policy and technical advice from advisory staff, both UK-appointed and SAIC, which is well respected by government and other partners. Good 'development diplomacy' skills as well as 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 both for the DFID programme, and as a catalyst for other donors.
- Country programme increasingly driven by priorities of joint assistance strategy, linked to PRSP/FNDP.
- An ambitious portfolio of interventions, closely tied to Zambia's stated poverty reduction priorities and national strategies.
- Willingness to take on high risk interventions in response to emerging opportunities, where these are relevant to broader poverty reduction and governance objectives (for example, support to anti-corruption Task Force).
- Strong commitment towards budget support and programme based approaches, away from less strategic project interventions, leading to rationalisation of portfolio; but also able to take advantage of well designed project interventions in support of sector strategies and PRBS, so benefiting from a mix of aid instruments.
- Able to support government and other partners through transition between aid modalities – e.g. from SWAp basket funding to PRBS in health sector.
- Valuable technical assistance provided to government programmes at both the policy and operational levels, often linked to substantive financial support through SWAps or other programmatic approaches. Experience in the health sector demonstrates that it is possible to continue to provide high level, well respected policy leadership even after direct financing to the sector has ceased and funds reallocated to budget support. It is less clear that more hands-on operational technical assistance can be effectively provided in a budget support environment – though there are good examples of DFID facilitating the effective

use of consultants contracted by other donors (such as Netherlands funded technical assistance for reform of Central Medical Stores).

- Vital humanitarian assistance provided in response to droughts, followed through with capacity building of national vulnerability assessment systems and national capacity to respond.
- Growing value of programme, with good predictability of aid flows.
- Good working relationship with FCO across a range of developmental issues.

### 6.3 The programme also has some **weaknesses**:

- The DFID country programme lacked a formal comprehensive country-level performance management framework since the last CAP review in 2004 and the shift to a JASZ driven programme. DFIDZ is fortunate in the high quality of its management team which has not allowed the lack of effective corporate performance management to undermine the effectiveness of the programme. But this situation should not be allowed to continue indefinitely.
- Notwithstanding the very positive development of a broad strategic approach to public sector management, the move towards budget support has tended initially to focus on public financial management rather than broader capacity building programmes
- 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 MTEF/budget resource allocation process, there is an opportunity to use JASZ structures to ensure a more comprehensively rational allocation of total resources (donors + GRZ) towards MDG priorities, drawing on international initiatives such as the international partnership for health
- Major expenditure on copper privatisation, while very effective in supporting economic reforms, involved potential conflict of interest and reputational risk.
- 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 Zambian society.
- Opportunities for demand-side interventions to drive forward public sector reforms, and overcome political constraints on aid effectiveness, could be more actively explored, given historical failure of supply-side reforms to address patron– client relationships which undermine good governance.
- Thinking on enabling environment/private sector development has sometimes been rather muddled, with a major programme developed then abandoned, and a shift away from PSD under the JASZ to a 'background' role despite recognition that PSD is central to DFID's pro-poor growth objective.

- DFIDZ perceived by some partners to be pushing particular solutions, e.g. social transfer payments, too hard; DFIDZ does not always seem to be as good at listening and adapting, as it is at advocating.

## Recommendations – DFID Zambia

- 6.4 Develop an effective performance management framework for the country programme, and ensure overall progress reviewed at least annually.** DFIDZ has recently developed a proposed framework, but this has been put on hold pending a Headquarters review of corporate performance management arrangements. It is essential that DFID decides quickly on what sort of performance framework it wants, and this is rolled out quickly to country offices.
- 6.5 Maintain full-time advisory capacity in the sectors in which DFIDZ leads, with strong influencing skills** to compensate for the loss of ‘funding-leverage’ available under pre-PRBS aid modalities.
- 6.6 Further strengthen and deepen political economy analysis at sector level** to support the influencing agenda, and the targeting and design of more effective and sustainable capacity building interventions.
- 6.7 Undertake jointly with GRZ and other donors public expenditure tracking studies to quantify the cost of fiduciary risk of PRBS, and track efficiency through benchmarking unit costs.** Under PRBS it is particularly important to focus on the efficiency aspects of public service delivery, in terms of ‘leakage’ of funds and the unit costs of essential public services delivered. Increasing pro-poor resource allocation through the budget will not reduce poverty if funds do not reach their intended recipients, or if they are spent on services with excessive unit costs.
- 6.8 Work towards basing PRBS M&E solely on FNDP M&E reports,** without the need for a separate PAF.
- 6.9 Develop standard approach to evaluating performance of donor partners within JASZ structure,** and formalise mechanisms for changing leads
- 6.10 Work with other donors to ensure better and more rational overall donor resource allocation to sectors to reflect MDG needs.** While the JASZ has clarified donor responsibility for sectors in terms of policy leadership and coordination of support, there has not been a similar process for rationalising donor resource flows to different sectors. Although the FNDP is linked to national resource allocations it is rather ‘all inclusive’, and therefore provides only limited prioritisation for scarce resources. DFID’s programme is generally well-aligned to national priorities and MDG goals, through SWAPs and PRBS but several donors are not. For example, very large vertical programme funding flows in HIV/AIDS and health undermine balanced flows. DFID could use its position as leading bilateral donor, and leader of macro-economic dialogue, to achieve a better balance between donor resource allocation and MDG priorities.
- 6.11 Examine more innovative approaches to governance reform which focus on rights-based and demand-side interventions, to overcome entrenched**

**resistance to change.** DFID's support to governance reform could be further strengthened by a broad review to identify how more innovative demand-side approaches can be introduced into PSM reforms, including more comprehensive integration of gender issues. The planned support to Parliament would be a useful starting point for the review. DFID is well placed to make the linkage to the demand-side, given its extensive partnerships with civil society and the insights of the Drivers of Change analysis. The critical challenge will be to identify win-win reforms, where the political benefits of responding to demand outweigh entrenched anti-reform interests. Such win-win reforms have been successfully advocated by DFID before, for example, free primary education and removal of health user fees.

**6.12 Consider more active engagement in private sector development to help make the joint PSDR programme deliver.** Implementation of the PSD strategy is problematic, and DFID's position as a background donor is not conducive to effective support. Given DFID's extensive corporate experience with PSD strategies across Africa, and the importance of pro-poor growth in Zambia, DFIDZ could consider elevating its commitment to PSD under the JASZ. There are, of course, headcount constraints on DFID, and it is important that DFID does not appear to be undermining JASZ division of labour. But there would appear to be scope for DFID to provide some targeted technical assistance to strengthen the prioritisation and focus of the Zambia PSD strategy and ensure that DFID's contribution to the pool is efficiently utilised. There are potential linkages with agriculture market efficiencies which will need to be made if DFID vulnerability programmes – especially social cash transfers – are to be effective. The PSD strategy, with linkages to agriculture sector reforms, could be very valuable in this regard.

**6.13 Undertake joint impact evaluations for key policy advice to increase understanding of policy cause and effect, and help strengthen consistency of policy advice.** The DFID programme would benefit from robust independent impact evaluation of key policy advice provided by DFID which has been adopted by GRZ. The evaluation would inform both the specifics of the policy in question, and also the wider issue of how policy advice is developed and how it can be consistency maintained over an extended period. Three areas of policy advice which could be subject to this evaluation are:

- The reversal of health sector restructuring over the decade 1995-2005
- The removal of health user fees (study already scheduled by DFIDZ)
- Whether DFID could have provided more effective - and pro-poor - policy advice regarding GRZ agreements with private copper companies, in light of DFID's close involvement in the copper privatisation

**6.14 Strengthen communication of DFIDZ policy and objectives to partners and public** – for example, to dispel the false impression that because it is moving to budget support, DFID is leaving the health and education sectors. Communication support could be further expanded to broaden citizen and private sector understanding of public policy and expenditures in Zambia, so helping to build and focus demand-side pressure for reform, linked to 6.11 above.

## Recommendations – DFID Headquarters

- 6.15 **Address issues of multilateral efficiency through consolidated national engagement at board level.** DFIDZ is concerned about inefficiencies in the delivery of aid by multilaterals in Zambia, but has limited capacity to influence at the national level, because multilateral structures are highly centralised. DFID Headquarters could play a useful role in taking country-level concerns, identifying systemic problems across countries, and tackling these through UK national level engagement in multilaterals.
- 6.16 **Enforce discipline with annual reviews of country programmes: hold country offices rigorously accountable for regular and effective reporting of progress.** DFIDZ have a responsibility to ensure it has an effective country programme performance management framework. However, DFID Headquarters should take a much more pro-active stance towards enforcing effective performance management at national level. It is extraordinary that while DFID Zambia has not undertaken a full formal annual review of its CAP since 2004, there appears to have been no obvious concern or pressure to conduct such a review from Headquarters. DFID centrally is now reviewing performance management frameworks for country programmes. Regardless of the detailed design of any such framework, it is essential that it is implemented in a consistent and disciplined manner, with a formal review against plan at the national level at least annually.
- 6.17 **Consider in-depth evaluation of copper privatisation support.** This CPE is a 'light touch' evaluation and cannot on its own provide the level of in-depth analysis which the very large £56m ZERG project warrants. As the ZERG project was 'PCR exempt' there is limited evidence of structured internal or independent evaluation of the implementation, impact and lessons of this unique project. DFID should consider the value of undertaking such an in-depth evaluation now, conducted independently of the DFID Zambia office to avoid interference with on-going development work. As part of such an in-depth evaluation, DFID may wish to assure itself that the circumstances surrounding the ZERG project, the privatisation of Konkola Copper Mines and subsequent financial and corporate restructuring were in accordance with good UK governance practice, the UK's commitment to the Extractive Industries Transparency Initiative and free from reputational risk.



# ANNEX A: TERMS OF REFERENCE

## TERMS OF REFERENCE FOR EVALUATION OF DFID COUNTRY

### PROGRAMMES 2007-08

#### 1 Introduction

1.1 DFID's performance management system is supported by periodic independent evaluations at project, programme, sector and thematic level. Evaluation Department (EvD) carry out four to five Country or Regional Programme Evaluations (CPEs or RPEs) annually. These terms of reference (ToRs) set out the scope of work for the 2007/08 period.

1.2 The CPEs provide important accountability and lesson learning functions for DFID. The primary audience for the evaluations is the UK government and DFID senior managers including heads of country offices. All evaluation reports are published externally.

1.3 Countries/ Regions proposed for evaluation in 2007/08 are Central Asia, South Caucasus and Moldova (CASCM) region, Pakistan, West Balkans Region, Zambia and Sierra Leone. Each evaluation will use the countries' most recent Country Assistance Plan (CAP)/Regional Assistance Plan (RAP), and related policy documents.

1.4 While country-led approaches are central to the way that DFID works, socio-political and environmental contexts will influence the progress and form of the development process. The CAPs articulate the country offices' plans for operationalising corporate objectives within the country context, and in most cases they will build upon or reflect the national Poverty Reduction Strategy Paper (PRSP). These plans are therefore the logical starting point for the evaluation.

#### 2 Overarching objectives

2.1 The main objectives of the country programme evaluations are to assess:

- Country strategy and links to poverty outcomes and DFID's corporate objectives
- Choice of aid instruments
- DFID's role as a development partner

2.2 The CPEs will assess the DFID country programmes in terms of standard criteria although these may be customised to a degree for individual studies. The generic evaluation matrix can be seen at Annex A. It is based on DAC evaluation criteria and considers:

- The relevance of country programme objectives and the logic behind them given domestic policy objectives for poverty reduction, as well as DFID's own corporate level objectives
- The effectiveness of the overall programme in achieving the objectives set out in the country strategy, including DFID's choice of aid instruments, harmonisation with other stakeholders, policy dialogue and influencing

- The efficiency with which programme plans are translated into activities, including human resource and office management, collaboration and harmonisation with other stakeholders, policy dialogue and influencing, the use of financial instruments

And to the extent possible

- Sustainability – are the reforms/ changes supported by DFID’s country programme moving in the right direction and are they likely to be sustained? Has local capacity been built? Has transparency and accountability improved?
- Outcome – What did the country programme achieve the objectives set? Did the positive outcomes DFID achieved justify the financial and human resources used in the programme?
- Attribution – Given the direction of travel and external factors, overall how far did the country programme make a positive contribution to poverty reduction? How good a development partner was DFID?
- The success with which the programmed had mainstreamed the cross-cutting issues of poverty, gender, HIV/AIDS and environment into all of its activities. What were the variables influencing the process of inclusion? What was the impact on the achievement of wider programme objectives?

### **3 Methodology, Outputs & Timing**

3.1 The consultants will produce one study report and executive summary for each country or region. The report shall be approximately 30-40 pages long (excluding annexes) and will include detailed lessons and recommendations. The evaluation summary (EvSum), should be approximately 4 pages, and will include the response from the relevant DFID office/Department, which EvD will obtain.

3.2 The other outputs required from this contract include:

- Inception reports detailing the way in which each individual CPE/ RPE is to be carried out and showing the customised evaluation matrix.
- A presentation of preliminary findings to country offices before the end of the fieldwork for each study
- A publishable synthesis report pulling together findings across individual CPEs; this may cover all countries in the year, but is likely to attempt to synthesise like-studies (e.g. regional programmes or ‘fragile states’).

DFID also requires access to the evaluation team’s interim evidence summaries, e.g. completed matrices, although it is not expected that these should be of publishable quality.

3.3 Each evaluation will involve an ‘inception visit’ and ‘fieldwork mission’. EvD and the consultant team leader will undertake the inception visit. A team of 3-6 consultants will undertake the fieldwork, generally involving up to 3 weeks in country. In the case of regional programmes the inception phase may be undertaken in the UK and the fieldwork may be organised a little differently to visit a number of countries.

3.4 The ‘inception visit’ has four key objectives:

- i. Ensuring staff in the DFID country office are fully informed about the evaluation, its purpose and how it will work;

- ii. Ensuring country/ regional office staff have an opportunity to feed in key questions they want the evaluation to address and decide whether they wish to undertake self-evaluation as part of the process
- iii. Determining the exact nature of the individual evaluation and resolving key methodological / practical issues.
- iv. Ensuring the evaluation team has access to all relevant contacts - including all those who have worked in the country/ regional programme over the fieldwork period and all relevant partners;

3.5 Between the inception visit and fieldwork the consultants will amend the standard evaluation framework for the study to address any country-specific issues raised during the inception visit. An inception report containing this matrix will be signed off by the country office.

3.6 If the DFID country office does wish to undertake self-evaluation they will be encouraged to produce a log-frame for the entire country programme, detailing the logic of their interacting projects and programmes and assessing what has been achieved. If the country office does not undertake this work, the evaluation team will attempt to create a similar log frame as part of the evaluation approach.

3.7 EvD will provide supporting documentation relevant to each CPE to the consultants in good time. This will include project documentation and relevant documentation about the design, implementation and monitoring/ evaluation of the country/ regional strategy and individual programmes (but not background policy information). Prior to undertaking fieldwork, the evaluation team need to be familiar with the DFID programme, the country context and the full range of DFID policy papers that are relevant to the country programme.

3.8 The consultant is responsible for identifying and engaging a team of consultants appropriate to each country context from within their company/ consortium. The team must have good evaluation skills, understanding of DFID and the local context and ability in the languages of the country. The team should cover all the major sectors of the country programme and should include at least one locally based consultant as a full team member. The consultant is responsible for setting up and planning the main field visit. If EVD wish DFID staff members to accompany the consultant CPE team, additional terms of reference specifying the roles and responsibilities will be developed.

3.9 During the main fieldwork the sector specialists and evaluation team leader will interview DFID staff (current and past) and partners (in government, multilaterals, other donors etc.) about all aspects of the programme over the five year evaluation period – using checklists and stakeholder matrices as appropriate. Web based surveys of staff and other stakeholders (e.g other donors and NGOs) will also be trialled on a pilot basis. The evaluators will systematically scrutinise the available documentation and supplement this where possible, and then use all evidence gathered to complete the evaluation matrix. One matrix should be completed for each sector and the evaluation team leader (and deputy) will use these to compile the final report. Fieldtrips outside the capital city are not a standard part of a CPE but may be used on occasion if applicable.

3.10 Before leaving the country the evaluation team should make a presentation to the country office on emerging findings.

3.11 Within 4 weeks of the fieldwork finishing a high quality draft report of 30-40 pages (excluding annexes and with an Executive Summary) will be submitted to EvD. Following initial checks within EvD this will be sent to the country office and staff there invited to correct any factual errors and make comments. Although country offices may challenge findings they disagree with, and sometimes have additional information to support a claim, EvD will support the evaluation team to ensure that the report remains a true independent evaluation. A second draft report and

evaluation summary will be produced taking account of relevant comments. These will be subject to external quality assurance against the criteria shown at Annex X.

3.12 The consultants will highlight for EVD any information collected pertinent to the questions in the methods note for the 'multilateral effectiveness summaries'.

3.13 The Synthesis Report will be guided by a workshop, scheduled for late 2007/ early 2008, focused on emerging themes.

3.14 The consultants will work to the strict deadlines set out in Annex B and the timeliness of the delivery of reports is of the essence. Any changes to these deliverables must be agreed in advance with EvD. Team composition and timelines will be agreed prior to commencement of each of the country studies, including the necessity of any follow up visit to the country if major issues remain unresolved. The consultancy should start in May 2007.

3.15 An 'optional extra' within the CPE programme is the possibility of producing short papers for a couple of key areas of interest to the country office. These recognise that the evaluation will gather more detailed information than will be presented in the final report. Such 'sector papers' will be agreed during the inception visit and produced by individual sector specialists at about the same time as the first draft CPE report. The costs of this work are supplementary to the main contract.

#### **4. Competence and Expertise Required**

4.1 One consultancy organisation or consortium will be appointed to deliver the outputs described above.

4.2 A managing consultant with extensive evaluation experience and a track record of managing country/strategic level evaluations will be required to manage the planning and delivery of the CPEs. This individual will be expected to have strong written and oral communications skills as he/she will play a role in communicating lessons learned both to country programme personnel and to a wider DFID audience.

4.3 Each CPE should have a named team leader with expertise in evaluation methodology and monitoring and performance management issues. This must include understanding of the complexities of country programme evaluation. The Team Leader must also have up to date knowledge of DFID policies and performance, planning and data systems. Access to our online systems will be provided.

4.4 Each CPE team will be made up of a combined skill set covering governance, economics, social and institutional development and human resource management and the number of team members will be appropriate to the country programme. There is not one model that will work for each country/ region being evaluated, so flexibility in team composition is essential. The team members for each country evaluation will need expertise in evaluation methodology and familiarity with development issues in the CPE countries. They should also have up to date knowledge of DFID policies and systems and relevant experience in cross-cutting issues like gender mainstreaming, HIV and AIDS and the environment. The team must include a strong national/regional component.

4.5 The consultancy team will have responsibility for:

- maintaining ethical standards in implementing the evaluation
- the timely production of evidence based conclusions, lessons and recommendations to demanding quality standards

- managing logistics in country

## **5 Reporting and Dissemination**

5.1 The consultants will report to the Country Programme Evaluation Team Leader or the Deputy Programme Manager in DFID Evaluation Department.

5.2 Reports will be published and distributed, electronically and in hard copy, to a wide ranging internal and external audience. The consultants should be prepared to present their findings to DFID staff and others as appropriate. Specific dissemination arrangements will be determined on completion of each country report and synthesis.



## ANNEX B: EVALUATION MATRIX

### Zambia Country Programme Evaluation Matrix

EVALUATION CRITERIA (Chapter 1: Introduction and Methods)	Findings and Evidence Base
<p><i>Context</i></p> <p><i>The development environment in which donors were operating in terms of political and economic context. Key events over period including factors beyond control of development partners, MDG progress (and variation by gender, rural/ urban, ethnic group etc.), importance of aid to the country/ region and no. of donors active in area.</i></p> <p><i>high level overview of DFID's spend and sector breakdown and summary of key interventions in sector</i></p>	<p>To form <b>Chapter 2</b> of report: <b>Context</b></p> <p>National survey data, economic data etc. Section should include tables/ graphs as appropriate</p> <p>Brief overview of DFID spend and major programming in sector (with annexed list of all interventions in sector)</p>
<p><i>Relevance –</i></p> <p>Overall strategy and areas/sectors selected for intervention</p>	<p>To form <b>Chapter 3</b> of report: <b>The Relevance of DFID's Country/Regional Strategy</b></p> <p>Detail strategies available and gaps in strategy. Look for analysis to inform strategic choices. Reflect external factors e.g political situation,</p> <p>Sector consultants should look at content of DFID strategies (CAP etc) &amp; programming along side content of PRSP, government sector strategies, with evidence of alignment/ non-alignment and judgements on whether strategies/ programming</p>
<p>1. Throughout the evaluation period and as the context evolved, did DFID have clear and focused country/ sector/ provincial strategies directing work in the sector and is there an explanation of the rationale for interventions supported? (e.g. options considered, analysis done, choices made and why, etc.). Is there evidence of analysis and a clear rationale to support DFID decisions to pull out of/reduce support for particular sectors?</p> <p>2. a) Over the period, how far were strategies aligned with development needs and policy priorities of the country?, (ie aligned with the PRSP and government sector strategies? Or other expressed priorities in country from non-government actors? Related to off-track MDGs?</p>	

## Country Programme Evaluation: Zambia

EVALUATION CRITERIA		Findings and Evidence Base
	<p>b) Policy priorities of UK? (UK strategic objectives and Cross-Whitehall working?)</p> <p>3. To what extent were strategies in line with corporate priorities? (e.g White Papers, guidance on aid instrument choices, Conditionality paper, and relevant sector strategies,)</p> <p>4. Over time did DFIDZ understand and did it adjust appropriately to: the country context (government at different layers and civil society)?</p> <p>a) UK policy environment?</p> <p>b) UK policy environment?</p>	<p>were well informed. Should also look at the extent to which programming reflected DFID corporate policies of the time in question.</p>
Risk Management	<p>5. How systematically did DFID assess the external risks (ie political governance, conflict, economic and fiduciary risks) and the internal factors influencing the country strategy/ programming?</p> <p>6. How comprehensive were plans to minimise the identified risks?</p>	<p>Risk annexes of CAPs and risk assessment in individual interventions. Identify what done and make judgement on whether appropriate given context</p>
DFID's choice of aid instruments	<p>7. What mix of aid instruments was used, and how did this change over the evaluation period?</p> <p>8. How were choices made? To what extent did choices about aid instruments reflect the political economy and governance context of Zambia and DFID policy?</p>	<p>Analysis of spend via different channels and extent of policy dialogue in sector; judgement on whether choices appropriate given context and DFID guidance</p>
DFID's partnership working	<p>9. How did DFID approach working with: a) Government, b) civil society, c) other individual donors – both bilateral and multilateral? Was the overall balance right? ( e.g. was the level of DFID engagement with and support for civil society advocacy appropriate, given the move to budget support?)</p> <p>10. To what extent has DFID been able to influence multilateral agencies to improve aid delivery</p> <p>11. To what extent did DFID seek to strengthen harmonisation across the donor community? Was the approach in line with DFID objectives/ appropriate given Zambia context?</p> <p>12. How well did DFID consult with and communicate its aims and objectives to different development partners?</p> <p>13. Was the division of responsibility between donors appropriate to DFID and other donors comparative advantage?</p>	<p>How much work and of what type was undertaken with each type of actor? – how much money was channelled via each route? Did DFID work through different actors or with them – to strengthen? How much joint working with other donors was done?</p> <p>Evidence of donor forums?</p> <p>DFID consultation process records and Publications/ findings from interviews with partners</p> <p>In the Zambia context need to look here at the way the division of labour was undertaken</p>
DFID's approach to cross-cutting themes	<p>14. How well did DFIDZ mainstream cross-cutting issues of gender, social exclusion, HIV/AIDS and environmental protection (in accordance with corporate policy)?</p>	<p>Did projects/ programmes take cursory/ detailed account of gender/ social exclusion / HIV and environment? Was the approach to mainstreaming strategic?</p>
Results focus  to confirm	<p>15. To what extent did DFID's planned interventions contain in their design instruments a sound basis to</p>	<p>Look at performance framework of CSPs/ CAP. Use</p>

EVALUATION CRITERIA		Findings and Evidence Base
whether sits in relevance or effectiveness]	<p>assess performance (e.g. a logframe. SMART indicators, funds for M&amp;E). Is there evidence that these instruments were used effectively to assess performance?</p> <p>16. Is there an adequate basis to assess results in a harmonised, budget support environment?</p>	<p>template to go through documentation for key projects/ programmes and assess the quality of design / monitoring indicators.</p>
II.	-	<p>To form <b>Chapter 4</b> of the report: <b>Programme Effectiveness &amp; Efficiency</b></p>
Delivering on strategy	<p>17. How far were objectives set out in strategies achieved in practice (e.g CSP/CAP performance objectives and other strategic outcomes/ key submissions)? What explains any areas of divergence? Was DFIDZ effective in mitigating risks?</p> <p>18. What key new policy directives emerged from DFID HQ in the period? How effectively did DFID respond to new policy directives, and manage strategic risks that emerged?</p>	<p>Key issues for the effectiveness discussion concern why interventions were/ were not successful which may come from documents triangulated with interviews</p> <p>PAF for budget support</p>
Results	<p>19. How far were the objectives and performance indicators for individual DFID interventions achieved (drawing on data from project reviews and PRISM scores)?</p> <p>20. How far were the results of reviews used to reconsider design/ direction of work and resourcing and staff allocation priorities?</p> <p>21. What explains key successes and failures with regard to programme objectives?</p>	<p>project/ programme documents and reviews; interviews.</p> <p>Assess follow up of recommendations in reviews of projects and annual reviews of CAP programmes and whether direction shifted appropriately.</p>
Aid effectiveness	<p>22. How effective was the mix of aid instruments in achieving objectives? What has budget support 'bought' – has it affected DFID's pro-poor policy influencing ability? Were the different instruments used sufficiently complementary?</p> <p>23. How effective was DFIDZ at supporting the GoZ in the transition to budget support?</p> <p>24. How effective was DFID at mitigating the distortions of major off-budget financing (PEPFAR, GFATM etc)</p> <p>25. How effective has DFID been in pursuing its development agenda with partners including other parts of the UK Government, National Government, other donors and Multilateral Agencies, Civil Society, NGOs? How has DFIDZ worked with DFID UK?</p> <p>26. Has DFID operated in accordance with principles of aid effectiveness?</p> <p>27. Did DFIDZ cope with emergencies in the most effective way? How did response change to reflect experience during the period?</p> <p>28. How well has DFID communicated its results / lessons/ good practice?</p> <p>29. Did any attempts to mainstream gender, social exclusion, HIV/AIDS and environmental</p>	<p>Sector consultants need to present a clear picture of the use of different aid instruments and latterly, work according to the agreed division of labour in their sector over time and assess the benefits of different instruments/ partnerships and whether the overall mix has been effective.</p>
DFID's delivery on cross-		<p>When searching through project documents,</p>

## Country Programme Evaluation: Zambia

EVALUATION CRITERIA		Findings and Evidence Base
cutting themes	protection (including climate change) deliver results?	attention should be given to monitoring of gender/ social exclusion etc. and other evidence of benefits of integration across programme
EFFICIENCY		
Level and allocation of resources including staff	<p>30. Was DFID/Z appropriately set up to deliver strategies/ planned programmes in terms of staff resource available (including skill mix) and financial resource available? (taking account of evolving aid modalities and move to greater policy dialogue, fewer projects?)</p> <p>31. Was DFID's actual disbursement in line with expectations and plans? Were there any significant changes or delays? (to what extent were these in DFID's control –or outside DFID's control).</p>	<p>Expected staffing levels/ specialisms (&amp; gaps/ capacity issues) over time related to level of programming planned/ budget available in sector. This should be interpreted to see if there are lessons for Zambia/ DFID more broadly</p> <p>Disbursement record</p>
<i>IV – VI.</i>	-	To form <b>Chapter 5</b> of the report: <b>Development Impact</b>
Outcomes and sustainability	<p>32. To what extent has the policy and governance environment (e.g. accountability, action on corruption) been strengthened? To what extent have development outcomes been compromised by other UK political interests/ security concerns?</p> <p>33. What is the evidence to show that DFID has helped contribute to specific development outcomes and PRSP achievements? (PSA/ DDP / direct project/ programme impacts and 'indirect' benefits around policy dialogue). Are the most excluded affected by these outcomes?</p> <p>34. Are the development changes or reforms supported by DFID's country/ regional programme likely to be sustained/ difficult to reverse? (to what extent has local capacity been built?)</p> <p>35. Has DFID added value through gains in aid effectiveness? E.g. contributing analysis/ tools/ support on harmonisation?</p>	<p>In this section need to look for evidence of DFID's contribution to long term poverty reduction /outcomes at the end of the results chain. It is not expected that impacts will be fully attributable to DFID but a balanced discussion which takes account of issues of attribution is expected.</p>
<b>Lessons and recommendations</b>	<i>What lessons can DFID draw from the evaluation for informing future country, regional or corporate planning and operations?</i>	To form <b>Chapter 6</b> of the report: <b>Lessons and recommendations</b>

**Country Programme Evaluation: Zambia**

<b>EVALUATION CRITERIA</b>	<b>Findings and Evidence Base</b>
Strengths and weaknesses of DFID	<p>36. What are the key strengths demonstrated by the DFID office?</p> <p>37. What are the key weaknesses demonstrated by DFID?</p>
Lessons	<p>38. What lessons (from positive and negative findings) can be drawn for DFID's future work in this country / region?</p> <p>39. What lessons can be drawn more widely for DFID?</p>
Recommendations	<p>40. What recommendations should be made based on the evaluation findings?</p>



**ANNEX C: PERSONS MET**

(T) indicates telephone or VC interview

(E) indicates interview by EVD on behalf of CPE team

<i>Name</i>	<i>Job Title</i>	<i>Organisation</i>
Abdul Hannan	Deputy Resident Representative	UNDP
Adrian Blundell	Deputy Head	DFIDZ
Alan Whitworth	Economics Adviser	DFIDZ
Alistair Harrison	British High Commissioner	BHC Lusaka
Anna Bobin	Planning, Performance, Compliance, Communications	DFIDZ
Barbara Chilangwa	Former PS, MoE, now Director of NGO	CAMFED
Barrie Ireton	Formerly Director General	DFID
Beverley Warmington (T)	Formerly Head of Office, DFIDZ	DFID
Bigir Arnason	IMF Resident Representative	IMF
Birgit Pickel	First Secretary, Head of Development Cooperation	Embassy of the Federal Republic of Germany, Lusaka
Bruce Lawson McDowall	Governance Adviser	DFIDZ
Catherine Mulenga	Vulnerability & Food Programme Officer	DFIDZ
Chris Murgatroyd	Former Governance Adviser	DFID [T and e-mail]
Chris Pain	TA, M&E Unit	MoFNP
Christina Larsson	First Secretary, Health	Sida
Chriticles Mwansa	ZRA Commissioner General	ZRA

**Country Programme Evaluation: Zambia**

<i>Name</i>	<i>Job Title</i>	<i>Organisation</i>
Chriticles Mwansa	Director General	Zambia Revenue Authority
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Vicky Matthews	Office Services Management	DFIDZ
Vincent Snijders	First secretary - education	RNE
Wilfred Mwamba	Governance Programme Manager	DFIDZ
Mulima Akapelwa	Executive Director	Civil Society for Poverty Reduction



**ANNEX D: DOCUMENTS REVIEWED**

Note: DFID standard project documentation not listed

<i>Document Title</i>	<i>Author/Source</i>	<i>Date</i>
<i>We are also dying like any other people - impact of HIV/AIDS on health workers</i>	M.Dieleman et al , in Health Policy & Planning	March 2007
3 <sup>rd</sup> Joint Program Review National HIV/AIDS/ Tb strategy plan (2002 – 2005)	GRZ/ MOH/ NAC	May 2006
Africa Regional Working (Health)	DFID discussion document (Africa Policy)	
Analysis of available financial for the HIV/AIDS response	Dr. Paolo Craviolatti Mr. Derrick Elemu	July 2007
Brief on Pay Reform and the proposed incentive scheme	Wilfred Mwamba	October 2008
Briefing for PS Lusaka visit June '06	DFID CO	May 2006
Briefing Note on JASZ	Untitled (on CD Rom)	Oct 2005
Civil Society Perspectives: Strengthening the Poverty Impact of the Paris Declaration through gender equality, human rights and social exclusion [Paper produced as part of a literature review funded by DFID]	INTRAC, Oxford	March 2007
Claiming Fiscal Space through Budget Support: The effectiveness of the Poverty Reduction Budget Support and the role of civil society	Civil Society for Poverty Reduction	August 2007
Developing Capacity: An Evaluation of DFID-funded Technical Co-operation for Economic Management in Sub-Saharan Africa	Oxford Policy Mamangement (OPM), DFID Report, vol 2, Ev 667	June 2006
Developing Capacity? An Evaluation of DFID-funded TC for economic management in Sub-Saharan Africa	OPM for DFID, Vol 2, EV667	2006
Development Assistance Committee (DAC) Peer Review	OECD, 2006	2006
Development Assistance Committee (DAC) Peer Review	OECD, 2005	2005
DFID Zambia fact sheet	DFID	December 2007

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<i>Document Title</i>	<i>Author/Source</i>	<i>Date</i>
Drivers of pro-poor change	OPM, Duncan, MacMillan, Simutanyi	March 2003
Education review	Danida	November 2006
Eliminating World Poverty: A challenge for the 21 <sup>st</sup> Century	DFID White Paper	1997
Eliminating World Poverty: Making Governance work for the Poor	DFID White Paper	July 2006
Evaluation of the Task Force on Corruption (Second Draft)	Roger Wilson et al, ACG Malawi	May 2007
Fifth National Development Plan 2006 - 2010	GRZ	December 2006
Gender Equality Action Plan 2007-2009	DFID Briefing Paper	February 2007
Governance and Political Economy Constraints to World Bank CAS Priorities in Zambia: A Diagnostic	Scott Taylor and Neo Simutanyi	July 2007
Governance Indicators	Chris Pain (DFID note)	Undated working note
Governance Issues Paper	Governance Cooperating Partners	May 2007
Governance, Development and Democratic Politics	DFID Policy Paper	May 2007
Government of the Republic of Zambia and Cooperating Partners in Social Protection, Action Plan Sept 2007 – Dec 2008	Ministry of Community Development and Social Services/ MoFNP	
HIV/AIDS treatment and care	DFID policy paper	July 2004
How to work with Global Funds	DFID good practice paper	April 2006
Human Resources for Health Strategy Plan 2006 - 2010	GRZ/ MOH	December 2005
Impact evaluation, primary education in Zambia	IOB (RNE) and AIID	October 2007
Increasing access to medicines in the DC	DFID strategy paper	June 2004
Joint Annual Review 2005	GRZ/ MOH/	June 2006
Joint Assessment Report on Zambia's PRBS Programme	Untitled (on CD Rom)	June 2006
M&E in the Zambian health sector, commissioned by DFID	Arthur Heywood	June 2006

<i>Document Title</i>	<i>Author/Source</i>	<i>Date</i>
Mapping the Health sector in Zambia		December 2006
Mid Term Review National Health Plan 2001 – 2005	MOH/ CP (Ken Lee et al)	November 2003
MTEF 2007-2009 Green Paper, education	MTEF/ WB	2006
National Health Strategy Plan 2006 – 2010	GRZ/ MOH/	December 2005
National HIV/AIDS strategy plan	GRZ/ MOH/ NAC	2006
National M&E framework fo HIV/AIDS	GRZ/ MOH/ NAC	2006
New Anti-Corruption Governments: The Challenge of Delivery	Transparency International	2004
New Support to Crop Monitoring	DFID Minute from Kelly Toole	
Note on the Auditor General Reports	NORAD	June 2007
Partnership Programme Agreement With Care International, Programme Memorandum	DFID, 2004	2004
Partnerships for Poverty Reduction: Re-thinking conditionality	DFID policy paper	March 2005
Partnerships for Poverty Reduction: Rethinking Conditionality, A UK Policy Paper	DFID, 2005	2005
Poverty Reduction Budget Support	DFID policy doc	2004
Poverty Reduction Budget Support, A DFID Policy Paper	DFID, 2004	2004
Project Appraisal Document for PSMD – Support Project in support of the second phase of the PSRP	World Bank	December 2005
Realising Human Rights for Poor People	DFID Strategy Paper	October 2000
Reducing maternal deaths – evidence and action	DFID reproductive health strategy	2004
Republic of Zambia Fifth National Development Plan 2006 – 2010	Ministry of Finance & National Planning, 2006	2006
Review of health progress in Zambia	Ecorys	January 2005
Saving Lives Suffering Protection Dignity Humanitarian Policy	DFID, No Date	
Show me the money: How Government spends and accounts for public money in Zambia	Transparency International Zambia	2007

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<i>Document Title</i>	<i>Author/Source</i>	<i>Date</i>
Social Transfers and Chronic Poverty: Emerging Evidence and the Challenge, A DFID Paper	DFID, 2005	2005
State of Corruption Report 2005	Transparency International Zambia	2005
Strategic Plan 2007-2011 (Draft)	NGOCC	2007
Supporting the Zambia SWAp strategy for the Education sector		January 2003
Taking Action,	DFID strategy for HIV/AIDS	2004
The challenge of TB and malaria	DFID strategy paper	December 2005
The costs of meeting the MDG	CSRP, JCTR	October 2005
The effects of abolishing user fees (final draft)	University of Lusaka	December 2006
TORs for a consultancy to develop service delivery charters	Possibly PSM project	2007
TORs for JASZ Governance Group	Untitled	February 2007
USAID country brief: Zambia		July 2007
Zambia Country Programme Evaluation (for NORAD's support)	OPM	November 2007
Zambia Drivers of Pro-poor Change	OPM	March 2003
Zambia: Fighting Corruption	Unattributed DFID note	May 2000?
Zambia: Improving Vulnerability Food Security and Nutrition Assessment Phase 2: Scoping Report	Masdar	

## **ANNEX E: THE ZERG PROJECT**

### **Introduction**

1. Starting in 2000/01 DFID disbursed the Zambia Economic Recovery Grant (ZERG) of US\$81m (then £56m) to GRZ to support the privatisation of the Zambia copper industry. Other than PRBS the ZERG is by far the largest single expenditure line in the history of the DFID Zambia programme, and accounted for nearly 40% of DFID's aid to Zambia during the period 2000/01–2002/03. Although only £5m of the ZERG total was disbursed during the evaluation period, the grant is of interest to this evaluation because of its overall size, and the rather unusual circumstances of its design and implementation. This Annex provides a brief discussion of a very complex series of events, in an attempt to evaluate the implications of ZERG.

### **Context and rationale**

2. The privatisation of Zambia Consolidated Copper Mines (ZCCM) was widely regarded by donors including the IMF, World Bank and DFID as essential to Zambia economic survival from the early 1990s onwards. However, during the 1990s under the Chiluba government little real progress was made, with a number of potential sales falling through with no clear reason, and widespread allegations of systematic corruption and looting of mine assets. ZCCM was estimated as costing GRZ \$15-20million per month in actual cash losses by the end of the 1990s. DFID's 1999 CSP identified the risk of ZCCM failing as potentially catastrophic to the economic, political and social fabric of Zambia.
3. Eventually in 2000 a viable privatisation offer for the largest ZCCM mine – Konkola Copper Mine (KCM) - was made to GRZ by the Anglo American (AA) corporation, but it depended on additional finance being provided to rehabilitate the Nkana copper smelter. DFID was approached to provide this finance as a grant to GRZ, which was the basis for the ZERG. DFID agreed to provide a direct grant of \$81m to GRZ that would then be on-lent on commercial terms to a parastatal – SmelterCo – who managed the Nkana smelter. The funds would be used by SmelterCo to rehabilitate the smelter and provide operating capital. Repayments received on the loan by GRZ from SmelterCo were intended, according to the ZERG project memorandum, to be used for poverty reduction expenditure.

### **Appraisal**

4. The economic case for the grant was powerful, given the vital need to achieve privatisation of ZCCM. However, the institutional appraisal underpinning the ZERG grant was rather cursory, given the very large amount involved. In particular, the question as to whether it was appropriate for DFID to be funding large scale quasi-private sector investment in extractive industry was not well explored. Pressure to make the grant came from the highest levels in Headquarters, and advisory staff on the DFID Zambia programme, then managed from DFID CA in Harare, felt that their concerns were being over-ruled. The ZERG grant was not provided for in the 1999 CSP, or in any other DFID strategic document, and was funded by additional resources allocated centrally, not from DFID CA funds. The

ZERG project was rated as 'PCR exempt' and hence not subject to normal procedures for review.

## **Implementation**

5. The ZERG project went ahead, AA purchased a majority stake in KCM (through another company Zambia Copper Investments (ZCI) which it controlled) and the Zambia copper industry was effectively privatised in 2000, fulfilling a key condition for the IMF Poverty Reduction and Growth Facility (PRGF).
6. However, the price of copper fell below AA's expectations and in January 2002 AA announced their decision to disinvest from Zambia. At this point, most of the ZERG grant had been disbursed and on-lent to SmelterCo, but no repayments had been made. AA's decision, and the consequent potential closure of a large part of the copper industry, posed a huge threat to the credibility of the Zambian economy and the Government's reform plans. DFID, by now a directly interested participant as well as a development partner, was closely involved at the highest level in negotiations between GRZ, AA and other international finance agencies, to try and find a solution.
7. The solution eventually achieved was complex and involved substantial corporate and financial restructuring. The principle outcome was that AA disinvested by transferring its shareholding in ZCI to a newly established charitable foundation (the Copperbelt Development Foundation), losing some \$350m in the process. Hence KCM remained in the private sector, though with GRZ retaining a stake. The other key aspect of the restructuring was that the Nkana smelter – whose rehabilitation had been financed with £56m of DFID funds - was transferred free of charge to the ownership of KCM, and GRZ's loan to SmelterCo was converted, at a very highly discounted rate, to equity in KCM. No repayments were ever made to GRZ on the loan, so the poverty reduction expenditure anticipated in the ZERG project memorandum never materialised.
8. The DFID Director General who originally proposed the ZERG project was nominated by DFID as Director of the Copperbelt Development Foundation, and was invited, in an unpaid, personal capacity with the permission of DFID, to be chairman of the boards of both ZCI and KCM following the restructuring.
9. Subsequently, a controlling interest in KCM was acquired in October 2004 by an international mining company, Vedanta PLC.

## **Evaluation issues**

10. The ZERG project met an important development need of Zambia. It facilitated the privatisation of the copper industry, which many economic commentators view as having been critical to Zambia's economic turnaround, and the underpinning of economic growth over the past six years. Overall, this evaluation finds that the ZERG project was a relevant and effective intervention, which demonstrates DFID's ability to respond rapidly and flexibly to an urgent development priority. However, the evaluation has some specific concerns:

- The project was rated as 'PCR' exempt and **has not been subject to detailed evaluation or review of its effectiveness by DFID** or an independent reviewer. Although the findings of this CPE are broadly positive towards the project, the CPE is a 'light touch' evaluation of the entire DFID programme, not an in-depth review of the £56m ZERG project. Given the very large size of the ZERG project and the complexities and challenges of its implementation, it is of great concern that the project was rated PCR exempt and therefore has not been subject to normal DFID evaluation processes. As a result there is a lack of transparency as to the implementation and impact of this major expenditure, as there are no OPRs or a PCR to refer to. Detailed evaluation – including by technical specialists - of such a large UK Government funded investment in an extractive industry would appear particularly important given the UK's leadership of the Extractive Industries Transparency Initiative (EITI).
- DFID exposed itself to **potential criticism for conflict of interest**, by permitting the DFID Director General who was closely involved in the initiation and implementation of the project, to become the chairman, while still employed by DFID, of the private company which ultimately benefited from DFID's £56m grant. There is no suggestion that the Director General in any way exploited this position improperly, and this evaluation accepts that his motivation was to provide advice and guidance in the best interests of Zambia.
- DFID may have missed an opportunity in 2000-2002 to influence the terms of **copper development agreements** to the benefit of Zambia, given its close involvement in the privatisation and subsequent restructuring of ownership in the copper sector. Development agreements are long term agreements which govern the state's share of revenues generated by mining companies through taxes and other extraction fees. The agreements negotiated in Zambia are widely regarded to have been extremely generous to the private companies and, very unusually, lack a windfall tax provision. As a result, despite dramatic increases in world copper prices since 2004, GRZ receives only a very small fraction of the estimated US\$3-4billion annual revenues of the privatised copper industry. DFID is currently providing technical assistance to the GRZ in an attempt to renegotiate agreements with copper companies more in line with international best practice.





## DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

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