COUNTRY LEVEL EVALUATION
Zambia

Final Report

Main Volume

September 2012

Evaluation carried out on behalf of the Commission of the European Union

Consortium composed by
ECO Consult, AGEG, APRI, Euronet, IRAM, NCG
Leader of the Consortium: ECO Consult
Contact Person: Dietrich BUSACKER
Dietrich.Busacker@eco-consult.com

Contract No EVA 2007/geo-acp

This evaluation is mandated by

The Evaluation Unit for
EuropeAid Development and Co-operation Directorate General
(DG DEVCO)
of the Commission of the European Union

This evaluation is managed by the Evaluation Unit, which also chairs the Reference Group made up of members of DG DEVCO, the EU Delegation in Zambia, and the Embassy of Zambia

Table of Contents

Table of Figures

List of Annexes

List of Acronyms

ACRONYM	MEANING
ABB	Activity Based Budgeting
ACP	Africa, Caribbean, Pacific
AFD	Agence française de développement
AfDB	African Development Bank
AG	Advisory Group
AGOA	US African Growth and Opportunity Act
AIDS	Acquired immune deficiency syndrome
ART	Anti-Retroviral Therapy for Patient affected with HIV/AIDS
BCG	Bilié, Calmette & Guérin (tuberculosis)
BHCP	Basic Health Care Package
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit
BS	Budget Support
CBPSD	Capacity Building Private Sector Development
CCI	Cross-cutting issues
CCPC	Competition and Consumer Protection Commission
COMESA	Common Market for Eastern and Southern Africa
CP	Cooperating Partner
CPIA	Country Policy and Institutional Assessment
CPRM	Conflict Prevention, Resolution and Management
CPG	Cooperating Partners' Group
CRC	Constitution Review Commission
CRN	Core Road Network
CSE	Country Strategy Evaluation
CSO	Civil Society Organisation
CSP	Country Strategy Paper
DAC	Development Action Committee
DG DEVCO	EuropeAid Development and Co-operation Directorate General
DOL	Division of Labour
DP	Development Partners
DPT	Diphtheria–Pertussis–Tetanus
EAC	East African Community
EBA	Everything But Arms
EDF	European Development Fund
EEAS	European External Action Service
EFA	Education for All
EIB	European Investment Bank
EIDHR	European Instrument for Democracy and Human Rights
EM	Enrolled Midwives
EMIS	Education Management Information System
EPA	Economic Partnership Agreement
EQ	Evaluation Question
ESA	Eastern and Southern Africa
ESA-IO	Eastern and Southern Africa and the Indian Ocean

EU	European Union
EUDel	EU Delegation
EUZ	Electoral Commission of Zambia
FDI	Foreign Direct Investment
FNDP	Fifth National Development Plan
FTA	Free Trade Agreement
GBS	General Budget Support
GDP	Gross Domestic Product
GRZ	Government of the Republic of Zambia
HDI	Human Development Index
HDM4	Highway Development and Management System *(software)*
HIB	Haemophilus influenzae type b (meningitis and pneumonia)
HIPC	Highly Indebted Poor Country
HIV	Human immunodeficiency virus
HLPD	High Level Policy Dialogue
HMIS	Health Management Information System
HoS	Head of Sector
HR	Human Resources
HRSP	Human Resources Strategic Plan
IEPA	Interim- Economic Partnership Agreement
IFMIS	Integrated Financial Management And Information System
IGAD	Intergovernmental Authority on Development
IMF	International Monetary Fund
I-PRSF	Interim- Poverty Reduction Strategy Plan
IRCC	Inter-Regional Coordinating Committee
JAR	Joint Annual Report
JASZ	Joint Assistance Strategy for Zambia
JC	Judgement Criterion
JEU	Joint Evaluation Unit
LDC	Least Developed Country
LMIS	Zambian Logistics Management Information System
M&E	Monitoring and Evaluation
MACO	Ministry of Agriculture and Co-operatives
MCDSS	Ministry of Community Development and Social Services
MCDMCH	Ministry of Community Development, Mother and Child Health
MCTI	Ministry of Commerce Trade and Industry
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MFN	Most Favoured Nation
MOE	Ministry of Education
MoFED	Ministry of Finance and Economic Development
MoFNP	Ministry of Finance and National Planning
MoH	Ministry of Health
MOU	Memorandum of Understanding
MPSA	Ministries, Provinces and Spending Agencies
MTCI	Ministry of Commerce, Trade and Industry
MTEF	Mid-term Expenditure Framework

MTR	Mid-Term Review
MWS	Ministry of Works and Supply
NAC	National Aids Committee
NAO	National Authorising Officer
NCC	National Council for Construction
NDP	National Development Plan
NGO	Non-Governmental Organisation
NHSP	National Health Strategic Plan
NIP	National Indicative Programme
NPVU	National Pharmacovigilance Unit
NRFA	National Road Fund Agency
NRM	Natural Resources Management
NSA	Non-State Actor
NSA-LA	Non-State Actors-Local Authorities
OAG	Office of the Auditor General
ODA	Official Development Assistance
OEUD	Organisation of Economic Cooperation and Development
OPV	Oral Polio Vaccine
PAF	Performance Assessment Framework
PEFA	Public Expenditure and Financial Accountability
PEMFA	Public Expenditure Management and Financial Accountability
PER	Public Expenditure Review
PFM	Public Finance Management
PLWHA	People living with HIV and AIDS
PMTCT	Prevention of Mother to Child (HIV) Transmission.
PRA	Pharmaceutical Regulatory Authority
PRBS	Poverty Reduction Budget Support
PRSP	Poverty Reduction Strategy Plan
PSD	Private Sector Development
PSIO	Private Sector Intermediary Organisations
RAMP	Rural Accessibility and Mobility Programme
RDA	Road Development Agency
REC	Regional Economic Community
RIP	Regional Indicative Programme
RN	Registered Nurses
RO	Regional Organisation
ROADSIP	Road Sector Investment Programme
ROO	Rules of Origin
RSA	Road Safety Agency
RSP	Regional Strategy Paper
SADC	Southern African Development Community
SADFS	Agriculture Diversification and Food Security
SAF	Structural Adjustment Fund
SAG	Sector Advisory Group
SBS	Sector Budget Support
SIDA	Swedish International Development Agency
SME	Small and Medium Enterprise

SNDP	Sixth National Development Plan
SPS	Sanitary and Phytosanitary Standards
SPSP	Sector Policy Support Programme
SWAp	Sector wide approach
SWOT	Strengths, Weaknesses, Opportunities and Threads
TB	Tuberculosis
TBT	Technical Barriers to Trade
TC	Technical Cooperation
TCF	Technical Cooperation Facility
TI CPI	Transparency International Corruption Index
TNDP	Third National Development Plan
TOR	Terms of Reference
UAE	United Arab Emirates
UN	United Nations
UNDP	United Nations Development Programme
UNIP	United National Independence Party
UNSD	United Nations Statistics Division
US	United States
USAID	United States Agency for International Development
VCT	Voluntary Counselling and Testing
VOC	Vehicle operating costs
WTO	World Trade Organisation
ZABS	Zambian Bureau of Standards
ZAMMOD	*Annual macroeconomic model*
ZDA	Zambian Development Agency
ZDHS	Zambian Democratic Health Survey
ZWMA	Zambian Weight and Measure Agency

Executive summary

Why was this evaluation done? To arrive at a judgment of performance and learn lessons for future EU cooperation.

This report accordingly presents the findings of the 2010 Country Level Evaluation of the European Union's support for Zambia. The purpose of the evaluation is to provide meaningful feedback to the Commission, the Member States and the public on the achievements of EU cooperation with Zambia between 2001 and 2010. The lessons from the evaluation are intended to inform the current and future EU support for Zambia.

Methodology: How was the evaluation done?

The evaluation covered the EU's cooperation with Zambia during a period of economic transition from a longstanding socialist regime, supported by an unprecedented rise in copper export earnings and macroeconomic support from the donor community.

The reference period covers the last projects implemented under the eighth European Development Fund (EDF8), the core of EDF9 (2002-2007) implementation and the first stages of implementation of EDF10 (2008-2013). The evaluation is the very first step in the process of defining the EDF11 strategic response.

The projects and their combined contribution to the development of Zambia were analysed on the basis of project evaluations, internal progress reports, monitoring data, and documentation from other development partners including international NGOs and research organisations. During a subsequent two-week visit to Zambia the evaluators used interviews (110), focus group discussions (4) and visits to project sites (10) to validate the hypotheses they had formulated on the basis of their review of the documentation.

What was the social and economic context in Zambia for EU cooperation?

Zambia has a population of 13 million people (half under 15 years of age) dispersed over an area of the size of France. Vast areas of the country are thinly populated since one third of the population resides in the two major financial centres of Lusaka and the Copperbelt.[1] The weak infrastructures (bad road conditions, excessive telecommunication costs and unreliable power supply) make it costly and difficult to access export markets or move imported goods.

After three decades of economic mismanagement and decline in human development, the country has seen significant progress since 2000. Twelve successive years of growth have trebled *per capita* income to $995 and almost brought Zambia to lower-middle-income status. Progress in human and social development has been mixed.

Government exhibited broad commitment to governance reforms although implementation has been uneven and has slowed recently. The risk of misuse of government funds remains high, corruption being a persistent threat. Accountability to State institutions is still developing and, while Civil Society Organisations (CSOs) are active, they are still unable to hold government to account.

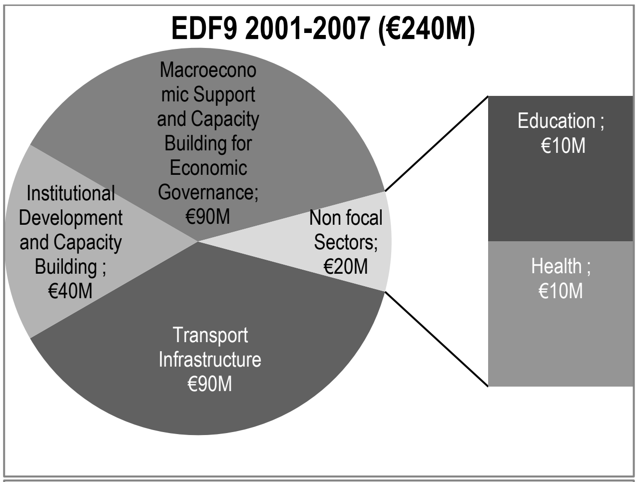
How did the EU cooperate with Zambia?

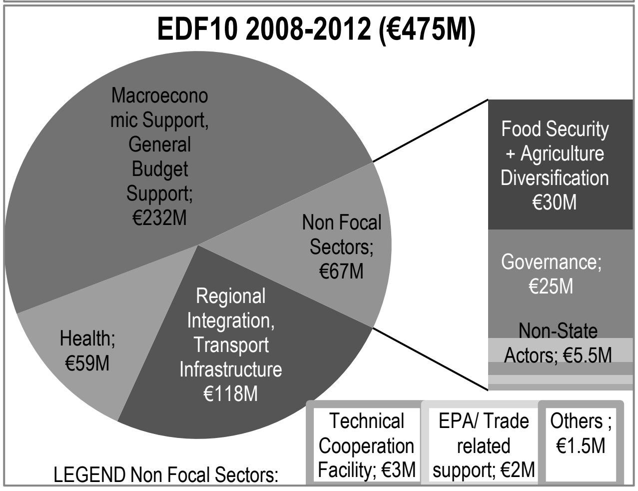
EDF9 and EDF10 have globally aimed to support the objectives of the Poverty Reduction Strategy Paper, the Fifth National Development Plan (FNDP) 2006–2010 and the Sixth National Development Plan (SNDP) 2011-2015. The process of achieving the aims of the National Indicative Programmes (NIP) 2001-2007 and 2008-2013 shows that the EU development aid programme is using a wide range of aid modalities and instruments to implement its strategic response.

The EU intervention logic during the evaluation period focused on economic transition through infrastructure (road sector) development, regional integration, Public Finance Management (PFM) and support for private sector development. Of the approximately €1.1 billion of country strategy financing over the 2001–2010

[1] World Bank (Country Assistance Strategy, 2008)

period, roughly equal proportions were allocated to general budget support (GBS) (39.2%) and project approach (39.9%). Sector Budget Support (SBS) accounted for the balance of about one-fifth of total resources (20.9%).





<u>What were the findings of the evaluation?</u>

Relevance of EU strategy and coordination

The EU response strategy is well aligned with the policy and strategic priorities of the Government of the Republic of Zambia (GRZ) as reflected in its national development plans and similar strategic documents. It has at the same time focused reasonably well on the needs of the population but, even so, important challenges in that regard still remain to be met, particularly in terms of governance, poverty alleviation and addressing the basic needs of the more deprived districts.

Moreover, the macro-economic and macro-financial situation of the country gradually evolving towards lower-medium income status since around the middle of the past decade has not been fully reflected in the various orientations of the response strategy.

Effects of General and Sector Budget Support programmes

EU Budget Support has increased the size and share of aid in the budgetary processes, and has served as a catalyst in various improvements to the government's planning, accounting and reporting procedures. In providing resources through the budget to enhance government's ability to implement its strategy effectively, the EU pioneered a major shift away from donor-led projects. During the second part of the evaluation period, despite the fact that the EU remained the major budget support contributor, the financial leverage of GBS diminished, with Zambia becoming less aid dependent.

Zambia has relatively inclusive dialogue structures that have offered government and the EU a potential platform for handling sensitive and controversial political and economic issues. However, government lacks the capacity and political will to manage these dialogue structures in an effective and efficient manner, except in the case of health.

Impacts on Economic Transition

The major EU contribution to Private Sector Development dates from the first years of the reference period, with support for the SYSMIN, Mining Diversification and Export Development Projects.

Following this targeted support, mainly to the mining industries during EDF8, the EU embarked on a more comprehensive approach to economic transition through Private Sector Development (PSD), linking up GBS, Road SBS, Capacity building for PSD (CBPSD), and the Public Expenditure Management and Financial Accountability project (PEMFA).

Although these initiatives at first imparted a momentum to PSD reforms, this was not sustained during implementation of the projects. The private sector developed independently of the EU interventions that were aimed at improving its enabling environment.

Impacts on Road Sector Management, and Accessibility-Mobility

The EU contributed to major institutional reforms and to operationalising the Road Development Agency (RDA), the National Road Fund Agency (NRFA) and, to a lesser extent, the Road Safety Agency (RSA), by providing financial inputs through one of the very first EU Sector Policy Support Programmes (SPSP) in Africa, accompanied by significant technical assistance support.

The 2009 Office of the Auditor General's audit revealed major over-commitment, weak design and supervision, poor contract management, and systematic over-engineering of the Core Road Network (CRN) rehabilitation by the EU-supported Road Development Agency. The EU duly suspended the final SPSP1 disbursements and the launch of SPSP2, pending corrective measures by GRZ.

The EU interventions made a major contribution to enhancement of Zambia's economic accessibility from and to external markets through the SPSP1 financial input for CRN maintenance and rehabilitation, particularly in regional corridors. However, the picture is different with the feeder roads, notably rural roads in bad condition.

Impacts on Health

The EU's combined GBS and health SBS contributed to substantial budgetary increases and improved services, with increased utilization of health facilities. The EU's specific focus on human resources management reform gave a strong forward thrust to its successful implementation and allowed addressing of the issue of persistent staff attrition in the context of an imposed staff employment freeze.

However, the combined EU/ Development Partners' support was not a sufficient response to ensure an equitable distribution of the growth revenues and to address the increasing vulnerability of the population associated with a deteriorating health environment, notably as regards nutritional issues (especially for pregnant women and infants) and patients' response to AIDS treatments. Despite significant progress, results (e.g. in the in maternal mortality ratio) are still far from the targets set in the Millennium Development Goals (MDG). In addition, the findings of recent studies will need to be addressed in the next support programmes, especially those confirming households' increased preference for private suppliers of services and drugs.

Finally, the 2009 crisis – with the misappropriation in health funds that led to a uniform response in delaying PRBS disbursement – played a pivotal role in the ongoing reform of the sector's governance.

Impacts on Food Security and Agriculture

The EU's Agriculture Diversification and Food Security (SADFS) project fell short of the initial expectation of elaborating a revised policy framework for food security as well as improving smallholder access to extension services and agricultural inputs (fertilizers, seeds, etc.). EU interventions had no significant impact on food security countrywide or even at local community level beyond the direct beneficiaries of small-scale Food Facility projects. They faced considerable difficulties with the inertia and limited capacities of the Ministry of Agriculture and Co-operatives' (MACO) which were not anticipated during the design of SADFS and conservation farming projects. Only a few small-scale projects supporting non-state actor (NSA) initiatives were successfully and sustainably implemented. The scope for developing an integrated sector strategy and local ownership is limited.

Strengthening Democratic Governance and Civil Society

EU support for Civil Society Organisations (CSOs) was provided in the absence of a conducive legal and regulatory framework aimed at maximising the potential of CSOs as development actors. The presence of CSOs and their interface with government and the population is ensured only to a limited extent. Generally, CSOs in Zambia still face substantive obstacles to becoming sustainable entities operating in all the relevant policy areas.

The EU has throughout fostered open dialogue, most particularly through regular consultations with CSOs in the thematic programmes. EU support has also contributed to transparent electoral processes and well-organised elections.

Aid Efficiency

The mix of EU aid instruments, approaches and financing modalities has generally been well adjusted to sector specific factors, adapting over the period in line with the changing context.

An analysis of the synergy between aid modalities within each focal sector and across different areas was undertaken during EU strategy formulation at both country strategy formulation and regional levels. Complementarity of the EU aid modalities with those of other donors has been achieved, particularly in relation to the EDF10 CSP/NIP.

During the reference period shortcomings affecting the JASZ harmonisation, the containment of crises in the health and transport sectors, and the necessary budget support (BS) enabling environment limited the overall performance of BS programmes. These shortcomings notably relate to the level of ownership; the quality of high-level political dialogue; weaknesses in the demand focus, especially of GBS; and the design and operational quality of the BS tools and systems.

A lack of consensus with the Cooperating Partners (CP) as regards the ultimate rationale of budget support as an aid modality has reportedly affected the political dialogue – and, in the end, corresponding operations – negatively, some partners emphasizing development impact, others its functionality as a governance and accountability tool.

Main Conclusions

The EU response strategy has been in line with the policy priorities of the Government of Zambia. It was relatively well-focused on the needs of the population in the first half of the 10-year period under review (mostly covered by EDF9). The EDF10 response strategy, though comprehensive and well-articulated, underestimated the speed of evolution of the emerging macro-economic situation and its incidence on the steady decrease in the weight of Official Development Assistance (ODA) in overall GRZ revenues.

In parallel with economic growth, an increased focus on accountability first emerged in the Civil Society and Media, and was then progressively taken on board by government, notably with EU support (PBRS Reviews, PEMFA[2] components, performance assessment frameworks).

During the first part of the evaluation period budget support increased the size and share of aid within GRZ's budgetary processes, facilitating implementation of the FNDP through improved government planning, accounting, and reporting procedures in respect of aid inflows. However, the amount of off-budget aid requiring parallel planning, administration, and reporting processes is still substantial.

In contrast with this increase in the volume of EU GBS funding, its percentage share in government expenditure decreased from an initial 6.4% in 2002 to 3.7% in 2004 and then to 2.5% in 2010. Aside from this relative decrease, alternative external sources of funding are multiplying, with incomparably lower transaction costs. Zambia has generally lost its appetite for EU financial support, mainly on account of its comparative disadvantages, notably lengthy procedures, one-sided decision-making, heavy reporting, and packaging of politically sensitive issues, along with high transaction costs.

The EU actively participated in the PRBS reviews, the high-level policy dialogue on the strategic and long-term developmental agenda, and the sector advisory groups. However, dialogue opportunities were limited and weak; GRZ often shies away from open dialogue and refers everything back to 'Cabinet discussion'. This attitude was of a political nature during the later years of the reference period but has also reflected a lack of capacity (human resources, reliable and detailed budgetary data) within the Ministry of Finance and National Planning (MoFNP) – the main if not the only partner in policy dialogue.

There is a lack of consensus, both among the cooperating partners and between them and the GRZ, on the appropriate size and content of the *Performance Assess-*

[2] Public Expenditure Management and Financial Accountability project

ment Framework (PAF). The PAF is the pivotal instrument of the PRBS policy dialogue but development partners have not managed to harmonise their different expectations of this central monitoring tool.

Governance and Public Finance Management (PFM) progressively became the major EU strategic concerns, unexpectedly so considering the relatively good performance in both respects during the first half of the reference period. The EU contribution in dialogue on public financial management issues was however a driver of PFM reforms. The whole new administrative set-up, both PFM and indeed sector-wise, remained extremely susceptible to external political pressure and demonstrated only limited regulatory autonomy, if indeed any at all, as promoted by the EU.

While some progress has been made in the strengthening and expansion of the Auditor General Office, there remains only weak domestic accountability by government for the budgetary process, all the more so given the absence of concrete involvement of Parliament and CSOs during the first three years of MDG-Contract implementation[3].

Main Recommendations

The five meta-recommendations flowing from this evaluation are listed below:

1. Engage in accelerated adjustment of EU strategy in response to the steady decrease in the leverage capacity of EU financial input.

Increased leverage – Increase further the focus of EU cooperation and free up more leverage capacity by gradually moving away from the infrastructure sector; the EU exit strategy from the road sector will be balanced by the multiplicity of alternative funding opportunities with far lower transaction costs and policy reform requirements.

Good Governance and Development Contract – Engage in preparing a "Good Governance and Development Contract"[4] by the end of the MDG contract by progressively reorienting EU interventions towards mainstreaming Governance.

Agriculture reform Contract – Initiate a "Sector Reform Contract" for agriculture, including rural investment, land tenure and access to agriculture inputs.

Drivers of growth – Reinforce EU support for drivers of sustainable economic growth (Vision 2030) typical of lower-middle and middle income countries, such as trade liberalisation (through Regional Economic Communities followed by harmonization at national level) and SME development, with progressive widening to include social security system development, higher education and research. A project approach would suit the need for flexibility facilitated by progressive involvement.

2. Focus on a "Good Governance and Development Contract" on vertical and horizontal accountability, democratic and economic governance, and performance monitoring.

Domestic accountability and national control mechanisms – Effective accountability mechanisms compel both governmental and non-governmental organisations to remain relevant and responsive to the needs and demands of the groups they serve. Therefore, the EU should focus on its fundamental values of human rights, democracy and the rule of law when designing the next budget support contract.

PFM reforms – engage government in developing a successor PFM reform programme (from 2013).

Civil Society Organisations – Pursue a comprehensive and integrated capacity strengthening programme with demand-driven, customised services for the different main types of CSO, appropriately clustered.

Economic and Corporate Governance – engage in supporting economic regulation, that is to say separating the government's policymaking and regulatory roles by establishing independent regulatory mechanisms. Besides supporting corporate governance, the EU should contribute to enhancing tripartite relations between private sector intermediary

[3] Additionally, the team identified 32 specific conclusions directly related to EU sectors and programmes.

[4] In line with the COM(2011) 638/2, "*The Future Approach to EU Budget Support to Third Countries*".

organisations, government and unions through calls for proposal initiatives.

3. Carry on with the project approach in agriculture, focusing on rural investment, land tenure and access to agriculture inputs.

4. Engage in an exit strategy from the road sector by first maximizing the Road SPSP II focus on rural transport.

Reorient SPSP2, minimising rehabilitation and even maintenance of the paved CRN, and conversely increasing focus on the unpaved CRN and feeder roads.

Divert a part of SPSP2 from infrastructure to transport services so as to increase EU leverage in transport facilitation and rural transport.

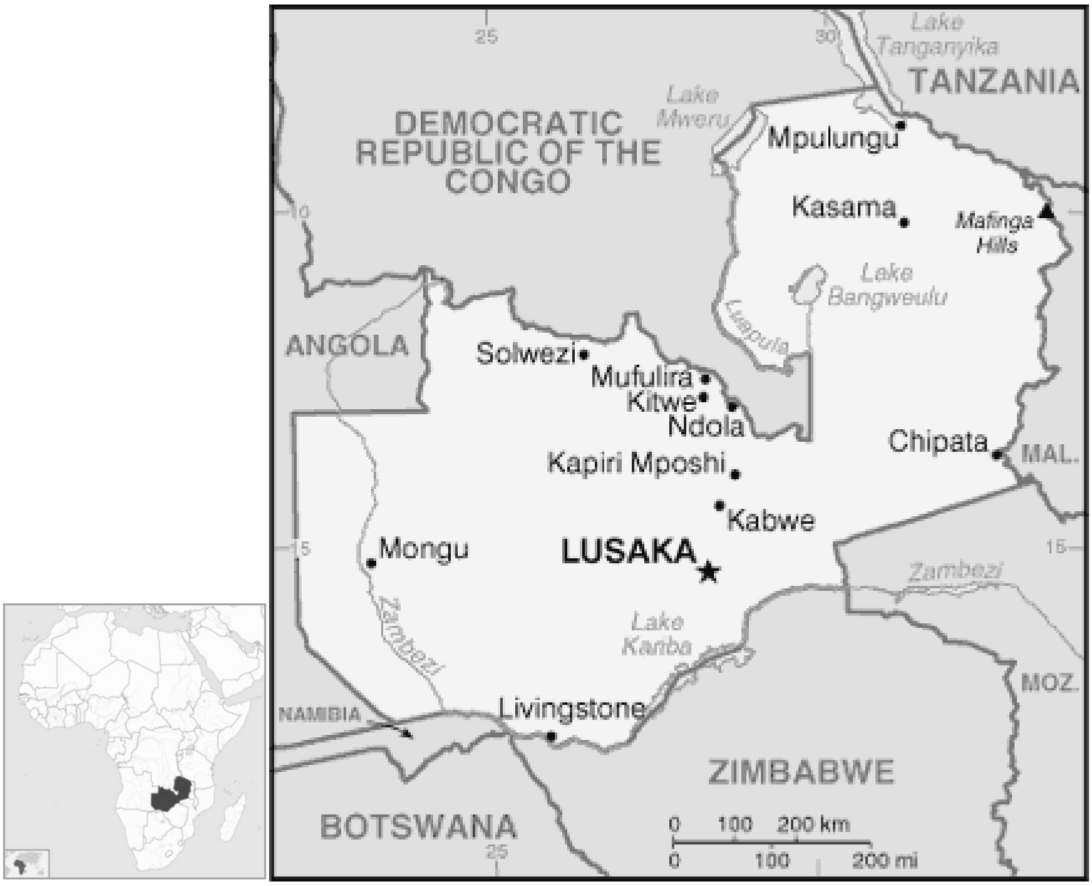
Force account units at provincial level should be progressively disbanded after organising massive training programmes for supervisors and technicians in the basics of spot improvements to rural roads. All local authorities and communities should be eligible for EU co-financing to improve responsiveness to needs and ownership, and thereby sustainability.

5. Address the issue of persisting rural vulnerability in the districts most at risk.

In a SWAp for the health sector, sustain a joint long-term EU commitment to improved staff management in Zambia.

Support harnessing of high household expenditures into formalised systems such as social health insurance or community pre-payment schemes. The EU could also suggest development of mechanisms for encouraging contributions by private for-profit companies.

Figure 1: Map of Zambia



Source: https://www.cia.gov/library/publications/the-world-factbook/geos/za.html

1 Introduction

The evaluation of the Commission of the European Union's support for Zambia[5] (Country-Level Evaluation) is part of the 2010 evaluation programme approved by the former Directorates-General for External Affairs and Development (now DG DEVCO). The present evaluation has been carried out under consortium contract EVA 2007/geo-acp. The consortium is composed of the following companies: ECO Consult Sepp & Busacker Partnerschaft (Germany – Lead Company), AGEG Consultants eG, (Germany), Euronet Consulting EEIG (Belgium), Institut de Recherche et d'Applications des Méthodes de Développement (IRAM, France) and Nordic Consulting Group (Denmark). The Evaluation's Terms of Reference (ToR) are included as an annex (Annex I).

1.1 FRAMEWORK OF THE EVALUATION

Scope of the evaluation

The evaluation covers the EU's co-operation strategy with Zambia and its implementation during the period 2001-2010. It is forward-looking and aims to draw out the lessons learned with a view to fine-tuning the future EU strategy and its implementation.

The consultants' assessments cover the following:

- The relevance and coherence of the EU's co-operation strategies for the periods 2001-2010 and the on-going programming cycle. The consistency of the EU strategy in Zambia with the EU's general policy framework in respect of developing countries has also been considered.
- The implementation of the EU's co-operation, focusing on efficiency, effectiveness and impact over the period 2001-2010 in focal sectors (macro-economic support, transport and health), and on the intended effects during the period of the ongoing programming cycle, including consistency with the previous strategy, effective use of lessons learned, and changes in the national context and bilateral relations.
- The coherence and complementarity of the EU strategies with the national strategies and the interventions of other donors, notably the Member States. EU added value was analysed, notably in the framework of General Budget Support.

The investments of the European Investment Bank (EIB) are outside the scope of this evaluation, but the coherence of EIB interventions with EU interventions was analysed.

Thematically the evaluators focused, as requested in the TOR, on the sectors that form the core of the EU's strategic response under EDFs 9 and 10. Both Country Strategy Papers (CSPs) identified the following focal and non-focal sectors:

- Macroeconomic support (including General Budget Support and related Public Finance Management interventions)
- Infrastructure: mainly the road network, but also airports and urban markets
- Private sector development: direct support (loans) and Capacity Building
- Social services: Health and Education
- Food Security and Agricultural diversification
- Support for Non-State Actors (NSAs)
- Good Governance: support for elections and Access to Justice; and
- Regional integration, Economic Partnership Agreement (EPA) and trade-related support.

5 In this report the consultants will refer to DEVCO and the European External Action Service (EEAS) which was created with the Treaty of Lisbon (entry into force on 01/12/2009) as opposed to the former DG AIDCO and DG RELEX. The term 'EU support' will not include development support by EU Member States, but rather development support managed by the Commission of the EU (e.g. in form of EDF or EU budget line funding) in coordination with the EEAS.

The analysis included crosscutting issues (gender, human rights, and environment), with an emphasis on the synergies found in connection with improved governance.

Capacity Development is a crosscutting issue in the various sectors. The analysis of these sectors and issues covers the whole range of instruments, approaches and financing modalities used by the EU, based on an inventory of its funding from various instruments during the period under review.

Another issue targeted by this evaluation is the way in which synergies were created and gaps filled between bilateral and regional EU strategies and programmes of the EU, in particular in the framework of co-operation with the Intergovernmental Authority on Development (IGAD) and the Common Market for Eastern and Southern Africa (COMESA). Similar targeting was applied to thematic budget lines that contribute particularly to food security (Food Facility).

The scope of this evaluation covers the findings, conclusions and recommendations of the previous country level evaluation (2006), particularly checking whether the EU implemented its main recommendations.

Objectives of the evaluation

The main objectives of this evaluation, as laid out in the ToR, are:

- to provide the relevant external co-operation services of the EU and the wider public with an *overall independent assessment* of the Commission's past and current cooperation relations with Zambia;
- to identify *key lessons* in order to improve the *current and future strategies* and programmes of the Commission.[6]

These objectives are understood in the context of the overall priorities of the Commission of the EU. The systematic and timely evaluation of its expenditure programmes is one of these priorities. As stated in the ToR this evaluation contributes to:

- accounting for the management, that is use, of the allocated funds; *and*
- promoting a lesson-learning culture throughout the organisation.

It is therefore important that the evaluation strikes an appropriate balance between being (i) comprehensive enough to fulfil the above accountability requirement; and (ii) specific enough to yield useful and relevant lessons that can be used by the EU and its partners to increase the results-orientation of its support.

1.2 OVERVIEW OF THE EVALUATION PROCESS

Following the Terms of Reference and based on the methodology developed by the EU's Joint Evaluation Unit, the phasing of the Country Level Evaluation for Zambia five-fold, *viz*.:

(i) an inception phase;
(ii) a desk phase;
(iii) a field phase;
(iv) a synthesis phase bringing together the results of the field and desk phases; *and finally*
(iv) a restitution in Zambia with stakeholders and the Delegation.

In the elaboration of this synthesis report, the evaluators:

- collected data and documentation from European Union (EU) headquarters (Common Relex Information Services – CRIS, On-line Accounting System (OLAS) databases) and the EU Delegation in Lusaka; selected donors; various libraries; and the Internet[7];
- conducted interviews with EU officials in Brussels and Lusaka, central services in

[6] Emphases added by the consultant.

[7] Bibliography used in this report is listed in annex VIII. All available documentation has been uploaded to a website by which the whole evaluation team can exchange large amounts of data.

Lusaka, decentralised services in Kaoma District, cooperation partners, and civil society organisations (CSOs)[8].

- organised three focus groups with EU interventions beneficiaries;

This Synthesis Report:

- discusses the evolving context of EU assistance to Zambia;
- presents the overall intervention logic of the EU in Zambia;
- presents findings in accordance with the judgment criteria (JC) and indicators that measure progress towards the objectives the EU set for its involvement in Zambia (see information matrix in annex);
- provides an analysis of the contribution that the EU has made to improving the situation in Zambia by presenting answers to the EQs and related conclusions;
- presents the implied recommendations.

1.3 METHODOLOGICAL APPROACH

A detailed description of the evaluation design and methodology is included as Annex II.

The Evaluation Questions (**EQs**) are based on:

- the stated objectives, priorities and principles, keeping in mind the need for a clear and useful overall assessment;
- expectations expressed in the ToR and by Reference Group members and other informants;
- the need for useful answers in line with the purpose of this evaluation;
- the need to pay due attention to difficult criteria such as efficiency or sustainability.

The EQs were approved by the Reference Group and form part of the contractual obligations.

The evaluation is based on the five evaluation criteria defined by the OECD-DAC (relevance, efficiency, effectiveness, impact and sustainability) as well as the criteria of coherence, coordination and complementarity in three respects:

- coherence within the development programme of the Commission of the EU;
- coherence/complementarity with the policies of the partner country and complementarity with the interventions of the other funding agencies;
- coherence/complementarity with other Community policies and the added value of the EU's interventions.

The information matrix in the annexes (Annex XI, Volume III) presents the findings (and the sources used) at indicator level. The analysis of the judgement criteria and the implied answers to the EQs are included in this main report.

2 The Co-operation Context

After three decades of economic mismanagement and decline in human development, the country has seen significant progress since 2000. Twelve successive years of growth have trebled *per capita* income to US$995 and brought Zambia to the cusp of lower-middle-income status. This growth has been built on sound macro-economic management and a friendly business climate drawing in major foreign investment, mostly in mining[9]. The industrial sector represents 33.7% of GDP and its main source of income is mining, mostly copper (generating nearly 8% of export earnings). As a land-locked nation bordered by seven other countries, further regional integration, in particular progress on the North-South corridor connecting Eastern and Southern Africa, will be an important driver of prosperity.

[8] See annex IX for a List of persons met.
[9] Copper contributes for 75% of exports

Zambia has a population of 13 million people (half under 15 years of age) dispersed over an area of the size of France. Vast areas of the country are thinly populated as about one third of the population resides in the two major centres Lusaka and the Copperbelt.[10]

The currently weak infrastructure (bad road conditions, excessive telecommunication costs and unreliable power supply) makes it very costly and difficult to access export markets or move imported goods. Besides the high transportation costs, other (related) challenges in the infrastructure sector concern the high cost of building materials and construction equipment, and limited local contracting and consultancy capacity, along with unfavourable competition between local and foreign government procurement contractors.[11]

The private sector in Zambia consists of a few large firms, mostly in the mining sector, and a large number of small firms and micro-firms in the informal sector. Agriculture is an important provider of private sector initiatives. The share of the informal sector in economic activity and employment has been growing.

Social Environment – MDG Achievements

Progress on human and social development has been mixed. Zambia is on track to meet the education, under-five mortality and HIV Millennium Development Goals (MDGs), with net enrolment in primary education at around 97% in 2008, up from 70% in 1999. Zambia committed itself to the Education for All (EFA) goals and MDGs in 2000, and is likely to meet the related targets in the education sector.[12] The incidence of malaria has fallen sharply and is now under 10% while HIV prevalence stands at 14%. However, Zambia still ranks 164 out of 187 countries according to the Human Development Index (2011).

Zambia is failing to achieve its health MDGs partly because of the challenges of serving a geographically dispersed population. Maternal and child mortality are high with over 7 million years of healthy life lost annually owing to a high disease burden and inadequate health services. Zambia is also off-track on MDG 7 (Environmental Sustainability). Nearly 5 million Zambians lack access to safe water and a further 6.5 million lack access to adequate sanitation. In order to better tackle these challenges, in 2005 the government developed the Human Resource Strategic Plan (HRSP) in addition to the five-year National Health Strategic Plan (NHSP) for the period 2006-2011.

Poverty

Economic growth helped urban poverty fall by a third between 1996 and 2006. However, as mining employs only 50,000 people and contributes less than 2% of GDP in tax, this has meant little for the rural areas where two-thirds of Zambians live. Three-quarters of the rural population survive on less than $1 a day, mostly from subsistence farming, seasonal labour and petty trade. Zambia has not yet adopted a model of pro-poor growth and the distribution of income within the population remains very unequal.

Zambia is therefore seriously off-track on MDG 1 (Poverty). Around 60% of Zambians live in poverty with a third unable to meet even basic food needs, and inequality remains very high. Only a quarter of children under the age of two have a minimum acceptable diet and 45% of under-fives are stunted due to chronic undernourishment.

Governance and Civil Society

Zambia has long been relatively stable and peaceful, with twenty years of elections that have been free and generally fair. Political authority remains centralised and focused on the presidency, leading to a “winner takes all” political structure. Overall, governance has improved in recent years with the State broadly more capable, accountable and responsive. This is reflected in improving (World Bank) indicators of good governance, which are above the average for Sub-Saharan African countries. Important results have been achieved during

[10] The two most urbanized provinces are Lusaka (29% urbanisation) and the Copperbelt (42% urbanisation), World Bank (CAS 2008)
[11] See FNDP 2006-2010, p.80.
[12] Millennium Development Goals – Progress Report 2008,UNDP, p.5

the reference period, notably in the areas of protection of human rights, promotion of gender equity, constitutionalism, and improved freedom of the press, thanks to the proactive involvement from CSOs and economic NSAs. The gap assessment conducted during the EDF10 MTR in October-November 2009 concluded that out of 199 commitments made by the Zambian government only 15 had been fully met, 95 registering some progress, 78 slight progress and seven no progress at all. The GRZ conducted a country self-assessment under the APRM process, which involved government, civil society, the private sector and individual people.

There has been **broad commitment to governance reforms, although implementation has been uneven** and has recently slowed as a result of short-term political thinking. The **risk of misuse of government funds remains high with corruption a persistent challenge**[13]. State accountability institutions are still developing and Civil Society Organisations (CSOs) are active. They enjoy a certain degree of freedom of expression, which allows participation in public decision-making processes but are often unfocused in their attempts to hold government to account.

Impact of Official Development Assistance (ODA)

Foreign aid has increased strongly over the last ten years: in real value, grants increased nine-fold between 2000 and the record year of 2006 before falling back in 2009 to their 2004 levels. *Per capita* total aid (grants + loans) increased three-fold between 2001 (US$53) and 2006 ($151) and totalled $98 in 2009. According to OECD/DAC data on ODA flows since 2003 on the proportion of total ODA receipts (excluding debt relief), budget support rose continuously from 6.5% of the total in 2003 to 21.9% in 2008, before falling back to 19.7% in 2009[14].

The 2008 Paris Declaration monitoring survey measured the extent to which donors made use of country systems for budget execution, financial reporting and audit. On average, across the three systems 59% of aid channelled to Zambia was through country systems, with 11 donors using all three systems, representing 41% of all ODA channelled to the government[15]. 81% of donors utilised procurement country systems as compared to 41% recorded by the PD Monitoring Survey of 2006. The 2010 target for aid using country systems for procurement purposes has thus already been attained. This upward trend in funds channelled through the government's budget process and PFM system has been attributed to policy dialogue and improved national procurement management under the Public Procurement Authority.

Total assistance (including Budget Support in loans and grants, projects, SWAps and other forms of basket funding as well as humanitarian aid) has accounted for a stable one-fourth of total central government expenditure (with a record 28,7% in 2009). In Zambia budget support and sector budget support have brought about an increase in the volume of funding channelled through the government’s budgetary processes.

The country took advantage of an early commitment through the Highly Indebted Poor Country (HIPC) initiative the funds relating to which amounting to between 5.5% and 7% of GDP[16] in the first years of HIPC implementation (2001-2003). HIPC definitely contributed to the rebuilding of gross reserves after 2001-2002. After the country had restored them to one month’s-worth of imports in 2004, the international reserves were continuously strengthened by booming export revenues, which increased three-fold between 2002 and 2006 as a result of increases in both the price and volume of copper exported, particularly after 2005-2006. This in turn contributed to increased budgetary earnings, thanks to improved budgetary discipline, a notable result of the combined donor commitment to PFM reform. In comparison, foreign currencies from budget grants culminated more modestly to less than

13 Transparency ranking for Zambia in 2011 is still 91 out of 183 assessed countries (www.transparency.org).
14 These figures extracted from OECD/ODA however include aid that is not captured by the budget (i.e. spent through NGOs, project structures or at district level) and MoFNP figures on Aid are far lower.
15 PD Monitoring Survey 2008 Report; and FNDP Annual Progress Reports for 2007 and 2008
16 As a reminder BS funds never exceeded 2% of GDP

two weeks'-worth of imports.

The increase in Foreign Direct Investment is the second driver of reduced Zambian dependency on aid during the second part of the evaluation period, FDI increasing tenfold between 2001 and 2010. Whereas budget grants[17] accounted for half of the international reserves in 2003 (and still accounted for 40% in 2005), their share of international reserves has fallen below 20% since 2005 and has remained below 10% since the 2009 crisis.

3 EU Co-operation Strategy and Intervention Logic

Thematic scope of the cooperation

Cooperating Partners (CPs) generally work well with the Zambian Government (GRZ) with a good donor division of labour under a Joint Assistance Strategy (2007-2010). As the economy has grown, dependence on traditional donors' development aid – Official Development Aid (ODA) – has fallen to 18% of the government's budget. Non-ODA sources of development finance are becoming increasingly important, especially from China.

EDFs 9 and 10 globally aimed to support the objectives of the PRSP and of the FNDP 2006–2010. Implementation of the CSP-NIPs 2001-07 and 2008-13 shows that the development aid provided by the EU Commission to Zambia encompasses a wide range of aid modalities (programme/project approach, GBS/SBS) to improve value-for-money and reduce the fiduciary risks of its sector-wide approaches, mainly in transport.

The EU selected three focal sectors in each of the programming cycles covered during the reference period. The support for the road infrastructure and management sub-sector was continued through EDFs 9 and 10, as was support for PFM (macroeconomic support and capacity building). The third focal sector changed from capacity building – including private sector development and agriculture – in EDF9 to the health sector in EDF10.

Figure 2: EU co-operation with Zambia: evolution of focal & non-focal areas

	Focal Sectors			Non Focal Sectors		Total amount*
CSP 2001-2007 NIP 2001-2007 (EDF 9)	**Transport infrastructure (€90M)** • Preventive maintenance of Trunk, Main and District Roads • Maintenance and rehabilitation of Feeder Roads • Studies of Transport mode and for track upgrading	**Institutional Development and Capacity Building (€40M)** ▪Financial and economic management ▪Public-private dialog ; non-state actors ; access to distance learning courses ▪ Agriculture / Food Security (after MTR)	**Macroeconomic support and capacity building for economic governance (€90M)** ▪Macroeconomic reform programme/ Budgetary support	**Education (€10M)** •Qualitative & quantitative support	**Health (€10M)** •Basic health services •Human resources	•A-Envelope: **€ 240M** •B-Envelope: **€111M**
CSP 2008-2013 IP 2008-2013 (EDF 10)	**Regional Integration, Transport infrastructure (€118M)** •Maintenance and rehabilitation of paved and unpaved roads •Rehabilitation Great East Road •Aviation sector (safety and regulatory issues)	**Health (€59M)** •Access to health services •BHCP •HR •Capacity Building •Nutrition programmes	**Macroeconomic support. General budget support (€232M)** • Fiscal financing, service delivery for poverty reduction, domestic funding, private agents and PFM	**Food Security and agriculture diversification (€30M)** • Export, promotion, sugar, investment	**EPA / trade related support (€2M)** • Capacity building, Marketing and certification standards	•A-Envelope : **€475M** •B-Envelope : **€14,8M**
				Governance (€25M) •Institutional Capacity, PFM, election	**Non-State Actors (€5,5M)** Organisational, institutional and policy support	
				Technical cooperation facility (3 M€)	Others (€1,5M)	

Legend
Same colors refer to same sectors
*The amounts refer to the initial EDF9 & EDF10 allocation

** Source: Own compilation based on information from CSPs and NIPs*

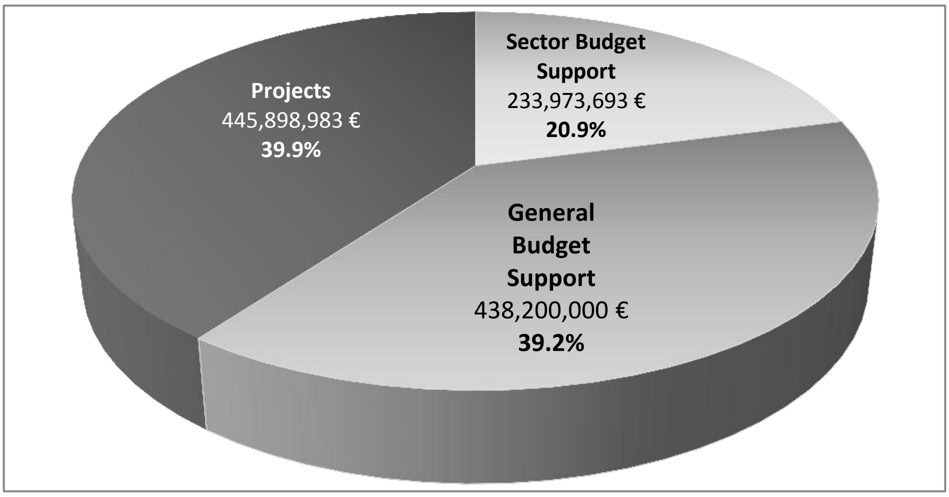
[17] It appears that "Budget grants" presented here among official transfers represent slightly (few %) different amount from "PRBS grants" presented in the 2011 BS evaluation.

In addition to programmable aid under the EDF country programmes, other instruments and funding sources were used in co-operation with Zambia during the period 2001-2010. Zambia has benefitted from regional EDF funding for Eastern and Southern Africa and the Indian Ocean (ESA-IO), for which the initial global allocation was €223m under EDF9 and €645m under EDF10.[18]

Aid modalities used

Of the approximately €1.1 billion of country strategy financing in the 2001–2010 period, roughly equal proportions were allocated to general budget support (39.2%) and project assistance (39.9%), Sector Budget Support being allocated the remaining one-fifth of total resources (20.9%). The mix of instruments, approaches and financing modalities changed over the period in line with the evolving context and the subsequent EDF cycles.

Figure 3: Total EDF Resources Allocation to Zambia by Aid Method/Modality (2001-2010)



Source: EU CRIS database

The EDF8 portfolio consisted solely of project assistance (all 23 interventions). The three General Budget Support (GBS) interventions under EDF9 represented almost half of total allocated resources (47.0%), increasing further to 55.3% under EDF10. Sector Budget Support (three SPSPs in transport, education and health) accounted for 29.4% of EDF9 resources, reducing slightly to 25.9% under EDF10 (three SPSPs in transport, health and electoral systems). Overall, the share of project approach (PA) financing fell from 100% under EDF8 through 23.5% under EDF9 to 18.8% under EDF10.

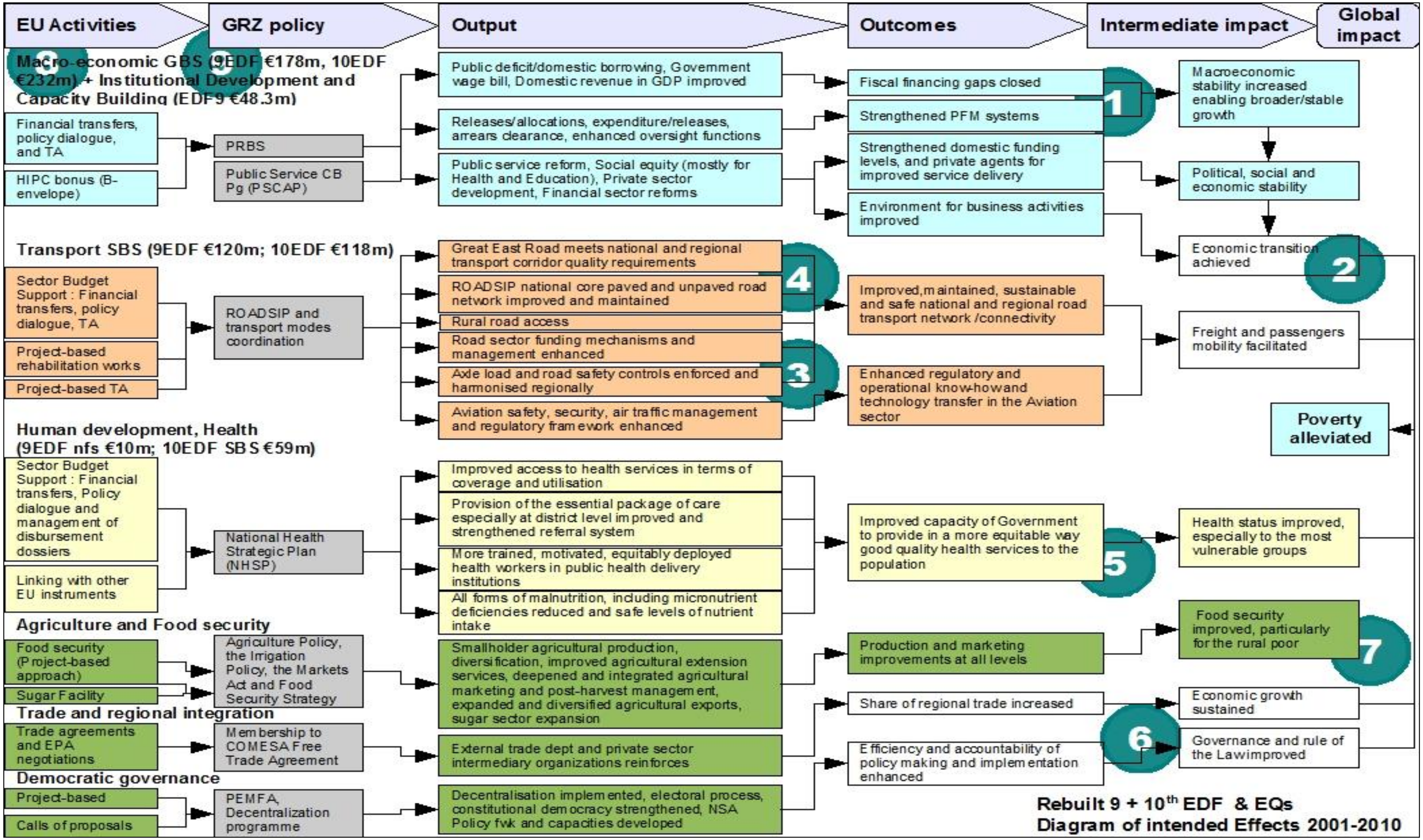
To the extent that total actual payments in relation to the total allocated or committed amounts can be considered a proxy indicator for the efficiency of aid delivery (e.g. in relation to absorptive capacity), under EDF9 94.4% of the allocated GBS budgetary resources were actually paid compared with 87.5% for SPSP resources and 66.1% for project approach resources. Unfortunately no data are available on actual expenditures in relation to the intended uses or results, owing to an absence of performance budgeting and expenditure monitoring.

The rebuilt **intervention logic** of the EU strategic response to the Zambian challenges during the reference period is presented in the following graph, underlining the focus on economic transition through infrastructure (road sector), regional integration, Public Finance Management (PFM) and support for private sector development.

The numbers in the circles stand for the number of the Evaluation question (cf. chapter 5), their placement in the diagram show their focus (strategy/sectoral) and level of analysis (activity/impact) in relation to the intended strategy.

[18] RSP-RIP 2002-2007 p. 26 & RSP-RIP 2008-2013 p.44

Figure 4: EQs and consolidated reconstructed intervention logic



4 Findings

This section presents the assessments for all EQs. For more information on raw information and sources relating to the analysis for each of the judgement criteria, please refer to the information matrix in Annex XI (volume III).

Difficulties encountered

The Delegation was particularly helpful in providing ample documentation on its past interventions in all sectors (with the exception of health). The staff made themselves remarkably available during the field mission, including the Head of Delegation and Head of Cooperation. The main difficulty encountered was the limited time available to organize meetings at high level in central government departments, particularly line ministries. In rare instances, less experienced staff replaced senior managers. The same time constraint made it necessary to condense the meetings, interviews and focus groups in Kaoma district into only one working day.

Last, the team's preliminary understanding of the context, and more specifically the recent changes in macroeconomic trends and their effects on GRZ revenues *vis-à-vis* EU budget support, had to be updated and put in perspective. The Delegation was supportive in this regard.

Change in Judgement criteria and indicators

The evaluation structure is almost unchanged from that approved at the end of the inception phase. Only JC 1.6 on health was removed and is instead addressed in the EQ wholly dedicated to health (no. 5). JC 2.6 on vocational training was ignored, as this component of the initially envisaged EU support to private sector development was in the event not put into effect.

For a few indicators (EQ4, EQ5, EQ7) data were not readily available in the accessible documentation but could be informed by at least qualitative proxies during the field phase. The indicators with limited or no added value for answering the EQs, such as workforce training (EQ3, JC4) or urban markets (EQ7 on agriculture, JC6), are analysed in the Information Matrix but not integrated in the main text. Below follows a presentation of the findings for each Evaluation Question. After a reminder of the JCs (the chain of reasoning), each EQ is answered and then followed by an analysis at JC level.

The quotes (for ex. JC 9.4 or I-2.3.4) included in the answers relate to a far more developed analysis in the information matrix (in the Annex XI). Tables, figures, and extracts from the relevant sources are presented there for each indicator.

4.1 RELEVANCE AND COHERENCE

EQ9:[19] To what extent has the EU cooperation at national and regional levels addressed the needs of the population as well as the policy priorities of the GRZ?

JC 9.1: The objectives of the strategy reflect the views and priorities of GRZ with respect to a comprehensive policy dialogue with the EU

JC 9.2: The objectives of the programmes correspond to needs of the population

JC 9.3: The selection of focal sectors of intervention and subsequent changes in the EU strategy were taken based on the comparative advantages of the EU (e.g. experience and expertise in the sectors)

JC 9.4: The EU's co-operation strategy for Zambia and its regional strategy were mutually reinforcing

Overall assessment

The EU response strategy was particularly relevant up to the mid-2000s. It then continued to be aligned on GRZ priorities but missed the economic recovery and the corresponding reduced aid-dependency of Zambia. The quality of the policy dialogue weakened in the second half of the ten-year period against the background of an unchanged EU demand for structural reforms in the policy dialogue platforms and aid coordination fora.

The EU response strategy has focused reasonably well on the needs of the population. GBS ensured enhanced resource allocation to the social sectors, to the MDGs, and to poverty alleviation. The macro-economic situation, which has been gradually helping Zambia evolve into a lower-medium-income developing country since around the middle of the past decade, has not been at the root of the response strategy. Priority alignment of EU objectives and GRZ priorities are less clear in the regional strategy.

The EU strategic response is well aligned on the population's needs and the government's poverty reduction policies. It proved capable of adjusting to changes in GRZ policy and to integrating new financial instruments in a coherent framework. This was achieved in the near-absence of high-level political dialogue.

The EDF9 CSP/NIP, covering the period 2001-2007, had been designed in line with the GRZ's most important overall development plan of that period, the Poverty Reduction Strategy Paper (PRSP). This also applies to the three focal areas of the EDF9 CSP/NIP: (i) transport infrastructure, (ii) institutional reform and capacity building, and (iii) macroeconomic support. Similarly, the GRZ Fifth National Development Plan (FNDP) 2006-2010 formed the basis for the discussions of the new EDF10 support programme (2008-2013) and the related programming exercise (JC 9.1).

The in-country dialogue between GRZ and Cooperating Partners on policy and programming priorities for the EDF10 CSP/NIP has been well facilitated by the Joint Assistance Strategy for Zambia (JASZ) at three levels, i.e. the strategic - policy level; the tactical - sectoral level; and the operational - interventions level, in line with the GRZ-Cooperation Partners' agreed division of labour (DOL). Overall, however, there is no evidence that the response strategy has been reviewed or, where appropriate or necessary, adapted to the emerging new overall macro-economic and macro-financial situation in which Zambia is gradually moving towards lower-middle-income developing country status.

As far as the overarching goal of poverty alleviation is concerned, the EU support, particularly through GBS, contributed to a positive performance, albeit with differences between the various sectors.[20] The 2009 Mid-Term Review of the FNDP provided evidence

[19] The presentation of the findings starts with EQ9 for its all-embracing scope.

[20] Measured on the basis of selected FNDP poverty indicators from the base period to the EDF10 CSP/NIP mid-term review period. Detailed poverty alleviation performance information on key indicators is included under the Indicator I-9.1.1 summary assessment in the Information Matrix annexed to this report (Volume III) – Source: FNDP MTR (2009) p43; Fifth National Development Plan 2006-2010 - Mid-Term Review of October 2009 - Chapter 2.6 Performance of Selected Poverty Indicators.

that during the 2006-2008 review period annual budget allocations to Poverty Reduction Programmes (PRPs) registered an increase from 42.6% in 2006 to 47.2% in 2008 (I-9.1.1).

Integrating emerging policy priorities through the Mid-Term and End-Term Reviews ensured that the initial EU response strategy remained relevant. The strategy also provided an appropriate framework for absorbing the additional funds allocated to addressing the effects of the global financial and food price crises (e.g. V-Flex GBS). Some emerging policy priorities were addressed, albeit with mixed results: Public Financial Management (PFM) good governance issues, which could have challenged even GRZ's eligibility for budget support; the new National Anti-Corruption Policy, despite subsequent policy setbacks; and the whole cross-sectoral thematic area of migration (covering brain drain, refugees and rural migration) (I-9.1.2).

The over-concentration on policy dialogue and policy formulation was to the detriment of the quality of projects' programming and operationalization, while the lack of political backing to policy dialogue during the last years of the reference period weakened the gains of the generalized budget support approach (I-9.1.2 and I-9.2.1).

Especially under the budget support programmes (GBS and SBS), the EU has striven to establish a balance between interventions supporting policy formulation and interventions improving policy implementation. However, whereas traditionally CP-government dialogue concentrated more on implementation issues, this changed with the overall switch to more budget support with over-concentration on policy dialogue and policy formulation issues, to the detriment of working with the government to address crucial implementation issues and bottlenecks (I-9.1.3).

The logical frameworks in the Zambia country level programming documents are partially incomplete and mostly very general. They do not contain performance indicators with baseline values or target setting, all requirements for meaningful policy dialogue. Further operationalisations are to be considered in the Performance Assessment Framework (PAF). All ROM-monitored projects in 2010 reportedly had good potential for sustainability, but had the lowest rating for effectiveness. All projects were reported to have weak Logical Framework matrices and had had difficulties with setting up working Monitoring and Evaluation systems. Henceforth, it is not the design of the strategy and the programmes/projects therein, but their implementation, which poses the greatest performance challenges (I-9.2.1).

The need for an innovative EU response strategy commensurate with Zambia's evolving macro-economic status has only partly been addressed.

During the preceding decade, Zambia managed to re-establish a macro-economic balance and growth, reaching the HIPC completion point in 2005 and therefore receiving large-scale international debt cancellation. Currently, the importance of aid in the economy has declined considerably as compared to earlier decades.[21] Major changes have been emerging since around the middle of the last decade, for example steady and substantial GDP growth;

[21] The sixth national development plan for the period 2011-15 was an opportunity for the donor community, together with the Government and the rest of Zambian society, to reflect upon how the country can move more effectively towards full independence in terms of financing its own development. Global experience has shown that it is important in such processes to move decisively towards the mobilisation of domestic revenues through taxation and non-taxation-related local funding, thereby firmly establishing a more mature relationship between the firms, the citizens and the State. The elected government and the parliament must increasingly become responsive to its electorate rather than to external aid agencies and considerable funding flows from outside. The emergence of a truly independent and genuine modern African state without the strengthening of this link will be difficult. A movement away from large-scale grant aid in Zambia in the next 5-10 years is possible if CPs, in tandem with GRZ, put increased emphasis on domestic revenue mobilisation, domestic accountability institutions and efficient and transparent public expenditures, coupled with effective national and sector development strategies. There is no conclusive evidence that these insights and lines of thinking which were shared with the evaluation team have constituted a consistent basis underpinning the new JASZ-II for the period 2011-2015.

extensive foreign direct investment; particularly from the BRIC countries and South Africa; and rising domestic public revenues, mainly from mining thanks to the booming world demand for copper and concomitant rises in commodity prices. The combination of these factors has led Zambia to achieve lower-middle-income country (LMIC) status by the end of the decade (JC 9.2).

Limits in engaging all stakeholders and in positively impacting on poverty reduction

There is no evidence of systematic needs assessment, satisfaction surveys or other similar types of analyses at the level of the targeted beneficiaries or of the population. An overall appreciation of the outcomes and impact of budget support on poverty reduction was provided in the 2011 budget support evaluation, which concluded: "*Within its short existence, budget support could not contribute very much to the reduction of poverty in Zambia. While some improvements are visible regarding poverty reduction and MDGs attainment, any progress has been slow*". So far, Government and Cooperating Partners have not been able to meet the rising expectations of the poorest groups, particularly in the poor rural areas. It would be illusive to think that with the relatively small amounts of aid *per capita* it would be possible to "make poverty history" within a few years. The EU contribution to budget support was not that high in comparison with the overall size of the national budget to make a real difference in generating leverage for encouraging pro-poor policy decisions. Moreover, many other variables and macro-factors are at stake (e.g. increased Foreign Direct Investments (FDI), increased public resources from mining taxation, overall growth of gross domestic product, etc.), which entailed at least equally important repercussions on general poverty levels (I-9.2.2).

Engagement of other stakeholders such as parliamentarians and Civil Society Organisations in policy dialogue platforms and external cooperation frameworks have remained limited. The substantial CSO capacity-building project originally planned under EDF9 was not in the end pushed through for various reasons, and has been postponed to EDF10 under which it is still awaiting implementation (I-9.2.3). In view of the limited participation of CSOs in policy dialogue platforms, it is unlikely that noticeable changes in policy frameworks have been brought about by CSOs up until now (I-9.2.4).

The selection of focal sectors and subsequent changes in the EU strategy have been attained based on the EU's comparative advantages, for example its experience and expertise in the sectors. An exception may be the dropping of education as a focal sector in the EDF10 CSP/NIP.

The broader reference framework for the selection of EU focal sectors for the EDF10 CSP/NIP has been the Joint Assistance Strategy for Zambia (JASZ). The JASZ is the main institutionalised forum for policy dialogue between the Cooperating Partners (CPs) in application of division of labour (DOL) principles. These DOL principles are also in line with the EU Code of Conduct on Complementarity[22] (especially insofar as complementarity with the programmes of the EU Member States is concerned). Zambia, under the inspiration of the EU and other lead CPs, appears to be a pioneer of and trendsetter for these DOL principles as further concretisation of the Paris Declaration principles regarding development effectiveness and the Accra Agenda for Action. Rather more critical assessments have been made (see EQ8) on the JASZ's abilities and performance as regards its DOL track record, although generally confidence in the JASZ was reconfirmed as also demonstrated by the signing in November 2011of the new JASZ-II for the coming years (I-9.3.1 and I-9.3.2).

[22] See the analysis of EQ6 indicator I-8.6.1 "The EU Code of Conduct on Complementarity and Division of Labour used in strategic/programming documents determining donors' aid modalities", information matrix excerpts in Volume III, including the 11 principles of conduct of the Code - EU (2009) p3.

The comparative advantage of the EU in Zambia is demonstrated by its leadership in the two focal sectors of health and transport infrastructure. These focal sectors correspond to Zambia's need to create an enabling environment to implement growth strategies. The non-focal areas, specifically those relating to agriculture and EPA support, are important in supporting the efforts of GRZ in diversifying the economy (EDF10 MTR) (I-9.3.1 and I-9.3.2).

Need for stronger performance M&E with a balanced, complementary focus on results effectiveness, aid efficiency and economic inputs management

The GBS monitoring and evaluation indicators basically focus on outcome and impact (PRSP-related as far as the EDF9 CSP/NIP is concerned, and FNDP and PAF/PRBS-MDG-related for the EDF10 CSP/NIP), and on input indicators (relating to Public Expenditure (Management) and Financial Accountability (PEFA/PEMFA) financial utilisation and good governance). For the sectors with sectoral budget support (SBS – SPSP), the afore-mentioned were complemented by the efficiency indicators (activities and direct outputs) from the sectoral M&E performance systems, for example the Health Sector Performance Monitoring Framework (HPMF). Together these were expected to provide a synthesised performance measurement picture covering all levels of the results chain (from inputs to impact), and also the three "E"s of performance management (Economy, Efficiency and Effectiveness)[23].

The development effectiveness of the EC General Budget Support was further strengthened under EDF10 by the conclusion of an MDG contract with GRZ which makes the release of variable GBS tranches dependent on measurable progress towards the achievement of the MDGs, in addition to the Public Financial Management (PFM) criteria, on which GBS variable tranche releases were dependent already before.

As is the case with the broader JASZ M&E set-up in general and in the context of the CSP/NIP management and monitoring, there appears to be an over-emphasis on the economy and effectiveness dimensions of "3Es" performance management. The M&E of the efficiency (operational) dimension remained largely underdeveloped (I-9.3.3).

There is evidence of emerging mutually-reinforcing complementarity between the EU's co-operation strategy for Zambia and its regional strategy, albeit with important challenges remaining as regards further strengthening of this complementarity, particularly in relation to the regional-national transposition processes[24].

A key aspect of these challenges relates to the rather complex institutional set-up for the regional response strategy, with the Eastern and Southern Africa – Indian Ocean (ESA-IO) regional strategy and programme (RSP-RIP) covering not less than four organisations, each with different membership (COMESA, IOC, EAC and IGAD), along with SADC as a fifth regional organisation.

A comparison of the division of budgetary resources for the different sectors and thematic areas within both the national and regional strategies shows that they are not strongly aligned, different strategic priorities being set at each level.

The EU Delegation has been involved in the preparation process for the ESA RSP-RIP (EDF10). The NIPs of the ESA-IO region (incl. Zambia) have substantial linkages with the RIP. This particularly pertains to the large regional infrastructure projects, private sector development, food security, rural development and agricultural development, along with specific activities for supporting implementation of the regional and bilateral trade agenda, including FTAs, customs unions, monetary unions, EPAs, and so forth (I-9.4.1).

[23] The "Economy" dimension of "3Es" performance management refers to the optimum quantity and quality of inputs, their timely availability, and their actual and economic use in the execution of activities and processes to produce the development results. So the Economy dimensions concentrate on the input level of the (log frame) results chain.

[24] Based on the recently conducted MTR of the RSP/RIP, other documents, and feedback collected during the evaluation field visit during December 2011.

Regarding implementation of regional and national strategies, generally the outputs from regional programmes are not well synchronised with NIP interventions in such a way as to facilitate implementation of national support and *vice versa*. National strategies (on which the NIPs are aligned) do not sufficiently take into account the regional dimension and the commitments made during the various Regional Organisations (ROs) summits. In the meantime special initiatives have been launched to address this situation, including the issue of a quarterly newsletter by the EUDel regional section.

EDF programming (both national and regional) is potentially of help in resolving obstacles to regional integration. But to make that happen, a different balance may be needed to better support implementation of regional commitments at national level (the process better known as transposition of regional commitments at national level). A major remaining challenge is having the implementation of common regional programmes managed by ROs on the basis of umbrella Contribution Agreements (CAs) with the member countries concerned. This not only would ensure a sustained and sufficient funding basis for RO operations from regular Member Countries' annual contributions, but also ownership by these Member States of regional policy directions, strategic orientations and actual programmes.

The effectiveness of RSP/RIP implementation is difficult to measure owing to the recognised lack of ROs and of MSs' capacity to monitor implementation of RO commitments at national level.

There is a general absence of awareness by the national authorities of what is happening under the ESA-IO EDF programme. A more efficient and effective division of labour (DOL) between the regional and national levels in the broader context of strengthened subsidiarity would be welcome. This particularly pertains to road infrastructure projects where implementation is reportedly better suited to the national level, as the necessary capacity in terms of personnel exists (I-9.4.2).

Overall, the level of coordination and complementarity between EU staff, project managers and technical assistance missions in relation to the EC's regional programme and its national response strategy for Zambia is not optimal. Substantial improvements are noted as a result of the upgrading and institutional anchoring of regional cooperation concerns into a fully-fledged EUDel Operations Section[25]. Moreover, the section has been strengthened in terms of human resources and a variety of concrete initiatives have been undertaken to strengthen communication, coordination and complementarity between the different EU parties concerned (including EU staff, project managers and technical assistance missions). Also, at regional level coordination is improving, thanks to a large extent to strengthened coordination on the part of the Inter-Regional Co-ordinating Committee (IRCC) Secretariat and its organisational systems now in place. The IRCC meetings have taken on increased significance throughout the year with participation by senior EU staff, as well as by SADC and the ACP Secretariat (I-9.4.3).

[25] Development Cooperation is the largest area in which the Delegation is active, and its operations are subdivided into the following four operational sections (i) Economics and Rural Development, (ii) Infrastructure (iii) Social Sectors and Governance, and (iv) Regional Cooperation (http://eeas.europa.eu/delegations/zambia/about_us/internal_organisation/index_en.htm)

4.2 DIRECT AND INDUCED OUTPUTS OF BUDGET SUPPORT

EQ1: To what extent have the EU interventions through budget support contributed to improve the framework for public policy, expenditure and aid management? [26]

JC 1.1: GBS and SBSs induced an increase in size and share of EU funding subject to government's budgetary processes

JC 1.2: GBS and SBSs improved the predictability of aid flows overall, and particularly of EU contribution

JC 1.3: GBS and SBSs facilitated the establishment of a framework of policy dialogue, focused on key government strategies and priorities

JC 1.4: GBS and SBS facilitated the delivery of strategic and demand driven non-financial inputs (e.g. TA and capacity development) that are aligned to government priorities

JC 1.5: GBS and other EU interventions have assisted in improving core indicators for primary education service delivery

Overall assessment

Despite favourable prospects at the early stages of the reporting period, the EU failed to contribute to substantially improving the public policy framework. Improved expenditures and aid management were left halfway.

EU Budget Support increased the size and share of aid in the budgetary processes, and served as a catalyst by improving GRZ's planning, accounting and reporting procedures. As the first GBS contributor to the budget, the EU played a major role in the first half of the evaluation period in helping Zambia restore its external position and rebuild its international reserves. As copper earnings increased, budget support only complemented government resources. During the second part of the evaluation period, and despite the fact that the EU remained the major BS contributor, the financial leverage of GBS diminished further, with Zambia becoming less and less aid-dependent.

While Zambia's comparatively inclusive dialogue structures provided government and the EU with a platform for addressing sensitive and controversial political and economic issues, the government lacked the capacity and political will to contribute to these dialogue structures in an effective and efficient manner in spite of sustained EU commitment and support. EU budget support has neither substantially improved predictability nor reduced transaction costs as it was initially expected to. Even the MDG contract failed to improve sustainably the predictability of EU financial inputs, again owing to major shortcomings in implementing complex structural reforms of the public policy framework, as demonstrated two major crises (one of corruption in the Health Ministry, the other of over-commitment of RDA during the election period).

Lastly, while progresses have been reported in the area of institutional support, domestic accountability by government remains weak.

EU Budget Support releases increased in size and share, contributing to macroeconomic recovery. However, EU inputs eventually lost weight and corresponding influence owing to recovery of tax revenues on exports.

The sustained EU commitment to most of the budget support for the period brought about an increase in the size and share of EU funding subject to GRZ budgetary processes, and served as a catalyst by improving planning, accounting, and reporting procedures for the Government since 2004. As an early and major GBS contributor, the EU played a prominent role in the first half of the evaluation period in helping Zambia to restore its external position and rebuild the international reserves of the country. It also enabled the country to take

[26] The current evaluation takes place shortly after a comprehensive evaluation on BS in Zambia "Between high expectations and reality: An evaluation of budget support in Zambia (2005-2010)": Synthesis report (Antonie de Kemp (IOB) Jörg Faust (DIE) Stefan Leiderer (DIE), 2011; It will consequently refer to it and take the opportunity to addressing some additional relevant elements from EU perspective.

advantage of a favourable conjuncture with increased earnings from copper exports to implement effectively its development objectives. The EU must also be credited with shifting the balance towards “aid through government mechanisms” and away from project-based aid.

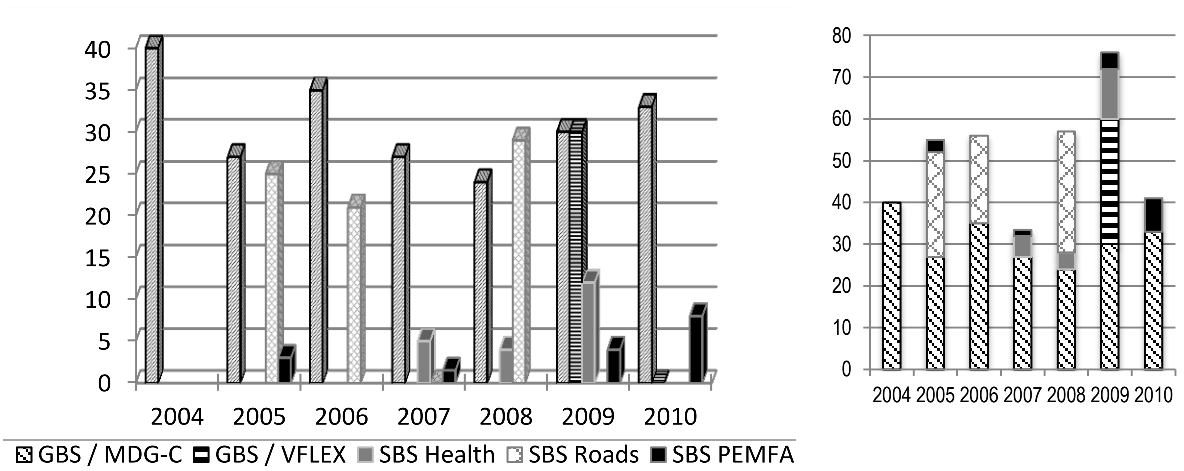
The share of budget support (provided as both loans and grants) both in Central Government expenditure and in the share of external funding transferred through national financial mechanisms (I-1.1.2) increased. The amounts released in budget support (GBS+SBS) steadily increased in real terms, from a record low of €25.3m in 2003 to a record high €198.6m in 2009. The EU has remained the major contributor with a record 44% of total (grants and loans) disbursements in 2009.[27] Despite high and sustained financial commitments, the share of both projects and BS in the financing of total government expenditure decreased over the evaluation period, the difference being covered by increased domestic expenditure. With the improving relative share of BS in donor aid, this trend was less perceptible for BS (which financed between 4% and 6% of budget expenditure over the period) than for project aid, the share of which was reduced by half from 20.2% in 2002 to 10.9% in 2008.

The reclassification of Zambia as a lower middle-income country has propelled an improved economic environment. In addition, Zambia’s increased FDI, with favourable copper earnings and Chinese economic influence, has significantly reduced the economic and political importance of BS. Therefore, during the second part of the evaluation period, despite the fact that the EU remained the major BS contributor, the financial leverage of GBS diminished, with Zambia becoming less aid-dependent.

EU Disbursements did not, in the end, improve predictability of aid flows.

The EU as a major BS contributor has a prominent responsibility to boost predictability of disbursements, but did not perform exemplarily in terms of disbursement delays, with 6-9-month delays in commitments over the last four years (JC 1.2). In order to enhance predictability of EU aid, there is a need for improvement of the timing and quality of government requests for disbursements according to the Financing Agreement agreed calendar and evidence.

Figure 5 : Graph of BS disbursements (2004-2010) by position (left side) / total (right side)



Source EU data

[27] This included the release of the V-Flex tranche of €30m (see Addendum 1 to the FA, signed in December 2009) just prior to suspension of BS due to governance issues in health and roads, which underscored the positive results of the PRBS dialogue on PFM and good governance and sent contradictory signals as Sweden simultaneously suspended its disbursements (€18m).As a result of these PFM issues in the road sector, only €40.3m was disbursed in 2010: but if scheduled disbursements of the first fixed floating tranche (€12.3m), Road (€24m) and Health Sectors (€8.5m & €3.15m) had taken place, the level of disbursements in 2010 would have exceeded even that of 2009.

The EU brought a key contribution to the issue of predictability with the design of the MDG-C. The key feature of the MDG-Contract is a "Base Component" complemented by the "Annual Performance Tranche" (APT)[28] and the "MDG-based tranche", the sharing-out of which should be adapted to local circumstances. The Annual Review serves as a basis for the assessment that takes place at the Mid-Contract Review (MCR), which includes a recommendation on the level of funding for the second phase of the MDG-Contract.[29]

While the design of MDG-C improves the predictability of disbursements over a longer period, its implementation after the Mid-Contract Review may reduce the tightness of the policy dialogue since the amount of the upcoming fixed tranche has been mechanically increased. Furthermore, with the absence of Parliament and CSO's concrete involvement over the MDG-C first three years of implementation, there is a weak domestic accountability for budgetary process.

EU active support to policy dialogue not been utilised to its full potential as the process has remained irregular, very formal, and with no concrete follow-up from the GRZ side

Taking into account the huge amount of resources that the EU provides to government, the evaluators would have expected more visibility and proactivity in policy dialogue. The Zambian government and its cooperating partners have established an elaborate coordination structure, which facilitates policy dialogue. This was reflected in the Joint Assistance Strategy Framework (JASZ I) and was further elaborated in JASZ II (JC 1.3).

The EU role in policy dialogue is critical, notably because of the importance that budget support plays in a country such as Zambia. The EU Delegation actively participates in both the PRBS reviews and the HLPD on the strategic and long-term developmental agenda. The EU was notably involved in contributing, as part of the Cooperating Partners' Group (CPG), to the discussions on the development of the Six National Development Plan (SNDP). In line with the Division of Labour arrangements, the EU took the lead in the road sector and has been leading sector dialogue on substantive collective issues on behalf of other CPs, which has subsequently fed into high-level policy dialogue or the PRBS reviews. The role of the EU in dialogue on public financial management issues over the years has been widely acknowledged by both government and other cooperating partners as a driver of PFM reforms (JC 1.3). The EU has harmonised its policy dialogue with that of other CPs in order to influence dialogue with GRZ and actual policy implementation. It is worth noting that the EU has been active in financing Non-State Actors such as CSPR[30] so as to improve their capacities to engage government on developmental issues and ultimately contribute to fruitful dialogue.

Notwithstanding all the formal prerequisites for policy dialogue, it has not been used to its full potential. Policy dialogue is mainly conducted during the semi-annual PRBS Reviews, an exception occurring in 2009 when two 'scandals' erupted in the Health and Transport sector (respectively concerning mismanagement of funds and over-commitments) which led to an

[28] The APT performance score is triggered by four PFM indicators

[29] In the case of Zambia the Mid-Contract Review (MCR) took place as expected in 2011. Owing to the poor PAF performance at 37.5%, no APT should be paid out in 2012 of the 62.5% planned for years 2 and 3. But the positive review of the MDG base tranche allowed mobilisation of the MDG-tranche for the three upcoming years, Increasing mechanically the amount of the fixed tranche for the remaining time of the MDG contract. EUDel however recommended adjustment of the MDG-T for the period 2012-2014 from the €7.07m annual entitlement to €5.75m based on PAF performance. Therefore, a combination of €5.75m and the annual base component of €26.25m would provide the government with a total fixed tranche of €32m for each year of the period 2012-2014. Disbursements under PRBS1 included a very large variable component (91% of total), with 60% linked to PFM indicators. This approach was effective in providing an appropriate incentive mechanism, with amounts disbursed increasing for successive tranches. In addition, PRBSII increased focus on outcome-based indicators, improved donor harmonisation, and reduced variable component (at 50%). With an average disbursement rate for the variable tranche of 71% for PRBS II and 63% for PRBSI, PRBS II was rated as a successful program despite poor performance mainly in rural roads and reforms in agriculture sector, negatively affecting achievement of MDG1.

[30] "Civil Society for Poverty Reduction", http://www.csprzambia.org/

intense formal PRBS Dialogue, with donors questioning the 'Underlying Principles' for providing BS, and regular meetings with the Secretary to the Treasury (JC 1.3). The Reviews are conducted in a rather formal manner and conclusions are often reached, although certain issues such as the 'rural-urban divide' are not addressed systematically. GRZ often shies away from open dialogue and refers everything back to 'Cabinet discussion'. As for sector dialogue, which should underpin all policy discussions, the Sector Advisory Groups have been dysfunctional, very few meeting regularly or addressing key policy issues. While GRZ agreed to institute a High-Level Policy Dialogue in which Heads of Mission and Ministers would interact on critical issues, the process has remained irregular, very formal, and again with no concrete follow-up from the GRZ side. This is compounded by lack of capacity within the MoFNP (human resources, reliable and detailed budgetary data) in order to sustain effective and quality dialogue mechanisms.

EU registered significant achievements in capacity building for PFM (budget programming and execution, procurement) though with limited effects on vertical accountability mechanisms.

The EU has been consistent in supporting capacity building activities in the areas of public finance management with a view to enhancing domestic accountability and also strengthening the role of civil society in budget execution. Over recent years, PFM reforms have progressed, albeit at a slow pace. This is demonstrated by the PEFA 2008, finalised in February 2009, which indicated positive trends since the first PEFA of 2005 (JC 1.4).

The EU and other cooperating partners have contributed to the increased coverage capacity of the Office of the Auditor-General (OAG; now at 79%), as also its capacity to carry out specific audits (e.g. performance audits). Audit Reports are submitted in timely fashion to Parliament (through the President). Follow-up of OAG recommendations is also improving. EU support has thus contributed to reductions in irregularities (2.29% of actual 2009 expenditure compared to 3.28% for 2008).

A major achievement of capacity building in PFM by the EU is the revision of the budget management cycle in 2009, which has been an obstacle to effective budget management in Zambia for the decades. The ongoing PFM reforms have accelerated since 2009, with a number of concrete policy decisions, which have positive implications for budget execution such as capital projects. In addition, the EU have also been advocating successfully for increased capacity building in government procurement, although capacity building is still required at ministerial level.

The EU contribution proved sustainable as the government is developing a successor PFM reform programme (from 2013), while in the meantime focusing on few priority areas, such as the Treasury Single Account and internal audit reforms.

4.3 SHIFT TOWARDS PRIVATE SECTOR LED DEVELOPMENT

EQ2: To what extent have the EU interventions (GBS, SBSs and capacity development programme) contributed to enabling a private sector led development?

JC 2.1: Support to PEMFA enhanced predictability and transparency in public investment and expenditure

JC 2.2: Support to PEMFA enhanced fiscal discipline

JC 2.3: Support to PSD improved the policies and regulatory framework in which the private sector operates

JC 2.4: Capacity-building initiatives supplied the qualified human resources needed by the private sector

Overall assessment

The private sector developed independently of the EU interventions aimed at improving its enabling environment.

The EU contributed significantly to enabling GRZ to support private-sector-led development at macroeconomic and policy level, and to extend support to the main export activities. EU support for efficiency in facilitating economic transition through improving the firms' regulatory and administrative environment was impeded by the lack of capacity and ownership demonstrated by Ministries' middle management staff.

The major EU contribution to PSD dates from the first years of the reference period, with the SYSMIN, Mining Diversification and Export Development Projects. Following this targeted support mainly to mining industries under EDF8, the EU embarked on a more comprehensive approach to economic transition through Private Sector Development (PSD), linking GBS, Road SBS, Public Expenditure Management and Financial Accountability project (PEMFA), and Capacity Building for PSD (CBPSD). Although it initially gave momentum to PSD reforms, it was not possible to sustain this initiative following the signing of the Financing Agreements (FAs). Implementation of the projects was confronted by inertia in the Ministry of Finance and National Planning (MoFNP) and the Ministry of Commerce Trade and Industry (MCTI). The PEMFA project was resisted by Line Ministries because it implied more accountability to the Ministry of Finance. Policy dialogue at global and sectoral levels was both too limited in scope and quality and too formal to contribute to solving issues arising during implementation of agreed reforms and EU projects. Around the mid-2000s the EU failed to grasp (or underestimated) the increased resistance of GRZ to donor-led reforms while it was pushing for structural reforms under an elaborate combination of aid modalities.

In all its major programmes in Zambia the EU has consistently advocated for private-sector-led development in coherence with GRZ[31] priorities, but faced only a limited buy-in on the part of GRZ.

EU advocacy and support covered all reforms relevant to PSD: improved macroeconomic stability with GBS (with a reduced inflation rate); liberalised trade policies with EPA; more predictable PFM with **PEMFA** (Public Expenditure Management and Financial Accountability project); improved business environment with **CBPSD** (Capacity Building Private Sector Development); providing business opportunities with SBS (mainly road SPSP, all works being openly procured); loans with EIB; measures accompanying the sugar protocol; and export promotion projects (EPD 1 and 2). In addition the EU contributed to improving the condition of the Core Road Network, increasing domestic and international trade opportunities. PSD therefore was a major transversal component of the EU's strategic response with the potential for contributing to economic growth and achieving the MDGs

[31] Spelled out repeatedly along the whole reference period by several planning and programming documents (FNDP, Vision 2030, SNDP, PSD reform programme, etc.).

during the evaluation period, and supporting economic transition.

Both PEMFA and CBPSD only achieved their intended outputs to a limited extent and with major delays[32]. The maximum momentum in reforming PSD policies was reached around 2004-2005 when the GRZ was negotiating the EU's budget support and the accompanying provision of technical assistance (TA) and equipment. Both were typical components of support channelled through PEMFA and CBPSD. The policy dialogue during the formulation of the projects, in particular the CBPSD, brought about reforms in the policy framework and institutional arrangements. It proved to be a thorn in the side of the EU's capacity to contribute to improving the private sector regulatory environment: Once financial agreements had been signed, both projects were impeded by various management issues. Final evaluations of PEMFA and CBPSD found that results had been adversely affected by weak administrative management on GRZ side, and by a lack of commitment and an inadequate administrative culture among senior and middle management staff, both in the direct beneficiary organisation (Ministry of Commerce Trade and Industry (MCTI) for the CBPSD programme) and in sector ministries. From GRZ point of view, the driving factors in the lack of commitment were EU regulations and issues encountered in the management of TA, rather than lack of ownership.

Weak GRZ ownership in most EU-led PFM improvements

PFM was one of the main topics of EU high-level policy dialogue. Almost all GBS PAF indicators were related to core PFM or extended aspects of PFM (oversight). CPs had given high priority to PFM right from the beginning of the evaluation period, in order to reduce the risks associated with basket funding and budget support while improving the value-for-money of public resources. The concern for improving PFM was shared by GRZ, as it was perceived as helping increase the government's access to external resources, improve predictability and reduce transaction costs. However the government's buy-in did not go much beyond this point, as shown by the weak ownership of most EU-driven PEMFA components, as demonstrated by the limited involvement of senior staff in programme management and the inconsequential staffing of related services. On the other hand, PEFA assessments were carried out regularly after 2005[33], which suggest that PFM was treated as a priority topic in EU-GRZ policy dialogue. However at the end of the evaluation period the policy dialogue on PFM was overshadowed by two PFM issues, one for each of the EU focal sectors (I-2.1.1,) demonstrating systemic weaknesses in PFM and oversight. This issue is far beyond the scope of EU interventions, at least as long as they are not extended to comprehensive support for vertical and horizontal accountability.

PFM improvements carried over by the MoFP but not relayed by line ministries

PFM reforms, including the introduction of Mid-term Expenditure Frameworks (MTEF), were implemented by the GRZ with a significant contribution from the EU, channelled through PEMFA. Even though the programme was affected by design weaknesses, inappropriate procedures and some shortcomings in long-term TA, it contributed to improved reliability of the MTEF and its underlying econometric modelling system, under Component 3. Major achievements in MTEF preparation and use were familiarisation of Ministry of Finance and National Planning (MoFNP) with Green Papers, Budget Framework Papers, preparation of MTEF and ABB (Activity Based Budgeting) guidelines. These deliverables were complemented by the establishment of an inter-governmental fiscal architecture manual and by training of staff of Ministries, Provinces and Spending Agencies (MPSA) in the operation of ABB. The related PEMFA Component (no.4) was subject to under-disbursement (from 3% to 19% of annual work plans), owing in part to overly ambitious spending targets in all components, but also because some of the planned activities, in particular Public Expenditure Reviews (PERs) and MTEF reviews, were not implemented. The three PEFA assessments carried out in 2005, 2008 and 2010 suggest relatively steady improvements in

32 See the two final evaluations of PEMFA and CBPSD
33 Three PEFA exercises in five years (2005, 2008, 2010).

public financial management over this period. But the two major issues (mismanagement in the health sector and over-commitments in the road sector) that occurred at the end of the evaluation period detract from this record (I-2.1.2), although – at least for the health sector – they facilitated implementation of long-term corrective measures.

PEMFA components 3 (Policy, planning and budgeting) and 4 (Budget preparation and execution) (see I-2.1.2) helped improve the tools available to the MoFNP for enhanced coordination between the planning and budgeting functions. However, the programme failed to include sector ministries in the process. The integration of line ministries was either not considered when designing the component or was resisted by the ministries themselves[34] (or, more realistically, both). PEMFA was therefore not in a position to address the main planning and budgeting issue, namely the need for stronger involvement of the sector ministries so as to facilitate realistic sector strategic analyses, reliable budgeting of current expenditures and investments projects, and improved reviews of budget implementation during previous fiscal years. The PFM crises at the end of the evaluation period confirmed the design weakness of having focused all PEMFA efforts on the MoFNP.

In sum the EU was not able to improve coordination between the MoFNP and the sector ministries, despite having supported both sides through GBS/PEMFA and SBS[35], aligned its support with the GRZ policy framework[36], contributed to all levels of the policy dialogue (high-level and SAGs), and used about 90% of its NIPs for these purposes (I-2.1.3).

Improved procurement regulations and management

More tangible results were achieved by the EU and the PEMFA programme in the areas of procurement and audits (internal and external). The legal and institutional framework for public procurement was completely revised, although too late in the reference period for an assessment of its effective implementation. Extensive efforts were made under EU leadership to produce additional procurement regulations and guidelines and to provide training. Here again the results achieved with MoFNP were impeded by line ministries that benefited from increased procurement thresholds[37] regardless of whether their procurement procedures were or were not certified by the MoFNP.

The EU supported improvements in internal audit capacity by financing the renovation of office space, providing equipment, and organising training courses, although however without bringing about any noticeable changes in the traditional way in which the staff undertake their function (final CBPSD evaluation, 2010). External auditing by the Office of the Auditor General (OAG), although supported by the EU in a similar way, also benefited from support from Norway for its strategic approach. By the end of the reference period external audit coverage had clearly improved, as had the quality of reporting and the development of specialist (value-for-money audit, etc.) audit reporting and skills. The best example is the 2009 Road Audit and the commitment shown by the OAG during the subsequent enquiries. Corrective actions, many short-term and some long-term, were taken in the face of the reluctance of the line ministry, demonstrating that accountability works in getting PFM reforms implemented.

The strategic lesson learned is that external audits proved to be an important accelerating factor in addressing weaknesses in Zambia's public financial management that had not been adequately addressed by the earlier across-the-board development of capacities under PEMFA.

34 PEMFA final evaluation, 2010.
35 Roads, health, both being EU focal sector under the EDF10
36 Both at central and sector levels
37 PEMFA final evaluation, 2010

Strengthened public expenditures management upstream from budget implementation

Fiscal discipline was only very indirectly addressed by PEMFA, which merely targeted systems and procedures. The issue was therefore mostly a matter related to GBS and high-level policy dialogue (see EQ1). The final evaluation of the programme assessed that "*PEMFA has had very modest influence at best on strengthening public expenditure management and financial accountability to date*", which also applies to revenues and debt management. Although limited, the EU contribution to improving fiscal discipline through PEMFA was achieved by promoting resource optimisation during planning, establishing macro-economic modelling as a method of forecasting fiscal resources and promoting the evaluation of alternative policies (ZAMMOD). The MTEF was introduced as a tool for managing public expenditure (JC 2.1). The dedicated PEMFA component improved external and internal debt management capacity (I-2.2.2).

Lack of significant improvement of the meso-level PSD enabling environment

Between 2001 and 2010 the EU implemented several projects that targeted private sector development (PSD), using several of its various instruments[38]. Its involvement dated back to EDF8[39] and continued up to 2010 with the closure of the CBPSD. Against this longstanding involvement, the EU failed to provide a comprehensive framework for its support in the two successive CSPs covering the reference period. For example, the EDF9 NIP's sole orientation is: *"the need to develop capacities for public-private dialogue as a basis for building a policy and institutional environment to promote private sector led economic growth, particularly in the areas of investment, export promotion and trade*." The initial framework of the PSD reform programme was complemented by the Fifth National Development Plan (FNDP, 2006-2010), and then the Sixth National Development Plan (SNDP) (I-2.3.1) with EU contributions to high-level policy dialogue platforms.

The EU CBPSD programme started in 2005 and ended in 2009. Beneficiaries of the TA were mainly the MCTI and its departments, as well as its Statutory Bodies such as ZABS (Zambia Bureau of Standards), ZWMA, ZDA (Zambia Development Agency) and CCPC (Competition and Consumer Protection Commission). The project also catered to Private Sector Intermediary Organisations (PSIOs) and Civil Society Intermediary Organisations. The main objective of the CBPSD Programme was to enhance the conducive environment for private-sector-driven economic activity[40] in terms of (i) the regulatory framework (policies and regulations), and (ii) the availability and quality of and access to business support services. The major partner that facilitated the expected outcomes was the ZDA that provides incentives and opportunities to the private sector.

The government revisited its PSD policy soon after signing the EU financial agreement, introduced new regulations, and replaced the minister who had championed the EU project. As a result the institutional environment of the project became unstable and hardly conducive to designing a new strategy. MCTI senior staff became reluctant to be involved in the project, eventually leading to an ownership issue. ZDA was the one organisation among the statutory bodies that should have benefitted from the intensive support from the EU[41]. Open conflict with EU TA led to the EU's scaling-down of its support for the provision of equipment[42], which drastically limited the impact of the project on PSD (I-2.3.2). This shortcoming was reinforced by the lack of interest of MCTI senior staff in the project, and even by resistance to the management of the project by the long-term TA.

The MTCI did not help improve the enabling environment of the private sector owing to institutional issues that arose soon after the signing of the financial agreement. The policy

[38] EDFs, ProInvest, EIB, Sugar accompanying measures, Sysmin and probably export related instruments such as EBA, FLEX, etc.
[39] With an Export Development programme, €5.9m
[40] Investments, production, foreign and domestic trade
[41] TAs, equipment, trainings, workshops, etc.
[42] CBPSD final evaluation, 2009

dialogue platforms were not able to devise appropriate solutions to the resulting lack of ownership by the MTCI and its most strategic statutory body, the Zambian Development Agency. Some small project components benefitted from a more favourable context and achieved the expected results, mainly focusing on provision of equipment and related training, for example for the Zambia Bureau of Standards or Zambian Weight and Measure Agency (ZWMA). However in some cases allocated annual budgets were insufficient for running and maintaining the equipment provided (laboratory, IT, vehicles…).

Although the EU provided substantial support to the Foreign Trade, Domestic Trade, and Industry departments (training, workshops, equipment, etc.), the CBPSD final evaluation did not find any evidence of renewed coordination or improved service delivery (I-2.3.3).

The limited EU-driven improvements in PFM with PEMFA and a "doing business" environment with CBPSD did not contribute to the emergence of private-sector-led development. Nevertheless the EU contributed to enhancing firms' competitiveness, on the one hand by helping to reduce inflation rates, and on the other hand through its targeted support for the main export activities of copper and coffee growers associations, yielding high profile results. However, the SMEs remain at an embryonic stage, as also do large numbers of farmers, showing that there is still a long way to go before bringing to fruition the economic transition in the sectors and thereby potentially generating sustainable economic growth, domestic demand and large-scale employment. In sum, the private sector developed independently of the EU interventions aimed at improving its enabling environment.

4.4 TRANSPORT SYSTEM PUBLIC MANAGEMENT INSTITUTIONAL REFORM

EQ3: To what extent have the EU interventions contributed to improving in a sustainable manner the institutional framework of transport infrastructure management and transport operations regulation?

JC 3.1: The transport sector policy and programming framework have improved in line with EU performance assessment framework

JC 3.2: The financing framework for transport infrastructures maintenance and expansion is viable and sustainable, in line with EU performance assessment framework

JC 3.3: Institutional performance of transport sector management has improved at all administrative levels

JC 3.4: Transport sector agencies improved in a sustainable way the quality of their human resources

JC 3.5: EU has contributed to set donors coordination mechanisms in place in support to policy dialogue

Overall assessment

The EU contributed to major institutional reforms and to setting up the Road Development Agency (RDA), the National Road Fund Agency (NRFA) and, to a lesser extent, the Road Safety Agency (RSA) by providing financial inputs through one of the very first EU SPSPs in Africa, accompanied by ample TA support. During the very first years of the reference period the EU successfully advocated for the principles of the Road Financing & Management initiative, which helped develop the tools for financing road maintenance, rationalise its programming and improve road contract management as a whole. It usually takes around five years for such a radically new framework to become fully operational and owned. Although deceptive, the 2009 office of the Auditor General (OAG)'s audit findings (large over-commitments, weak design and supervision, poor contract management, and systematic over-engineering of the CRN rehabilitation) did not come as a surprise, and the EU seized this opportunity to answer the in-built weaknesses of the GRZ's institutional arrangements. The EU suspended the final SPSP1 disbursements and the launch of SPSP2 and requested corrective measures from GRZ. Agreed short-term measures were implemented but longer-term measures are still pending. Subsequently the GRZ found alternative funding opportunities free from policy dialogue requirements through a steady increase in tax revenues and support from South African and Chinese cooperation. This reduced GRZ's appetite for EU support.

The CPs' coordination in the road sector consisted of a troika with EU, as lead donor, together with WB and DANIDA.

The 2009 Road Audit conducted by the OAG (supported by Norway and EU under PEMFA) confirmed the shortcomings in planning and implementation identified by the EU. The audit itself identified major PFM shortcomings, such as considerable over-commitments by the Ministry of Works and Supply/ Road Development Agency (MWS/RDA) that presented a major risk (value-for-money, sustainability) to the EU financial contribution to CRN rehabilitation and maintenance (JC 3.1). Other more technical weaknesses at design, contract management and supervision stages within RDA were confirmed by the OAG's audit. Consequently EU technical support, even though provided extensively and in accordance with the current state-of-the art (JC 3.4), did not succeed in overcoming in-built resistance from senior RDA management staff[43] (JC 3.3). By the end of 2010 the short-term corrective measures were agreed and implemented by the RDA. By end-2011 the EU was still unable to disburse the last SPSP1 variable tranches or engage SPSP2 as long-term corrective measures were still pending. Alternative funding opportunities free from policy dialogue requirements, made possible by steady increases in tax revenues and support

[43] OAG Road Sector Audit, 2009

from the South African and Chinese cooperation programmes, reduced GRZ's appetite for EU support. Most other CPs, less focused than the EU on the reliability and sustainability of the policy framework, resumed their support at project level (even EIB).

Regular maintenance of the 40,000 km Core Road Network requires an annual budget of €190m. With its own resources (fuel levy and other road user charges), the NRFA can address no more than 46% of CRN maintenance needs. RDA, against repeated EU advice in policy dialogue platforms, contributed to this structural imbalance by over-engineering[44] road rehabilitation (paving roads irrespective of the traffic load) and construction under ROADSIP II. In the coming 5-10 years this legacy will further impede GRZ's capacity to meet road maintenance costs, all the more so as rural roads were left untouched during the entire reference period (JC 3.2).

During the very last years of the reference period, and in the context of the 2011 election, NRFA resources were complemented by the national budget in such a way as to meet 96% of maintenance needs. Given the macroeconomic context, the high level of the fuel levy, the weak political position of GRZ *vis-à-vis* the trucking industry, and the prospect of further construction cost increases, the financing framework for CRN maintenance is neither viable nor sustainable. The EU succeeded neither in having the ROADSIP II work programme put in better perspective, nor in having corrected the bias progressively introduced by RDA in its successive annual work plans in terms of sustainability.

CPs' coordination and even harmonisation improved notably over the reference period for the road sub-sector, in parallel with the JASZ process. Joint donor missions and fora were organised on a regular basis under EU leadership, focusing increasingly on road projects rather than policy reforms. The SAG proved to be a weak vehicle for policy dialogue, owing mainly to the lack of ownership by GRZ[45] and the poor quality of reporting by RDA. This combination of limited scope for policy dialogue, lack of ownership of the policy framework beyond relatively formal institutional reforms, and structurally inadequate funding of the CRN, limited the progress achieved during the early years. It is expected that the implementation of long-term corrective measures and the EU support provided under SPSP 2, once fine-tuned in an addendum, will further improve road network management performance, despite the increasing weight of alternative funding sources (JC 3.5).

Successful involvement of the EU in road policy framework and organization

The EU was (and still is) heavily involved in improving the GRZ institutional framework of road infrastructure management[46]. The GRZ institutional and legal framework for road management, mainly Core Road Network (CRN) management, improved during the period under review. Road development, funding and safety agencies were enacted, created and operationalised by 2006, as required for many years by the EU and other leading CPs in the transport sector (WB, AfDB).

The EU helped strengthen significantly the policy and programming framework of the road sub-sector, based on the SPSP1. The Ministry of Transport finalised the transport policy in 2002, covering all transport modes. However, only the road sector policy (2003) was translated into an investment programme, the ROADSIP[47]. The ROADSIP II (2003-2013) was developed to support an extension of the Core Road Network from 12,204 km to 40,113 km. Its updating was required as a corrective measure following the 2009 Audit, and yet was still not approved at the end of the reference period.

The road policy framework was fully consistent with the expectations of the CPs, particularly

44 Point disputed by RDA.
45 This has to be seen retrospectively in the light of the 2009 audit
46 The EU also supported other sub-sectors, using individual projects to support development of sites with large economic potential (e.g., Lusaka and Livingstone airports) or with urgent needs (Kazungula pontoons). An integrated approach for the transport sector was supported through the GRZ Transport Master Plan at early stages of the reference period, but was ultimately not adopted by the EU. This prevented the development of a balanced approach for promoting intermodal transport, still required in the Sixth national Development Plan.
47 The first version preceding the Transport policy, which translated the same principles.

aligned with the Road Financing and Management Initiative promoted by the WB (and adopted by the EU). The GRZ adopted WB best practice, notably maintenance performance based contracts, which are not yet in evidence nowadays in many other Sub-Saharan African countries. The new road agencies (NRFA, RDA) were jointly supported by CPs, with heavy EU involvement in funding of technical assistance (seven long-term TAs), equipment and road condition surveys. Both agencies relatively quickly became operational (created in 2002, staffed and equipped in 2006) (I-3.1.1).

NRFA was however developed as a hybrid from the original second-generation road fund model. Its resources from the budget as well as from user charges (including the fuel levy) are pooled, and NRFA rules do not prescribe any system of sharing between road development, maintenance and rehabilitation. Allocation to road maintenance is driven by RDA programming, without scrutiny from NRFA.

The RDA is in charge of road construction and maintenance planning, design, procurement, contract management and supervision. Most of the regulatory framework was revised and operational guidelines set with TA support financed under EU SPSP1, in accordance with road financing and management good practices – except for the NRFA. An exceptionally intensive[48] TA support programme was granted (seven long-term positions), mainly to RDA, covering almost all strategic functions of CRN management (and rural roads at a later stage) in order to ensure value-for-money and resolve management weaknesses, as required in a SBS approach. The EU successfully supported axle load control, also co-financed by Norway and implemented by RDA.

Early warnings on RDA planning and management, EU supported, ending with the 2009 Audit of the OAG

SPSP1 was designed at the early stages of the then emerging SBS formulation guidelines. The assessment of seven key areas or equivalent was not conducted because GBS and PEMFA were also expected to introduce substantial improvements in planning and budgeting practices at sector level (see EQ1 for GBS and EQ1&2 for PEMFA). Early technical audits and even an EU-commissioned mid-term review identified some management issues, albeit without proper reaction from GRZ.

The EU strongly supported the set-up of a reliable and updated road management system[49], centred on HDM4's system of rationalising annual work programmes. Although the system is running, there are doubts as to the consistency between HDM4 results and the works programme implemented by the RDA, as demonstrated by the 2009 Road Audit. The level of service applied to most rehabilitation projects (paving), even for roads carrying fewer than 150 vehicles a day, does not conform with the basic principles of economic rate of return supposedly built into HDM4 parameters (I-3.2.2). Moreover, the road data management system is using outdated data on both traffic and road condition. The EU is supporting an update of the later.

From 2007 onwards, successive EU audits and reviews supported and co-financed by EU, WB and DANIDA warned that GRZ was not using the road management tools for programming maintenance and rehabilitation works. Brought to the sector policy dialogue platform, this issue did not receive attention from the MWS/RDA, and no corrective measures were put in place[50]. The road audit undertaken in 2009 (with EU and DANIDA financial support) by the Auditor General confirmed the earlier results, as did the 2011 revision of ROADSIP II which found that large trunks of the CRN had been over-engineered (I-3.1.2).

A non-viable financing framework against improvements in resources mobilization and increase oversight of NRFA on road works

The design of the NRFA is not fully in line with the second-generation road fund as

48 But evaluated negatively by GRZ.
49 I.e., with 7 fulltime long-term TAs, equipment, surveys worth €5.5m
50 SPSP1 Mid-term Review, 2008

maintenance resources are not ring-fenced, but it still brought some improvement in comparison with the previous organisation.

The targets set initially for road financing were exceeded for GRZ's contribution as well as for fuel levy collection and direct remittances to the NRFA. This contributed to the release of the first three variable tranches of EU SPSP1 but, given the steady rise in construction costs[51], only 46% of routine and annual maintenance needs could be covered by user charges. By the end of the period reviewed 92% of maintenance needs were financed by GRZ budget allocations (including *inter alia* EU financial inputs under SPSP), direct donor contributions and commercial borrowings.

However, this achievement is fragile. The situation might lead quickly to the loss of the massive capital investment made during the reference period on paved trunk roads, especially if the EU were to discontinue its SBS in response to inadequate corrective measures following the mismanagement revealed by the OAG's 2009 Road Audit, which was still not remedied by the end of 2011. Until now increased copper revenue earnings have allowed the GRZ to circumvent the withholding of EU support by increasing the NRFA allowances by 50%. For 2012, up to 52% of NRFA's resources are projected to come from the national budget. NRFA signed an MoU with RDA and RTSA (Road Transport and Safety Agency; managing transit fees, road taxes) to find additional resources. Financial markets might complement these resources.

The overall financial prospects for the transport sector are not yet on a secure footing. A global MTEF is maintained by the Ministry of Finance (supported by EU PEMFA project) but was not disaggregated to sector level owing to resistance from the MWS (Ministry of Works and Supply). The ROADSIP II cannot be considered in any way as an equivalent tool for providing reliable visibility on the road sub-sector financial framework, subject as it is to annual budget arbitration. The update that was ongoing at the time of this evaluation followed a method similar to that used by the previous update, and will therefore not improve financial visibility (I-3.2.1).

EU supported RDA with improved capacity but lacked autonomy and accountability

During the period under review EU support to institutional performance was only granted to the road sub-sector, and more specifically to road infrastructure management under the SPSP1[52]. As mentioned earlier the RDA and, to a far lesser extent, the NRFA benefited from a strong team of long-term TAs over three years. Although the implementation of the reform by the NRFA is commendable, RDA was kept at arm's length by the Ministry of Works and Supply (MWS). RDA absorbed the major part of EU technical assistance. The OAG's 2009 Road Audit and subsequent detailed technical, financial and institutional reviews showed a very low level of performance in works design, contract management and work supervision, against a higher-than-expected administrative cost ratio (I-3.3.1).

The two major road agencies (RDA and NRFA) were established in 2004 and were fully staffed in 2007, in line with the targets of the EU performance assessment framework. The recruitment process was competitive (I-3.4.2) and was monitored and approved by the EU, aided by attractive remuneration packages[53] (I-3.4.4) to assemble a strong staff with a balanced combination of public and private backgrounds. The staff benefitted from training and long-term TAs (I-3.4.1). Turnover is not mentioned as an issue (I-3.4.3). From 2006 to 2009, RDA was presented as a major improvement in road management performance. Relatively minor warnings progressively accumulated regarding the reliability of programming, weaknesses in works supervision and contract management, but on a scale felt to be manageable with EU support. The large over-commitments uncovered in 2009 by

[51] Cost increases, limited competition among major contractors due to the soccer WC 2010 and the AFCON 2010, the suspension of advance payment to works contractors by GRZ, and the "blacklisting" of 40 works contractors by GRZ (which reduced considerably the already weak competition), mismanagement within RDA

[52] The EU only recently started to consider supporting the reform of transport regulations for the civil aviation under the EDF10.

[53] SPSP Mid-term review, 2008

the OAG led to the firing of the Board and senior staff. The Ministry as well as RDA are still largely disputing the Audit conclusions, and are also questioning the quality of the TA provided by the EU, the unplanned requirement for outcomes indicators, sovereignty aspects, and other issues. RDA already benefits from support that resumed or started soon after the 2009 crisis, variously from the World Bank (training), Development Bank of South Africa, AfDB, EIB (TA for corrective measures), KFW (baseline survey), China, and others.

A cartelised construction industry

Private sector participation was a major landmark of the 2002 transport policy, congruent with government policy promoting the transition to a liberalised market economy. The recourse to force account was thus not considered, even if the national private sector at the beginning of the reference period was at best embryonic. Promoting and developing the national construction industry capacity was rightly a major component of ROADSIP and thus of EU support. This promotion of private contractors was initially planned with the National Council for Construction (NCC), which was expected to provide training and technical advice to its members. It eventually failed to support SMEs. Its contribution ended by being limited, far below the national industry's needs and prospects, based on what seems *ex post* to be some sort of misunderstanding.

The road works market was taken over by foreign contractors (South-African, Chinese) for major construction and rehabilitation projects. Local contractors were mainly hired for routine maintenance work. The quality of works quickly became a concern, along with price increases and delays. The absorption capacity of the Zambian construction industry remained far below expectations, roughly 50% of RDA's annual work programmes for CRN only at the end of the period under review. The GRZ is even establishing force account units under RDA for rural roads maintenance (I-3.3.2).

EU-driven coordination and policy dialogue resisted by GRZ

The EU has made a very significant contribution to setting up CPs coordination structures in the road sector, first by ensuring an effective leadership within the DOL framework, and second by supporting the improvement in GRZ reporting as the most relevant basis for policy dialogue. The overall policy dialogue architecture was formally established under JASZ I, consisting of Sector Advisory Groups (SAGs) and a high-level platform. The EU, as lead donor for the road sector, took a pro-active role in strengthening the transport system.

Against these EU efforts the scope of the SAG was too wide, especially in comparison with the almost exclusive focus of CPs on the road sector. The lack of GRZ ownership led to postponed meetings, limited attendance and excessive turnover of participants. In a way Joint Donor Mission aide-memoires had become a better platform for exchange[54] between donors than face-to-face meetings, thus losing the type of constructive dialogue platform under GRZ leadership that was expected under EU SPSP (I-5.3.1).

The first formalised attempt to establish a clear division of labour was the JASZ I. At sector level the DOL is not very detailed (only identifying lead, active, silent, etc. partners) and it is difficult at this stage to assess the practical benefits of this structure. However it is worth noting that under EU leadership coordination was particularly effective: joint donor missions and fora were periodically organised and established apparently excellent working relationship between sector CPs (I-5.3.2). Coordination was strongly solicited during and after the 2009 crisis. Under EU leadership CPs reached common positions on corrective measures, short-term and long-term. Many donors suspended their cooperation, but important players like the World Bank and the AfDB remained. By 2011, despite the lack of commitment from the GRZ to implement long-term corrective measures, most CP projects had resumed, notably the EU/EIB Great East Road. The EU SPSP1 last tranche and launch of SPSP2 are still suspended pending GRZ agreement on corrective actions and an updated ROADSIP II.

[54] Joint Mission Aide-Mémoire 2008-2011

4.5 IMPROVED ACCESSIBILITY AND MOBILITY

EQ4: To what extent have EU interventions in the transport sector contributed to improving economic accessibility: locally (to marketing and inputs for agriculture products) and at country level (to external markets)?

JC 4.1: The maintenance of road, and rail networks and airports has improved in line with EU performance assessment framework

JC 4.2: The extension of infrastructure networks has improved Zambia's connectivity

JC 4.3: Access to rural areas and external markets has improved

JC 4.4: Passenger and freight transport has improved

JC 4.5: Transport operator's benefits from EU road interventions were passed on to customers

Overall assessment
The EU interventions made a major contribution to improving Zambia's economic accessibility for and to external markets through SPSP1's financial input for Core Road Network (CRN) maintenance and rehabilitation, particularly on regional corridors. The same cannot be said for the feeder roads of the CRN, the situation on other rural roads being even worse. *The improved condition of the Core Road Network supported under EU SPSP 1 has made possible significant reductions in travel time and vehicle operating costs, paving the way for reducing the transport costs of bus and truck companies. The Zambian trucking industry is exposed to international competition and transport prices are deregulated. EU intervention benefits were passed on to users, and eventually to customers as a whole. Recent surveys however demonstrated that those price cuts are unlikely to exceed 3-4%, which does not compare favourably with the return on investment from far cheaper transport facilitation measures (10-15%).*
The EU interventions made a major contribution to improving Zambia's access to external markets through funding made available for CRN maintenance and rehabilitation, particularly of regional corridors. The EU used both SBS and the project approach to a total commitment of €169m (EDFs 8 and 9, excluding TA) (JC 4.1). The share of Zambia's CRN that could be improved under SPSP1 cannot be clearly determined, owing to the pooling of funds under the SBS approach. The three EU projects[55] rehabilitated some 100 km of paved trunk roads, added to which are the results of the maintenance operations under the Output and Performance Based Contract' packages. The EU did not support the extension of the network apart from under its support to the Rural Accessibility and Mobility Programme (RAMP) under SPSP1 (JC 4.2). The extension of the network beyond its existing financial capacity for maintenance, particularly of the paved roads, became an issue with RDA and the MWS at the end of the reference period (see EQ3). Rural accessibility was largely left aside, despite explicit support from the EU under SPSP1 in the form of two dedicated TA positions for ROADSIP II implementation. However GRZ's limited financial allocation for maintaining rural roads, even for feeder roads covered by the CRN, calls into question the relevance of extending the rural network. Unpaved road within the CRN suffered increasing degradation due to lack of maintenance, and the feeder road network was not extended (JC 4.2). This significant contribution to improving paved road conditions has helped reduce transport costs by drastically shortening travel times and lowering vehicle operating costs, although the extent of this decrease during the reference period cannot be quantified (JC 4.3). Surveys conducted in 2008 cast doubt on transport price elasticity *vis-à-vis* improved road conditions: a 10% increase of resources spent on road maintenance translated into a mere 3-4% decrease in transport prices. More value-for-money can be expected from transport facilitation measures, notably one-stop border crossings (as for WB support to the Chirundu

55 Kabwe-Kapiri Mposhi, Zimba–Livingstone, Lusaka-Kabwe (see figure 6, p.38)

border post), thus calling from the EU to a more diversified approach to its support for increased performance from the road transport services.

The Zambian trucking industry is competitive and prices are deregulated. Productivity gains linked to reduced travel time and vehicle repairs are passed on to users, at least for long haulage (import-export). Other freight market segments were not surveyed, nor were domestic passenger services which are of particular importance for smallholders' agricultural products (JC 4.5).

A (paved) core network in better condition

In the two transport sub-sectors supported by EU during the reference period, the condition of the infrastructure improved substantially. The percentage of the total length of paved trunk roads and regional corridors of the CRN in good and fair condition increased from 79% to 94%, partly at the expense of almost unchanged conditions in the unpaved network (I-4.1.1). The capacities of the Livingstone and Lusaka airports (the main Zambian airports) were adjusted to the traffic requirements and the GRZ pro-growth policy. Improvements were achieved despite the poor performance of the contractors (I-4.1.3).

Improved accessibility to ports, at the cost of rural areas accessibility

Zambia's connections to external markets have improved considerably over the evaluation period; particularly through ports served by improved roads along regional corridors. Links interconnecting main cities and regional corridors also benefited from EU support through the SPSP1 and individual rehabilitation projects. The EU contributed mainly to physical connectivity rather than transport facilitation, which was more far-reaching in terms of its impact on transport costs (I-4.2.2).

The rehabilitation of the Livingstone runway and the extension of the Lusaka runway with EU support also helped to improve Zambia's connectivity, here again mainly in response to international demand for transport (tourism and business respectively) (I-4.2.3).

Rural access improved far less, since most of the road sub-sector budget had been allocated to the paved CRN (I-4.2.1).

Although considered under the SPSP1, improvement of the primary feeder roads was not fully taken into account in RDA's work programmes, which gave priority to the paved network and to gravel trunk roads in need of rehabilitation (I-4.3.1). The condition of the unpaved roads of the CRN stayed almost unchanged during the reference period, and the TA support specifically provided by the EU for the rural road network (2 long-term TAs) did not contribute significantly to the setting-up of a dedicated decentralised maintenance system.[56] The GRZ decision to create force account units to carry on maintenance and rehabilitation of the rural non-gazetted roads did not greatly change rural road conditions. Co-financing (fuel, operators' allowances) is required from District Councils (acting as RDA agents), thus strongly limiting operations to spot improvements, while most of the rural network has not been maintained for the last 10-20 years. RDA interventions are extensively delayed and technical specifications are not respected. District councils would prefer managing through their own non-gazetted road maintenance programmes.

The access of Zambian road freight to external markets improved steadily as a result of EU support. Most rehabilitation and maintenance work under the SPSP1 was focused on the regional corridors, reducing travel time up to the border. They were complemented by road works implemented through projects (I-4.3.3). However, surveys of truck operators showed that long processing times at border crossings were the main factor in delays (up to 60 hours in Chirundu for a consolidated load). The opening of a one-stop post in Chirundu with WB support paved the way for a further reduction in travel time to or from ports (I-4.3.4).

Even more than with road freight, rail freight is still affected by differences in standards between networks, insufficient coordination, lack of traction capacity, and so forth, reinforcing the comparative advantages of road freight.

[56] SPSP1 Mid-term Review, 2008

Transport conditions improved, mainly for import-export road freight

The EU interventions in the transport sector significantly improved road and air transport.

The SPSP1 financial inputs targeted maintenance and rehabilitation, as well as individual rehabilitation projects. Almost all of this support was delivered during the last few years of the evaluation period owing to procedural delays and contractual issues with contractors. However, this support nonetheless helped reduce VOCs and the travel time between main cities and those in neighbouring countries, including ports (Dar es Salaam, Durban). The poor quality of the works undertaken under the management and supervision of the RDA[57], which covers most of the EU support, implies that not only the value-for-money of the investments was lower than expected but also that the economic benefits of road transport will be lower and less sustainable than intended (I-4.4.1, 4.4.2).

The EU contribution to upgrading Lusaka and Livingstone airports to meet the increasing demand for mobility and the growth potential of the areas served improved passenger connections and, albeit to a far lesser extent, freight linkages, mainly with countries in the region and the tourist international market. The main cities are too close to justify major development of national lines. In this sub-sector the EU interventions contributed to improving security and runway capacity rather than to reducing running costs. (I-4.4.4)

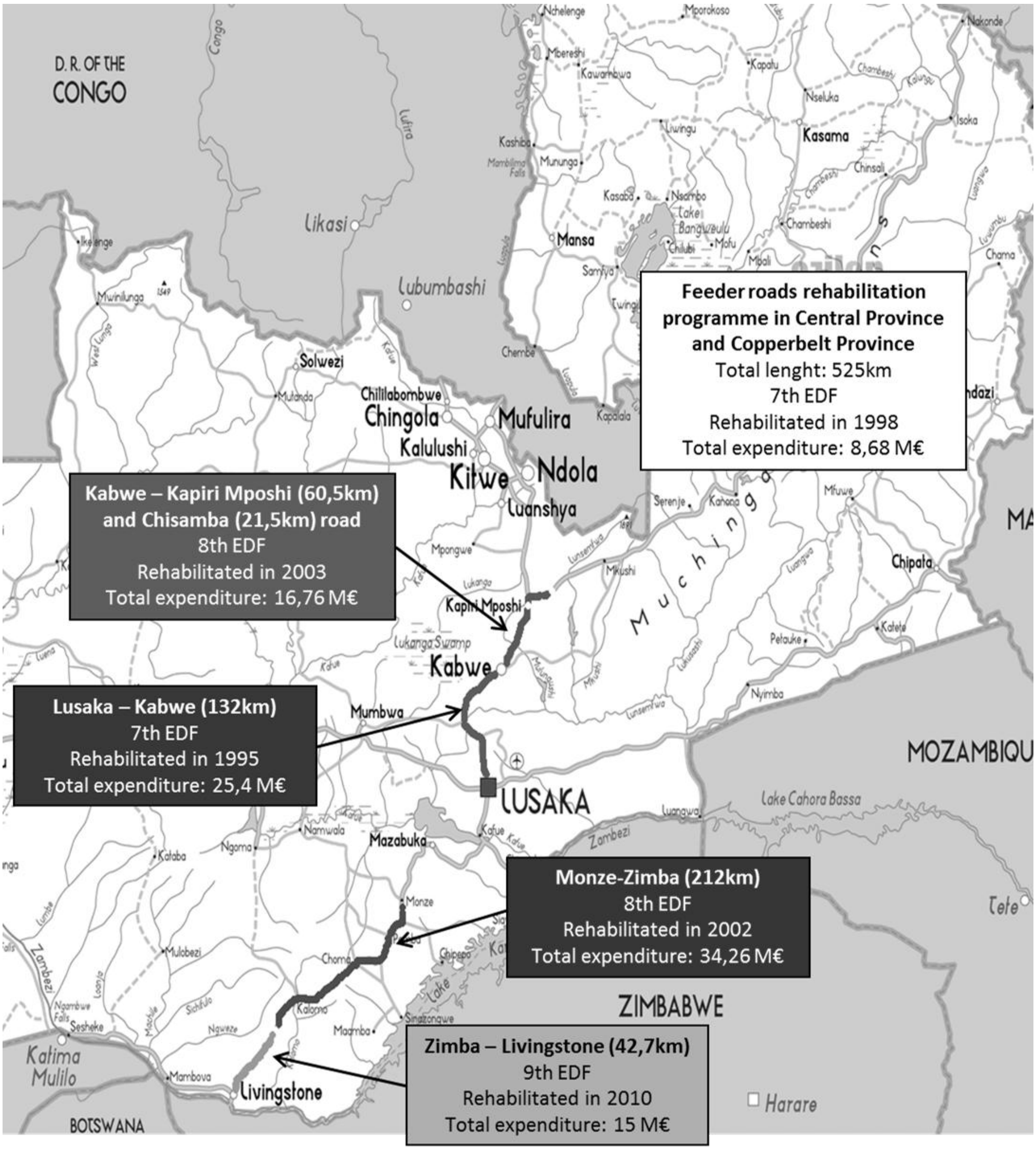
Cost savings probably passed on to road freight beneficiaries

The Zambian trucking industry can be characterised as competitive, with segmented markets, several operators and deregulated transport prices (I-4.5.3). The conditions for a level playing field are in place (although not all; the cabotage regulations of South African operators are particularly restrictive). Transport costs for international operations are aligned on South African standards, and national freight prices are higher taking into account higher fuel prices in Zambia (I-4.5.1). There are therefore no apparent market distortions in price setting. Price flexibility over time is not documented (I-4.5.2).

The illegal checkpoint tolls were noted (I-4.5.4) but do not seem to be an important factor in fixing transport prices for long-distance haulage, which are far more affected by waiting times at border crossings and fuel prices.

[57] Technical audits 2006, SPSP1 Mid-term review 2008

Figure 6: EDFs 7 to 10 road infrastructure projects in Zambia



Source: EU Delegation

4.6 POPULATION HEALTH STATUS

EQ5: To what extent did EU interventions in the health sector contribute to improving the health status of the population, in particular regarding the fight against HIV?

JC 5.1. EU support contributed to increased service utilisation and intervention coverage

JC 5.2. EU support contributed to enhanced service availability & quality related to infrastructure, equipment and drugs

JC 5.3. EU support contributed to enhanced service availability & quality related to health care workers

JC 5.4. EU support contributed to increased affordability of health care

Overall assessment

The EU's combined GBS and health SBS contributed to substantial budgetary increases and improved services, with increased utilization of health facilities. EU's specific focus on human resources management reform provided a significant impetus for its successful implementation and allowed addressing of the issue of persistent staff attrition in a context of an imposed staff employment freeze.

However, the combined EU/DPs support was not a sufficient response to the increasing vulnerability of the population, related to unequal access to the country's growth benefits and correlated with a deteriorating health environment directly impacting on nutritional issues (especially for pregnant women and infants) and on patients' responses to AIDS treatments: for instance, despite substantial progress results in the maternal mortality ratio are still far from the targets set in the MDG. In addition, findings from recent studies will need to be addressed in the next support programmes, especially those confirming households' increased preference for private suppliers of services and drugs.

Finally, the 2009 crisis with the misappropriation in health funds, which led to a uniform response in terms of a temporary interruption to PRBS disbursement, played a pivotal role in the on-going reform of sector governance.

The EU was successful in contributing to a renewed health policy framework, notably by managing the 2009 mismanagement crisis

Zambia pioneered "basket funding" with its cooperating partners as early as 1993, and a Sector-Wide Approach (SWAp) involved partners in pooling resources programmed in accordance with GRZ budgetary allocations. The whole process might have acted during the first half of the evaluation period as a disincentive to the Government's financial commitments to the health sector, which decreased in 2004 to an alarming 4.7% of total government expenditure, a trend since reversed (JC 5.2). However the expected improved transparency associated with GBS/SBS processes (with improved PFM and sustained policy dialogue) did not succeed in attracting other donors to contribute to funding the Government Budget and a large share of donor support remained off-budget. The main increase in external aid during this period was largely financed from flows of large philanthropic disease-specific commitments[58]. In addition, external support mainly focussed on capital investments, accounting for from 11.5% of total health expenditure in 1995 (15% in 2001) up to 42.5% in 2005 and 32.1% in 2008.

The sustained EU commitment to the health sector was mobilised throughout EDFs 9[59] and 10[60]. Complementary to EU resources channelled through EU GBS (PRBS I-II and MDG

[58] Such as the Global Fund to Fight AIDS, Tuberculosis, and Malaria (GFTAM), Roll Back Malaria (RBM), Stop TB, the Global Alliance for Vaccine Initiative (GAVI), the U.S. Government's Presidential Expanded Program for AIDS Response (PEPFAR) or other private Foundations (MACEPA)

[59] 4.16% of the NIP envelope as a non-focal sector

[60] 7.4% of the NIP

contract), additional resources were channelled through two sector budget support programmes: Retention for Human Resources for Health (€10m under EDF9[61]) and Supporting Public Health Service Delivery in Zambia (€35m under EDF10[62]). Whereas disbursement of the EDF9 programme was subject to attainment of benchmarks set out in the Human Resources for Health strategic plan logframe, the conditions relating to disbursements under the EDF10 Programme (monitored in SBS PAF[63]) were drafted in coherence with the outcomes (monitored in GBS PAF[64]). It is also worth noting that a contribution agreement of €0.4M with the United Nations Population Fund (UNFPA) supported achievement of the 2007 Zambia Demographic and Health Survey, still used as the reference document for the MDG progress reports[65].

Both EU-financed GBS and SBS were aligned with government's global (FNDP) and sector strategies. The **dialogue under GBS formalised in the Zambia Aid Policy and Strategy and the Joint Assistance Strategy for Zambia (JASZ) was further structured at sectoral level**, an MoU being signed in April 2005 that formalised all partner contributions to implementation of the National Health Sector Policy (NHSP 2006- 2010) with the objective of significantly improving equity of access to essential health services, in part by improving the availability of essential infrastructure and equipment.

The health partnerships were organised through Joint Coordinating Mechanisms and consultative and coordination structures such as (i) Annual Consultative Meetings (ACM), (ii) Sector Advisory Groups (SAG), (iii) MoH/CP Consultative Policy Meetings, (iv) Technical Working Groups/Sub-Committees and (v) Health CP Group Meetings.

EU took advantage of its specific commitment in GBS and SBS for linking both overall and sectoral dialogue platforms: the functional link between overall GBS and health sector specific platforms worked quite well as illustrated by DFID's current membership of the troika that chairs health sector policy dialogue despite its not directly financing the sector.

In 2009 the crisis resulting from misappropriation of health funds served as a useful warning signal: it first revealed weaknesses in the effectiveness of dialogue mechanisms, as the policy dialogue did not help avert mismanagement within the sector. It led to delays in PRBS disbursement to, and basket funding of, the health sector, and a High Level Policy Dialogue (HLPD) was jointly initiated on the underlying principles stipulated in the MoU's PRBS. This in turn led to the formulation of a Joint Governance Action Plan in the health sector, which agreed implementation steps representing triggers for resumption of CP disbursements. The whole process has been acknowledged as a starting point for substantial organisational and managerial decisions in areas as wide apart as staff or supply chain management.

The EU contribution through GBS, SBS and the health SWAp complemented government's efforts and yielded notable results in terms of improved health (JC 5.1), service availability (JC 5.2) and affordability (JC 5.4).

In contributing to financing un-earmarked health expenditure consistent with the MoH strategy, the EU (as well as other CPs within the health SWAp) contributed to substantial budgetary increases between 2005 and 2010, as well as appropriate and timely budgetary disbursements (running budget and drugs) to health care facilities in the districts. In addition, the specific EU focus on health outcomes in its GBS monitoring contributed to facilitating the dialogue between the Ministry of Health and the Ministry of Finance and National Planning

[61] FA signed in March 2007. Scheduled disbursements in two fixed disbursements in 2006 and 2007 of €3m and €3.5m respectively and a two variable tranche (€m 2+1.5) to be disbursed in 2008.

[62] FA signed in December 2007 with a fixed (€8.5m) and a variable tranche of (€3m) to be disbursed in second quarter of 2009, 2010 and 2011.

[63] Namely HEA3 (Utilisation rate of Primary Health Care facilities) HEA4 (Percentage of MoH release to district level), HIV2 (percentage of HIV positive eligible clients accessing ARV treatment)

[64] Namely (i) percentage of MoH releases to district level; (ii) the utilisation rate of primary health-care facilities; (iii) the percentage of institutional deliveries; and (iv) the percentage of fully immunised children under one year of age in the 20 worst-performing districts

[65] Unfortunately the 2011 MDG draft progress report 2011 does not refer to more recent sources than those established by the 2007 HDS

(MFNP) for improved budgeting and planning processes in the health sector.

The government's efforts yielded notable outcomes in terms of service availability and utilization[66]: physical and financial access to health care facilities improved, especially in rural areas (I-5.2.1), with improved coverage of prevention activities and treatments relating to HIV/AIDS infection (I-5.2.2). Substantial efforts have been directed to effective availability of essential (I-5.2.3) and ART drugs (I-5.2.4).

This led to some improved **health-related MDG indicators** (JC 5.1) between both 2001 and 2007 ZHDS. The Under-Five Mortality rate fell from 168 per 1,000 live births in 2002 to 119 in 2007, exceeding the 2010 target of 134 per 1,000 live births. Recent updates indicate a sustained improvement in infant mortality (86 per 1,000 live births in 2009 against 99 in 2000). The spread of malaria diminished slightly from 373 per 1,000 persons in 2002 to 358 in 2007, and the HIV prevalence rate finally dropped in 2007 to 14% for adults aged between 15-49 years, from an observed 16% in 2001/2002.

These encouraging results are correlated with the upward trend depicted in the HMIS health bulletins, for instance in terms of improved service utilisation and intervention coverage (I-5.1.1) improved children immunisation (I-5.1.4), improved family planning (I-5.1.5), improved malaria treatment (I-5.1.6) or improved antiretroviral therapy coverage (I-5.1.7).

These achievements should however be balanced with reservations as to their **scope and sustainability**, especially those related to mother and child health in a context of high HIV prevalence and increasing vulnerability within the population.

The **Maternal Mortality** ratio decreased from 649 per 100,000 living birth in 2002 to 499 deaths in 2007 and 470 in 2009[67], still far above the MDG target of 162 set for 2015 – a trend confirmed by the HMIS data on improved antenatal care coverage and increases in the number of births attended by skilled personnel, which indicate – following a slight improvement – a persistent reluctance on the part of pregnant women to deliver in health centres (I-5.1.3). Whereas supervised deliveries, as well as stocks of antibiotics, greatly help reduce maternal fatality cases[68], the reported direct causes of maternal death include haemorrhage (34%), sepsis (13%), obstructed labour (8%), hypertensive conditions (5%) and abortion (4%), with indirect causes related to malaria (11%) and HIV (10%)[69]. The range of these indirect causes of maternal mortality indicates that the EU-CP support was not a sufficient response to the increasing vulnerability of the population, linked to a deteriorating environment for health which directly impacts on nutritional issues (esp. for pregnant women and infants) and on patients' response to AIDS treatments, for instance. In its CSP-NIP 2008-2013, the EU planned to strengthen the link between combined GBS/SBS and projects funded from the EU thematic instruments such as the poverty-related disease budget line, but did not follow through with it[70]. GRZ had instead asked the EU to contribute to the MDG initiative, addressing the issue of maternal health in the 16 most vulnerable districts.

In addition, **major shortcomings have already been mentioned in relation to the supply chain management cycle for drugs and pharmaceuticals, laboratory services and medical imaging:** the 2008 MTR of the national health policy recalled for instance GFATM, WB, and Auditors General reservations on the procedures followed by the MOH/Procurement and Supplies Unit. The need for substantially improving the supply chain management and logistics became even more urgent following the afore-mentioned 2009 crisis.

The **EU Programme for retention of human resources for the health sector** was built on a shared vision with the National Health Strategic Plan, namely to assure equity of access to

66 A trend depicted as well in the Mid-term review of the Zambia National health Strategic Plan (Nov. 2008)
67 Maternal mortality ratio has been recently estimated at 591 per 100,000 live births. Source : MoH concept note, Accelerating Progress Towards Maternal, Neonatal and Child Morbidity and Mortality Reduction in Zambia, June 2011.
68 Budget Support evaluation health case study (2011)
69 MoH concept note (2011), op.cit.
70 According to EUDEL this instrument is too heavy to manage for limited expected results

good-quality, cost-effective and affordable health services as close as possible to the family[71]. Concomitant EU financial releases in support of the sector policy helped bear the financial cost of the Basic Health Care Package (BHCP), which in April 2006 abolished user fees (including drugs) for primary health care. The joint GRZ and CPs financial commitment appears to have increased the **affordability of health care, especially in rural health facilities**[72] as the public health facilities or missions accounted respectively for only 5% and 1% of households' total health expenditure[73]. In spite of government commitment through BHCP, households still account for nearly half of all curative care spending, consistently from out-pocket expenditure for private for-profit healthcare providers (including traditional health practitioners, private hospitals and clinics as well as drugs supply) (I-5.4.2).

This raises the issue of how to address the changes in patients' expenditure patterns, especially with a contributions to insurance schemes representing only 1% of total health expenditure (I-5.4.1). This issue was also highlighted in the 2008 MTR NHSP, advocating implementation of a social health insurance scheme for formal sector employees as soon as possible. However the contribution of the private for-profit sector[74] remains marginal at an average of 5.5% of total health expenditure[75], which raises sustainability issues in relation to compensating for a possible drying-up of large donors' disease-specific contributions. The recommendations of the 2008 MTR NHSP still appear to be relevant today, favouring initiatives such as encouraging private investment in the country's health sector through PPP arrangements and work-based health and HIV/AIDS prevention and treatment programmes.

The results in terms of improved **financial accessibility for the most vulnerable people** (I-5.4.3) are also mixed: the 2008 MTR of the Zambia Health Development Plan mentions some "equity challenges relating to access to health facilities in terms for instance of urban *versus* rural settings". For people living with HIV and AIDS (PLWHA), the provision of free ART helped decrease household expenditure on HIV care, but this increased proportionally the cost of care for opportunistic infections.

EU brought a significant and specific impetus to the health policy in terms of policy dialogue and financial support, with the EU Health Worker Retention Scheme provided through Sectoral Budget Support (JC 5.3).

The EU's commitment to MoH's health workers' retention scheme[76] was consistent with the EU global strategy for action in response to the crisis in human resources for health in developing countries[77], approved in December 2005. And while basket funds and disease-specific financing were not able formally to finance staff-related expenditure, it created more flexibility and contributed to improved GRZ resource allocation.

The focus on benchmarks (such as improvements in 'population to health professionals' ratios or in payroll management) for disbursement of the variable tranches of the EU programme provided a significant impetus for successful human resources reform

71 FA TAPS Overall Objective.
72 Noted as well by the mid-term review of the Zambia National health Strategic Plan (Nov 2008)
73 MoH Zambia National Health Accounts 2003-2006, March 2009
74 i.e. the contribution of private companies for the heath care of their staff and families
75 Zambia National Health Accounts (2009), op. cit.
76 MoH developped in 2003 the Zambian Health Worker Retention Scheme, a three-year commitment that allowed allocation of ZMK 32 billion in addition to the normal personal emoluments. Then a strategic plan for human resources for the health sector (2006-2010) was adopted that aimed at ensuring an adequate and equitable distribution of appropriately motivated, skilled and equitably-distributed health workers providing quality services. This allowed incorporation of the corresponding financing needs into the country's macro-framework and corresponding MTEF. And in a context marked by the debate on the wage sustainability, the MoH was exempted from the public sector employment freeze.
77 In Zambia staff attrition became obvious after the approval of the revised establishment for MoH shortly after the dissolution of the Central Board of Health in 2006: the needed posts were re-evaluated in accordance with WHO recommendations from an initial 23,000 to about 50,000. For the health sector it was reported that virtually unqualified health workers ran 45% of the rural health centres. The situation was severe and called into question the country's ability to achieve the Millennium Development Goals, such as MDG 5 relating to maternal health.

implementation. It encouraged the GRZ to further develop the human resources development plan, which is currently being updated[78], with continuous strong pressure from the EU in the elaboration process.

This approach led to substantial results. Besides specific efforts to increase the number of specialised personnel such as pharmacists, nutritionists, radiologists or dental surgeons, MoH also strengthened its clinical staff. (I-5.3.1) At national level, the number of medical doctors doubled between 2006 and 2010 (from 574 to 1,076 respectively), the number of midwives increased moderately (from 2,240 to 2,745), and the number of nurses increased from 6,496 to 7,795 (+20%). The figures from the last census indicate a significant improvement in coverage by medical doctors (1:21,019 in 2006, 1:12,125 in 2010), and slight improvements in coverage by midwives (1:5,386 in 2006, 1:4,753 in 2010) and nurses (1:1,857 in 2006, 1:1,674 in 2010)[79]. However, the brain drain of medical personnel has still not been overcome and high staff vacancies rates are still reported. Moreover, the strong EU focus on outputs at district level[80] might have restricted absorption capacities in delaying the releases to the beneficiary.

Finally EU institutional support for the Health Management Information System (HMIS) through the dedicated component of PRBS, allowed strengthening of government's only comprehensive facility-based information system for improving poverty reduction monitoring.[81] It also helped develop a Health Sector Performance Monitoring Framework (HSPMF), to be used for the 2011 assessment of the variable tranche of the on-going programme.

[78] It focuses on the improvements in training, equitable distribution of health workers with appropriate skills mix, and adequate human resources planning and management.
[79] Staff distribution per province is detailed in Annex XI, JC5.3.2
[80] Note to the file 10/12/2008. Among the specific conditions for the release of the 2008 variable tranche: no district should have presented a ratio above 7,000 whereas 14 were still showing a higher ratio.
[81] HIMS and PE2-BRBS1 (13,5 MZKW, Dec. 2006) and PE1-PRBS2 (8,9 MZKW, Nov 2009)

4.7 DEMOCRATIC GOVERNANCE AND CIVIL SOCIETY

EQ6: To what extent have EU interventions contributed to enhancing democratic governance?

JC 6.1: The legal and regulatory framework for civil society is conducive to CSOs involvement in policy processes

JC 6.2: The presence and interface of CSOs with the population and the government is ensured

JC 6.3: CSOs become sustainable entities operating in all relevant policy areas and in complementarity with other NSAs

JC 6.4: The EU support has contributed to that the electoral process was transparent and well organised

JC 6.5: The EU has ensured the overall coherence of its interventions for reinforcing civil society capacity in relation to governance processes

JC 6.6: Cross-cutting issues advocacy and implementation are supported by CSOs supported by the EU

Overall assessment

The extent to which EU interventions have contributed to enhancing democratic governance during the 2001-2010 period is limited as CSOs in Zambia are still facing substantial challenges in becoming sustainable entities operating in all relevant policy areas. A landmark in contributing to democratic governance was the EU's support for transparent electoral processes and well organised elections.

EU support for Civil Society Organisations (CSOs), which is a major component of its response strategy for enhancing democratic governance, was provided in the absence of a conducive legal and regulatory framework aimed at maximising the potential of CSOs as development actors. The majority of CSOs proved very weak with regard to capacity. This capacity challenge was a key factor for the limited achievements in enhancing the presence and interface of CSOs with both the government and the population.

Substantial grant support (about €68m, including thematic programmes) was provided to CSOs in the ten-year period. However, the protracted process and the ultimate failure to approve the special CSO support programme under the EDF9 CSP/NIP has made it difficult for the EU to achieve an overall coherence of its interventions for reinforcing civil society's capacity for addressing governance issues.

The EU has throughout fostered open dialogue, especially through regular consultations with CSOs in the Thematic Programmes. CSOs were involved in defining the priorities in the Calls for Proposals. The EU additionally offered support for grants management and Project Cycle Management through ad hoc workshops and meetings.

The EC aimed to enhance the coherence of its interventions for reinforcing Civil Society's capacity for addressing governance issues but important challenges remain, including the need for stronger demand-driven focus.

Approval of the special, comprehensive CSO capacity strengthening and institutional support programme under EDF9 took a very long time and ultimately the programme was cancelled for a variety of reasons. The case is illustrative of a yet-to-be-achieved balance between the political and development objectives and the programming components of the country strategy. CSOs and economic NSAs, for example, were not yet fully recognized – particularly by GRZ – as partners in the political and strategic policy dialogue process, especially as regards governance issues. This was particularly the case during the second part of the ten-year period, despite progress and initial accomplishments. In addition, the synergy between the political and development components of the EC country-level response strategy for Zambia would need more proactive steering and coordination at the level of the EUDel. This would be more in line with the Lisbon Treaty, which places strong emphasis on the political dimension of national and regional development and integration.

On the other hand the Commission's lead in governance issues amongst the Cooperating Partners was confirmed for the Government-Oriented Division of Labour (GO-DOL) and JASZ II will be applied under the Sixth National Development Programme (SNDP - 2011-2015). This in principle puts the EC in a favourable position to further enhance the coherence of its own and other CP interventions for reinforcing civil society's capacity to address governance issues (I-6.5.1).

The design of the EU response to the different actors in the governance arena has been quite comprehensive, as it targets the main stakeholder clusters and different actors, including government, parliament, electoral processes, justice, police, civil society organisations, and so forth. They were addressed either explicitly or exclusively through special project-type interventions, or in the broader framework of an over-arching programme (PRSP, PEMFA, PRBS, &c). However, it is not clear whether and how these different components of the governance response strategy targeting the different stakeholder groups relate to each other, or how far they are complementary and mutually reinforcing. This particularly pertains to the different components of the Access to Justice Programme, as was evident from the document study and also from various interviews with key stakeholders during the field phase. The failure to push through the special CSO capacity strengthening project under EDF9 was a major set-back in this regard.

One of the major criticisms[82] of the Poverty Reduction Budget Support (PRBS) process and of General Budget Support as the main EU aid modality in Zambia relates to the inadequate attention given to the demand side of the programme strategy, in the context of both domestic accountability (active participation of NSAs, Parliament, local government, etc.) and capacity-building. At the same time it is recognised that needs were and are not always clearly spelled out. In short the PRBS as a flagship programme absorbing about half of the total budget of the EDF9 CSP-NIP lacks demand-driven focus and ownership. The Mid-Term Review of the EDF10 CSP-NIP comes to a roughly similar conclusion on NSA/LA involvement in the policy dialogue. The NSAs were indeed actively consulted by the EU Delegation during the EDF10 MTR process and it is clearly the intention to strengthen support for and dialogue with NSAs in Zambia, but no strategic roadmap yet exists for actual interaction between the EU and NSAs (I-6.5.3).

NSAs generally form part of Sector Advisory Groups (SAGs) and have contributed well in some sectors (health, education, macro-economic), but less so in others (private sector development, agriculture). The Delegation regularly involves NSAs in its programming and implementation processes, notably in focal sector 2 on health, in which NSAs are consulted on assessment of Sector Budget Support. Dialogue with NSAs is also particularly intense on the Economic Partnership Agreements (EPAs), on which the EU Delegation regularly interacts in workshops and seminars (I-6.5.4).

The EU support contributed to the fact that the September 2011 national electoral process was transparent and well organised.

The "Statement of Preliminary Findings" on the 20 September 2011 General Elections in Zambia by the EU Election Observation Mission to Zambia summarily concluded as follows: "*A generally well administered election day and a highly competitive campaign despite the absence of a level playing field*". Some critical aspects and challenges mentioned in the Mission's statement refer to (i) reforms of key aspects of the electoral framework for future elections; (ii) a few failings in voting and counting of ballots; (iii) unequal access to resources, meaning that there was not a level playing field for campaigning; and (iv) the failure of the State-owned media to meet even their minimal obligations as public service media, as key programmes such as news bulletins lacked any degree of balance in their coverage (I-6.4.1).

The September 2011 General Elections were only one highlight of EU support to electoral processes in Zambia. This support spans an extended period of time and covers both pre-

[82] EU – Government of Zambia Joint Annual Report (JAR) 2010; p8

and post-election processes: Longer-term planning and preparatory assistance for election events (e.g. voter education, voter registration, etc.) and post-elections process institutionalisation and after-care assistance, both sub-processes with involvement of CSOs. This long-term support for the electoral process was provided through EDF10 CSP support for the Zambian 2009-2012 Electoral Cycle project with a CSP-NIP A-envelope totalling 7.4m and an operational implementation phase of 44 months. It is a “classical” project-type approach embedded in a trust fund setting with five other CPs and with UNDP as lead. Certain difficulties remained as regards information – especially in respect of monitoring – which is not always complete or timely, hampering effective supervision.

Capacity and budgetary constraints delayed progress. There are still major outstanding challenges relating to institutionalisation and mainstreaming of the EU project accomplishments insofar as many of the trained project personnel were hired on a contractual basis, and transfer of knowledge into the mainstream organisation is now in jeopardy on account of the impending termination of these contracts. Other outstanding issues relate to anchoring of the ICT system and tools (a major EU contribution); and electoral support capacity strengthening at provincial level and below, including voter education through CSOs and the establishment of civil registration as a precondition for transparent voter registration (I-6.4.2).

The EU support did not allow enhanced CSO involvement in policy processes in the absence of a conducive legal and regulatory framework

At present there is no conducive legal and regulatory enabling environment for maximizing the potential of CSOs as development actors. CSOs are still governed under rules and regulations unsuited to their needs and characteristics. The NGO Act No. 16 of 26 August 2009 is contested[83] as it mainly concentrates on the obligation on CSOs to register with the public authorities (MCDSS, now MCDMCH[84]) and is perceived by the CSOs as threatening their independence rather than bringing about the intended enhanced transparency, accountability and performance. The restricted coverage of the various types of CSO by the law (e.g. professional groups or organisations, trade unions, churches, clubs and religious organisations are excluded) is another issue of contention, as is the composition of the Board and the Working Groups in charge of drafting the rules and regulations of the Act. Despite the EU’s support CSOs were not in a position to build a consensus on the necessary governance and self-regulation mechanisms (mainly a Code of Conduct and a self-regulatory council) (I-6.1.1).

Relations between the Government (GRZ) and CSOs are not always easy, with GRZ nonetheless recognizing the added value of CSO engagement, mainly in respect of provision of services in line with the National Development Plans, away from advocacy work. To date no legislation for State funding of CSOs exists (I-6.1.2).

In accordance with the prescribed EU procedures, CSOs are routinely invited to EDF programming events including those relating to the CSP/NIP, and thus in principle are also, directly or indirectly, involved in aid modality decision-making processes, including those relating to General Budget Support (GBS). However the overall quality, added value and actual impact of this CSO involvement has not been consistent across the board (I-6.1.3).

The CSO interface with the population and government remained limited despite incentives provided by the EU

The interfacing of CSOs with government and the population is basically externally facilitated by the Cooperating Partners and particularly the EU, rather than an endogenous national process. The MoU signed between GRZ and Cooperating Partners on development and aid effectiveness provides for a dialogue architecture which sets out the complementary

83 EUDel Note to the File dated 24 August 2011, in which reference is made to Mumba (2011)
84 Ministry of Community Development and Social Services, now renamed as Ministry of Community Development and Mother and Child Health

fora in which GRZ, CPs and Non-State Actors interact in policy dialogue to improve the effectiveness of development assistance (e.g. sector dialogue, dialogue on cross-cutting issues, reforms and aid effectiveness, high level policy dialogue). Dialogue with NSAs and CSOs has however remained limited. Since 2003 there has been a certain lack of continuity in progress on Zambia-EU political dialogue with CSO involvement, but the process gained momentum from 2009 onwards, particularly through the Sector Advisory Groups (SAGs) in health and education (I-6.2.1).

The cancellation of the comprehensive support programme to CSOs under EDF9 signified a major setback for the institutionalisation and mainstreaming of the civil society consultation process. The government kept delaying the signing of the Financing Agreement, ultimately leading to its termination.

The quality of CSO-GRZ dialogue events is poor and their outcomes are limited, with the exception of those relating to the poverty reduction strategy. There is not much inclination to acknowledge CSOs' influence and impact on governance and accountability issues, apart from some relatively substantial budget tracking and monitoring. (I-6.2.2)

One of the eight weaknesses of CSOs, cited as constituting the rationale for the EDF10 NSA capacity-building project, is weak vertical linkages with the grassroots level of society, thus limiting the pressure from below for accountability. Generally CSOs are strongly dependent on aid flows, with limited (if any) constituencies and low levels of transparency and accountability[85] (I-6.2.3).

EU support has not contributed to CSOs becoming sustainable entities operating in all relevant policy areas[86]

There are only a handful of Zambian CSOs that currently qualify for core funding.[87] Even these relatively well-established and institutionalised CSOs have proved to be in need of substantial improvements in key functions such as M&E and financial management (I-6.3.2). The institutional analysis of CSOs commissioned by the EU in 2006[88], among others, concluded that CSOs' technical skill levels are generally characterised by a weakness in the setting-up of projects and their follow-up, and by the fact that they often have structural problems regarding their human resources (in particular, the lack of qualified personnel lost to international NGOs) that undermine their capacity to fulfil their mission. The reaffirmation of most of these weaknesses in later studies is an indirect confirmation that capacity-building efforts during the reference period have not been successful. In broad terms, human resources are assessed as the weakest aspect of the performance of CSOs in Zambia; lack of institutional and management capacities is another cited weakness.

In this broader context the rationale for establishing the Zambia Governance Foundation (ZGF), on the Board of which the EU is represented as an observer, was *inter alia* to lower transaction costs for both CPs and CSOs, broaden the base for funding requests, and facilitate networking between organisations. An additional aim was to strengthen the institutional capacity and autonomy of CSOs to engage actively in policy processes and undertake advocacy on behalf of the poor and socially excluded people in Zambian society. The ZGF structure is being considered as a conduit for channelling EDF10 capacity-strengthening support to CSOs on a call-for-proposals basis (I-6.3.1).

85 EUD Lusaka (2011); "Rationale for 10th EDF NSAs capacity building project in Zambia"; p1

86 Generally, in the literature a broad based interpretation is given to the term Civil Society Organisation (CSO) in the Zambian context, in as much as CSOs also cover non-government entities often referred to as Non-State Actors (NSAs), for example those actors active in the economic sector (e.g. professional associations, business organisations, labour unions, etc.) or trade sector. This broad interpretation and dito classification are also used in this evaluation report. (e.g. see the CSO classification under Data, Figures, Tables related to indicator 6.1.2) As transpired from the consultations during the field visit, most stakeholders adhere to this broad definition and classification, whereas the NGO Act of 2009 gives a more restrictive interpretation to the concept. This is one of the main areas of dispute and discontent with this legislation.

87 The IDL Group (2011); Mid-term Review of the Zambia Governance Foundation; p11,

88 STEM-VCR Srl (2006); Institutional Analysis of Non State Actors in Zambia; pp 39-52

Civil Society in Zambia has been quite active in interventions on social issues such as poverty and public expenditure management. However success in pushing policy reforms through has been limited. According to a recent organisational survey, only slightly more than half of the CSOs surveyed have been pushing for policy reforms and these have had only limited success. CSOs face substantial challenges in influencing policy processes, including a lack of institutionalised mechanisms and governmental mistrust and suspicion.[89] CSOs focusing on advocacy work are finding it more difficult to have their contributions recognised as useful for achieving poverty reduction goals.

Dialogue with CSOs, implying their involvement in advocacy and negotiation activities, occurs across a wide front, as part of their participation in Sectoral Advisory Groups (SAGs), in over twenty sectors.[90] CSOs are particularly active on issues of governance, human rights, health service delivery, the fight against HIV/AIDs, education and gender mainstreaming. In the main, those CSOs that are active include civil society networks, well-established nationwide organisations and faith-based organisations (I-6.3.3).

Cross-Cutting Issues (CCIs) are receiving more focused attention from CSOs and are gradually being mainstreamed. However, there is still a long way to go as the CCI mainstreaming challenges ahead are still very substantial. This also pertains to EU support for CSOs, which is gradually including a stronger focus on CCIs.

The availability of background documents on such cross-cutting issues as gender, environment, governance, human rights, social protection and so on has been confirmed by the participants in the evaluation focus group discussion with CSOs, but without further details of the type, content, quality and quantity of such documents. This availability has also been confirmed in umbrella programmes on CSO capacity strengthening as for example with the Zambia Governance Foundation (ZGF).[91]. On the other hand NSA knowledge and familiarity with the Cotonou Agreement and with EC policies, strategy instruments and its programmes, including those relating to CCIs, remains insufficient.[92] In general, CSOs recognize that the EU has made important progress in expanding disclosure but still further efforts need to be made. CSOs generally view greater disclosure as a key step forward in operationalising the civil engagement framework put forward at Cotonou, so as to ensure that all non-State stakeholders have the background and information they need to engage effectively in dialogue with both the government and the EU (I-6.6.1).

With the NGO Act not yet operational and no CSO registration in place, the actual number of CSOs and Apex organisations involved in crosscutting issues cannot reliably be determined. (I-6.6.2). However indirect empirical evidence of growth in the CSO portfolio of CCI projects is provided both through the prioritisation in the EU country strategy and indicative programme processes, and through other strategy documents and key programmes (e.g. general budget support in relation to the PRSP or the successor FNDP with special focus on MDGs, particularly those relating to CCIs). The mainstreaming of crosscutting issues such as gender and environment is a recurrent annual theme in the subsequent JARs. Efforts are being stepped up to further mainstream cross-cutting issues, particularly in the fields of gender, environment and HIV/AIDS.[93] (I-6.6.2) But there still remain very substantial challenges ahead in CCI mainstreaming by CSOs (I-6.6.3).

89 Zambia Council for Social Development (ZCSD) and Civicus World Alliance for Citizen Participation; Civil Society Index Analytical Country Report for Zambia - The Status of Civil Society in Zambia: Challenges and Future Prospects; 2011; pp 33-46
90 Mid-Term Review of EDF10 CSP (16 October 2009) – Conclusions; pp 16-17
91 As transpired for example from the recent ZGF mid-term review; The IDL Group (2011) p11
92 As shown in the EU commissioned institutional analysis of Non State Actors in Zambia of 2006 - STEM-VCR Srl (2006) pp 36-37;
93 More detailed information and concrete illustrations are provided in the Information Matrix related to JC 6.6.

4.8 FOOD SECURITY AND AGRICULTURE

EQ7: To what extent have EU interventions contributed to promote smallholder agricultural growth and food security?

JC 7.1: Access of smallholders to agricultural inputs improved in pilot provinces

JC 7.2: Production and productivity increased in pilot province and overall

JC 7.3: Value chain/value addition was developed

JC 7.4: Food security increased in rural districts, and particularly in districts supported by EU Food Facility

JC 7.5: The improvement of urban markets infrastructure supported small holders' production

JC 7.6: The food security policy and programming framework has improved

Overall assessment

The EU support for the reform of agricultural policy did not overcome government inertia but successfully paved the way for innovative sustainable approaches to agricultural sector support.

The central pivot of EU support for agriculture and food security in Zambia, the €15m Support to Agriculture Diversification & Food Security Project (SADFS), fell short of initial expectations of elaborating a revised policy framework for food security along with reinforcing extension services to smallholders, mainly through the Ministry of Agriculture and Co-operatives (MACO). The scope for developing an integrated sector strategy and ownership is limited. The contribution to improving smallholder access to extension services and agricultural inputs (fertilizers, seeds, etc.), or encouraging market-oriented production and developing value chains, has been rather limited. Other EU rural development projects, funded through NIP or Food Facility, were more thematically or spatially focused. They provided useful lessons for a future SWAp but at present their impact does not extend beyond local communities and the direct beneficiaries of these projects.

In consequence, EU interventions had no measurable impact on agricultural growth and food security country-wise nor on local communities beyond the direct beneficiaries of projects supported by the Food Facility. The projects faced considerable difficulties arising from the limited capacities and inertia of the Ministry of Agriculture, which were not anticipated during the design phase of the SADFS and Conservation farming projects. Only a few small-scale projects, supporting NSA initiatives, were successfully implemented and are likely to be sustainable.

The agricultural sector in Zambia comprises over 1.1 million small and medium scale households, providing livelihoods for more than 50% of the population. Production concentrates on rain-fed maize (the main staple crop). The sector absorbs approximately 67% of the labour force and remains the main source of income and employment for the rural population. Maize harvests varied between 1.2 million metric tonnes during the 2007/08 season and 1.8 million metric tonnes in the 2008/09 season. Given Zambia's abundant natural endowment with land and water, agriculture has the potential to become the key to rural growth and poverty reduction but chronic food insecurity still prevails in rural households.

The strategic issue for agriculture and food security is that agriculture in Zambia is still very much a subsistence activity, kept out of the cash economy and with individual initiative stifled by strong dependency on extension services and government-subsidised schemes inherited from the former socialist regime. Most MACO services are still passing out-dated messages, far from promoting income increases and entrepreneurship. The sole focus is on increasing the production of maize through increased use of chemical fertilizers and hybrids.

EU interventions in rural areas during EDFs 9 and 10 were limited in resources, with disbursements during the evaluation period totalling around €40m of which over €20m was from the Food Facility and therefore outside strategic NIP programming. Nevertheless, this amount was far from sufficient to generate measurable results on production and productivity indicators at country level. The main EDF project in this sector was the €15m Support to Agriculture Diversification & Food Security Project (SADFSP), covering two provinces. Other projects, financed by the NIP (such as the conservation farming project, €1.9m) or by the Food Facility, were locally-based with thematic components which served more to provide experience for designing a SWAp than to contribute to improvements in agriculture production and food availability beyond their direct beneficiaries. Two new large EDF10 Programmes (€20m) focusing on important aspects of scaling-up conservation farming and improving sector performance had yet to become effective during the reference period.

A food security policy framework beyond the reach of EU interventions and with poor sector monitoring (JC 7.6)

The policy framework in the agricultural sector has significantly improved over recent years with the adoption of the National Agricultural Policy (NAP) in the mid-2000s and of the Private Sector Development (PSD) agenda. Past interventions mainly focused on production improvements while ignoring the role of markets. The new framework resulted in more attention being paid to the whole agricultural value chain, acknowledging the key role played by input suppliers and agribusiness firms.

The EU intervention specifically designed to improve the food security policy framework was the SADFSP, particularly its component 1. This project was designed to be fully implemented through the Ministry's structure and to pave the way to a future sector support programme under EDF10. The project failed to contribute to elaborating a renewed policy framework, owing mainly to the inadequate initial TA and the lack of clarity in the FA as to the distribution of responsibility. It can be inferred from the overall administrative context that the MACO departments were at all levels unresponsive and did not support the EU initiative (I-7.6.1).

The ROM reports repeatedly highlighted weaknesses in the support to MACO for reinforcing the M&E system's baseline data and monitoring instruments and improving its integration in the policy and programming processes. Rather than strengthening MACO's M&E system the SADFSP has designed its own system. Although Policy and Planning Department (PPD) has the overall responsibility for MACO's M&E system, to date PPD has not taken ownership of the project's M&E system. The responsibility of monitoring and evaluating higher level indicators (outcome and impact) lies with PPD while the individual departments within MACO are expected to focus on monitoring lower-level indicators (results/outputs and activities). These limits are also linked to the inability of the project to contribute to elaborating a food security strategy, the lack of ownership of MACO staff and insufficient budget allocation for M&E (I-7.6.3).

Insofar as the EU intervention failed to contribute in improving the policy framework, it can hardly be inferred that it has had an effect on budget allocations by GRZ to the agricultural sector. M&E reports are unanimous in their assessment that extension services in pilot provinces were left to EU financial resources, even with decreasing budget allocations. At the same time it seems common, as confirmed by observers, that when a province is externally supported, GRZ passes budgetary resources to other provinces (I-7.6.2).

A limited contribution to increasing production and productivity in agriculture (JC 7.1 and 7.2)

Agricultural performance in Zambia is vulnerable to erratic rainfall patterns and poor irrigation systems, lack of access to credit and infrastructural deficiencies, which translates into very high transport costs and a lack of adequate marketing channels. Seasonal and regional production patterns result in large seasonal and regional price variability. Zambia's poor remain extremely vulnerable to production shocks, not only because droughts reduce crop and livestock production and incomes, but also because market price increases thereby greatly diminish the purchasing power of poor households.

The EU interventions in agriculture and food security were focused mainly on promoting improved access to inputs, including extension services. The SADFSP was the major vehicle for the EU's strategic response in the sector, comprehensively integrating improvements in the policy framework, reinforcement of MACO extension services (in two pilot provinces), and support for NSA initiatives. Some of the latter focused on agricultural inputs but that was not their major objective. Other EU interventions had far less financial weight, were less integrated within MACO, and had much more localised scope, for example the conservation farming and agriculture project or several small scale projects supported by the Food Facility through calls for proposals.

This sector portfolio made a limited contribution to improving smallholder access to agricultural inputs, countrywide as well as in pilot provinces. Land tenure issues (I-7.1.1) were left unattended to by EU projects on the grounds of their being being politically sensitive. Agriculture machinery was out of reach of smallholders. The major expected EU contribution was reinforcement of extension services provided by MACO's decentralised departments in pilot provinces. At the end of the reference period these services were still unable to reach smallholders owing to a lack of dynamism in extension methodologies and an inherent lack of flexibility in their organisation, as shown by a structural inability to conduct relevant and responsive research activities, and by an insufficiency of resources to support the delivery of agricultural services and information at block and camp levels. An average of one extension officer per 600 farmers was also a limitation. The smallholders consequently showed little interest in MACO extension services (I-7.1.4). The SADFSP component 3, in support of NSA initiatives, was much more efficient in responding to smallholder expectations and needs.

The SADFSP project did not manage in improving the access of the rural population in the pilot provinces to financial services as banks require title deeds, otherwise asking for for agricultural investment purposes unfeasible interest rates (commonly 50%, sometimes up to 300%) even for micro-credit schemes (I-7.1.5). Extending access to financial services was neither within the scope of the conservation farming project, nor with in Food Facility calls for project proposals.

EU projects promoting conservation farming and crop diversification supported the use of fertilizers by beneficiaries through a voucher system. Fertilizer provision suffered first from competition with government (and PAM) schemes and second – after adopting the same channels – from delays in delivery through the governmental system (I-7.1.2). The degree of improvement was as expected.

The SADFSP project mostly failed to demonstrate the advantages of improved seeds, as most seeds procured were from commercial crops, were infected with pests, or arrived late and without a proper fertiliser or pesticide package. Where it was successful, sustainability is unlikely according to the sources consulted. Another EU intervention for improving the provision of seeds to smallholders was launched under the Food Facility, allowing seed production and popularisation of growing techniques, even if not on the originally planned scale . The 2011 Food Facility country evaluation[94] in its preliminary assessment concluded that, while the seed production at local level is likely to continue after the end of the project, the National Seed Growers Association (NSGA) initiatives at national level are unlikely to be successful as this organisation has been very dependent on the project for its recurrent costs (I-7.1.3).

The failure of the SADFSP component 2 to improve the performance of MACO's extension services in pilot provinces implies that contributing to a significant increase in production and productivity beyond that of the participating farmers was beyond the reach of the EU interventions. Some positive effects were identified by the 2010 households' survey but the limited sample (i.e. 15 households per district) is insufficient for drawing further conclusions. Qualitatively, however, the positive trend was confirmed by farmers in the final evaluation of the programme (I-7.2.3).

[94] The Food Facility evaluation took place in parallel to this evaluation. The final report has not been available yet for the country level evaluation and any reference to the Food Facility evaluation refers to the public oral presentation of preliminary results only.

The EU interventions did not aim to contribute to increasing production of high-value agricultural products in the targeted pilot projects. Diversification in SADFSP project was more targeted on the food security of smallholders, promoting food crops such as cassava, millet, sweet potato, sorghum and rice (I-7.2.2).

Land area under permanent crops increased by only 1 per cent during the reference period. No data is available with which to measure any specific contribution from the SADFSP. There is no evidence of differences in production indices in the intervention districts *vis-à-vis* national trends. The other EU projects made no or only an indirect contribution to increasing the land area under permanent crops and food production. This issue was addressed during the field mission (I-7.2.1, I-7.2.4).

A narrow focus on food security with little emphasis on market-oriented agriculture or value chain promotion (JC 7.3 and 7.5)

In spite of the NAP and the PSD agenda, there was very little emphasis in the main EDF interventions either on promotion of value chains or on improved marketing approaches, or on incentives to farmers in respect of market-oriented surplus production to earn a cash income. The EU's interventions did not succeed in making farmers more aware of key market information, notably for winter crops. This was due to limitations on whether or how key market information was to be communicated to farmers. This reduced access of farmers to marketing opportunities, and linkages with credit facilities were not sufficiently explored or exploited (I-7.3.1).

The principal EU project that contributed to promoting smallholders' commercialisation initiatives and increasing local storage capacity was the Food Facility's "Improving Productivity of the Small-Scale Agricultural Sector in Zambia" project. It was managed by the Zambia National Farmers Union ZNFU. The ZNFU has over 900,000 Members in 52 District Farmer Associations (DFA) and is an effective lobbying and advocacy organisation. Although no impact data are yet available, one can conclude from the strategic design of the project and from the outreach of ZNFU that the construction of Agriculture Service Centres with grain storage facilities and related services are likely to achieve the desired outputs and that the prospects for positive impact are high (I-7.3.3).

In addition, a few EC-supported small-scale projects implemented by Northern NGO or their local partners promoted market-oriented agriculture to CBOs with some success. An example is the collaboration between Self Help Africa and the Keepers Zambia Foundation, in which commodity-based groups of 20 farmers were shown how to manage their own resources sustainably, disseminate market information, and capture value in value chains.

Nationwide, a downward trend in agricultural added value per worker was recorded during the reference period (see data in I-7.3.2). In areas supported by the EU most of any increase in added value retained by the producer would have arisen from better access to market information and improved linkages with wholesalers and storage facilities, facilitating sale at higher prices. As no such specific monitoring data on agricultural commodities in EC supported regions is available, it is impossible to assess whether the EC support had any impact on the level of added value retained by the producers (I-7.3.2).

There is furthermore no evidence that the support for improved urban market infrastructure provided any incentive for more market-oriented production by smallholders (I-7.5.3). Food vouchers targeted on specific vulnerable households were an innovative welfare-based approach that reached its target groups (23,200 households), but it is not clear whether this had any effect on trade volumes or agricultural production, and the sustainability of such a temporary approach was questioned by observers during the field phase (I-7.5.4).

Limited or no impact on high level indicators of food security (JC 7.4)

Zambia's poor remain extremely vulnerable to production shocks. In fact climatic vagaries are so frequent that people have no time to recover before another flood or drought hits, resulting in increased poverty and food insecurity. The long-term effects of this situation are reflected in high rates of malnutrition. According to FAO 47% of the population in Zambia is affected by chronic malnutrition. This is the tenth highest rate in the world. This percentage did not change during the reference period even though food intake slightly rose. According to the 2006 Living Conditions Monitoring Survey, 54.2% of Zambian children under the age of five are stunted, 19.7% are underweight and 5.9% suffer from wasting diseases (I-7.4.1, 7.4.2).

In addition, food distribution has created a certain dependency among beneficiary households and the EU interventions have not been successful in better integrating food aid into food security and agricultural development for rural households.

As already mentioned above, the 2011 final evaluation concluded that the SADFSP project had failed to achieve its aim of developing a government-owned food security strategy. This implies that the EU did not contribute to increasing food security in rural districts country-wise. It is therefore of no use tracing the EU contribution in national statistics, as initially envisaged under this judgement criterion.

EU contribution in pilot districts covered by the SADFSP was also limited by the component 1 failure to develop a task force and strategy as component 2 and 3 were linked by project design to the release of the food security strategy. It was only at a late stage that the activities in support to MACO's extension services and NSAs were implemented, the former with only limited benefits to smallholders. Other EU projects, through EDF resources or Food Facility, have been too limited in their (technical or spatial) scope and financial volume to have an effect on outcome indicators of food security in rural areas (I-7.4.3).

4.9 AID MODALITIES AND AID EFFICIENCY

EQ8: To what extent was the EU aid modality combination appropriate to the national context and the EU development strategy?

JC 8.1: Several options of aid modalities have been discussed for aid activities by sector

JC 8.2: Emerging issues were incorporated quickly and effectively into EU programming and policy dialogue

JC 8.3: The synergy between aid modalities had been discussed both within each focal sector and overall

JC 8.4: Combinations of instruments and approaches were defined to suit partners' capacity more than regulations of each financing modality

JC 8.5: Combining EU aid modalities was an inclusive internal strategic process

JC 8.6: Aid modality combinations were the result of complementarity with other donors

Overall assessment

Generally the choice of EU aid modalities has been appropriate to the Zambian context and aligned with the EU development strategy. At least in some sectors, different options for aid modalities had been thoroughly discussed when designing EU strategies and programming specific interventions. The mix of aid instruments, approaches and financing modalities has generally been well adapted to sector-specific factors and has also changed over the period in line with re-assessments of the context. The choice of aid modalities mainly emerged from arguments relating to partners' capacity, rather than from the regulations, procedures and characteristics of each modality.

Shortcomings in the necessary enabling budget support environment substantially affected the overall performance of BS programmes in terms of efficiency and effectiveness. These shortcomings particularly related to the low level of GRZ ownership, the low intensity and quality of high-level political dialogue, weaknesses in the demand focus of General Budget Support (GBS) in particular, and the design and operational quality of the BS tools and systems, especially process and results monitoring as part of BS's necessary enabling environment. The lack of consensus on the part of the CPs as to the ultimate rationale of BS as an aid modality has negatively affected the policy dialogue and ultimately operations, with some CPs attaching higher importance to BS as a financing instrument to maximize aid development impact, others stressing its functionality as a governance and aid accountability enhancement tool.

Aid modalities debated but not always with appropriate feedback information

Rather than a rational decision-making process involving a weighing-up of all pros and cons prior to the final choice of aid modality for an intervention, decision-making in practice depended on the drive to go for a novel modality or on the level of shared enthusiasm and success in consensus building with cooperating partners. This particularly pertains to the selection of aid modalities during the earlier days of EDF9 programming when procedures and instruments were not yet well elaborated and established. The choice of general budget support also partly stemmed from continuation of macro-economic support in the framework of the consecutive Sysmin and Structural Adjustment Support programmes[95].

Under EDF9 GBS was aligned with the government's Poverty Reduction Strategy Paper (PRSP). The selection of aid modalities for EDF10 was more rational and followed the formal EU procedures that had become firmly established by that time.

[95] In one way or another, Sysmin and SAP programmes as such were budget support aid modalities "avant-la-lettre".

Policy dialogue and technical discussions on aid modalities took place in the context of programming and project preparation processes.[96] EU guidance and notes explaining the comparative advantages of the various instruments and approaches in the specific Zambian context have in practice been used by key stakeholders in varying degree. The mood surrounding the discussion of the Green Paper on the Future of Commission Budget Support at the end of the period under review (late 2010) was one of fatigue in respect of issues pertaining to budget support. The specific Zambian context was reportedly one of difficult discussions on the relevance and effectiveness of BS. The EU (with other CPs) challenged the government on its commitment to Public Finance Management (PFM) and good governance following the misappropriation crisis in the health and transport sectors. This seems to have affected the degree of participation and interest in the consultation process on the desirability and priority of BS as an aid modality.[97] However, the September 2011 elections seem to have brought about renewed openness and prudent optimism regarding a quality high-level policy dialogue on aid mechanisms and coordination (I-8.1.1).

There is also evidence of lessons learned from previous or other aid modalities being documented and integrated into strategic programming documents. On the other hand, joint knowledge management in this regard has been rather weak. This particularly relates to different interpretations among Cooperating Partners on how to craft and implement conditionality and disbursement mechanisms, and on how *inter alia* to design and implement joint monitoring. Relevant information such as budget analyses, sector assessments and disbursement activities has been mostly provided on an *ad hoc* basis and was widely dispersed among Cooperating Partners. This situation caused massive duplication of work by individual Cooperating Partners and GRZ and impeded more efficient use of invested human capital. The absence of a permanent PRBS secretariat responsible for joint knowledge management has been a heavy burden on GRZ in respect of establishing a more solid, fact-based dialogue process and ensuring actual use of lessons learned in strategic programming documents[98] (I-8.1.2).

There is no evidence that monitoring and evaluation focused systematically on the efficiency of aid modalities, and thus on the quality and efficiency of operational performance in converting aid inputs into development results. In general M&E has been assessed as one of the weaker aspects of all aid modalities, but particularly of General Budget Support. The need for further strengthening of performance monitoring and evaluation in the Fifth NDP and upcoming Sixth NDP is agreed across the board (I-8.1.3 & 4).

Well-established coordination and harmonisation fora for policy dialogue are in place with the JASZ's well-elaborated institutional multi-stakeholder platform, but their actual functionality has proved limited at moments of crisis.

The policy dialogue has produced positive outcomes in terms of division of labour and action plans for enhanced political and economic governance. Examples are the cases of mismanagement of public funds in the transport and health sectors involving SBS resources, which were discussed in the JASZ. By opening up these governance issues and making them widely visible, the JASZ and its related policy dialogue instruments and reporting mechanisms have fulfilled important transparency enhancement functions.

At the same time, the two mismanagement cases also offer clear illustrations of the inherent weaknesses of these dialogue platforms. The JASZ and related fora were not able to prevent contamination of the entire political dialogue. It also directly affected the overall cooperation strategy and programme, and as such negatively affected the country's MDG and poverty alleviation performance. On the other hand, and on a positive note, under the

[96] As evidenced in many key review and evaluation documents as for example the MTR of the EDF10 CSP, the MoFNP commissioned country evaluation on the implementation of the Paris Declaration in Zambia, Phase II, the EDF10 CSP-NIP document and individual project files as the Access to Justice project.

[97] EUDel Lusaka; Note on the Local Consultation on the Budget Support Green Paper; 31 December 2010.

[98] DIE-IOB; Evaluation of Budget Support in Zambia – Synthesis Report; 2011: Main Findings of the Evaluation regarding Joint Knowledge Management; p vii

health Governance Action Plan drawn up to remedy the situation the Ministry continued to implement the remedial measures for strengthening financial governance agreed with the Cooperating Partners. With the new government in place, there are positive signs of enhanced and sustained quality of policy dialogue (I-8.2.3).

The policy dialogue has not been proactive enough in adapting to the new macro-economic situation progressively developing from the middle of the period under review. This period saw Zambia becoming a lower-middle-income country, with drastically improved foreign direct investment (especially from the BRIC countries and particularly from South Africa), and increased revenues from the copper mines following intensified world demand and concomitant higher commodity prices, yielding increasingly substantial public resources from taxation of the mines and consequently reduced dependence on foreign assistance. On the other hand, this trend at macro level towards lower-middle-income country status has also been accompanied by lagging MDG, socio-economic and human development indicators, growing social exclusion and widening regional disparities and urban-rural divides. These trends and their possible consequences for the CPs' response strategy, and thus also for the evolving optimal synergy of aid modalities for this updated response strategy, have not featured consistently in policy dialogue (JCs 8.2 and 8.3).

Strong synergies between EU aid modalities

As far as the synergy between aid modalities, both overall and within each focal sector, is concerned (JC 8.3), evidence of such analyses of links between instruments, approaches and financing modalities in the EU strategy formulation documents is found both at country strategy formulation level (notably the two CSP-NIPs covering the reporting period) and at regional level (Region of Eastern and Southern Africa and the Indian Ocean – ESA-IO) with direct repercussions for Zambia at national level (e.g. the RSP/RIP of 2008-2013). The financing modality worked out for the health sector, for example, consisted of the Poverty Reduction Budget Support (PRBS) operation complemented by Sector Budget Support with a focus on activities and direct results, which among other things aimed at improving the retention of health workers in the most deprived and remote locations.[99] The rationale for the complementarity of Sector Budget Support and General Budget Support was widely discussed over the preceding two years[100]. In the transport sector the road maintenance support programme, which initially had been prepared as a "classical project', was 'retrofitted' as a "sector policy support programme" (SPSP) in support of ROADSIP II, its funding to be channelled through the Treasury to the Road Fund (I-8.3.1).

In the CSP focal sector identification and preparation documents, the project approach is still considered the "regular, traditional" aid modality, whereas sector budget support (SBS) is still a "special case" requiring special justification. In the context of the Paris Declaration and Accra Agenda for Action on aid effectiveness, this is a kind of reversed, upside-down situation. Project approaches are apparently coming back into vogue. This also reflects the rather sensitive issues surrounding the discussion of good governance in relation to GBS issues, which "poisoned" the discussions to a large extent and muted political dialogue on the issue. However, budget support has been reconfirmed by GRZ as the preferred aid modality (I-8.3.2).

There is still substantial room for improvement in assessing and, above all, taking account of sector-specific institutional capacity in the determination of the mix of instruments, approaches and financing modalities.

Capacity assessments and their results are featured in at least some of the EU's programming and project or programme implementation documents. However, one cannot conclude that this is the general rule. Moreover, these capacity assessments have rarely been translated into comprehensive capacity development strategies and programmes,

[99] The quality of the complementarity of the criteria and indicators used for monitoring of general and sector budget support (GBS and SBS) used for decision making on tranche disbursements is discussed in the EQ8 information matrix include under Annex XI to this report in relation to indicator I-8.1.3.

[100] JAR 2007

even though most, if not all, general and sectoral budget support programmes have an built-in capacity development component. At the same time EU programme and project documents stress the importance of capacity strengthening (I-8.4.1).

The decision not to pursue support for the education sector in EDF9 through a sector budget support programme was based on perceived institutional weaknesses, including lack of deep knowledge of the specific sector dialogue. It is also acknowledged[101] that budget support and similar aid delivery methodologies require special coordination and managerial capacities which are rather demanding, with the result that only limited time is left for the planning, steering and management of the actual development actions benefiting the targeted beneficiaries. In such cases the budget support policy dialogue agenda may in practice entail negative repercussions on the development agenda. From a political economy perspective the general assessment is that while it would definitely be over-optimistic to expect budget support to resolve all GRZ's problems, the instrument could have been better adapted to conditions in Zambia[102] (I-8.4.1 & 2).

Limited stakeholder involvement in the choice of aid modalities

The first important component of an inclusive strategic process for choosing and combining EU aid modalities is policy dialogue with the main national stakeholders. This policy dialogue necessarily covers the main types of stakeholder, including the NAO, the line ministries for focal sectors, and the Civil Society Organisations and Non State Actors, and necessarily involves different levels from lower operational to high strategic[103]. Although the EU organised fora and workshops for stakeholders[104] on its procedures, instruments and approaches, these were mostly *ad hoc* events and not part of a more comprehensive and structured capacity-building programme and process. The need for more systematic and comprehensive capacity strengthening – including training[105], on EDF procedures, aid modalities and approaches – concerns both the national stakeholders and the EU Delegation itself. Towards the end of 2011 the EU initiated a structured local consultation with the main local stakeholder parties on aid modalities, following the issue by the EU of the Green Paper on Budget Support (I-8.5.2 & 3).

Effective coordination framework for optimizing the configuration of aid modalities stayed a challenge

The configuration of aid modalities has mainly resulted from efforts to increase complementarity with other donors, particularly in relation to the EDF10 CSP/NIP. In Zambia formal donor coordination and harmonisation was pioneered from the very outset of the 2001-2010 period, as shown by the list of policy agreements on the subject over the ten-year period.[106] This complementarity and division of labour was especially facilitated through the Joint Assistance Strategy for Zambia (JASZ), in which the EU played a prominent role. However the overall assessment of the JASZ, both in this regard and also in relation to optimisation of the configuration of aid modalities, is not wholly positive, with the potential not fully realised (JC 8.6).

The EU Code of Conduct for the implementation of complementarity and division of labour (DOL) in development was only adopted in 2009, and thus obviously could not have been applied to the EDF8, 9 and 10 strategic and programming documents. At the same time, even ahead of their codification the principles listed in the Code already provided strong

[101] For example in the 2011 Evaluation of Budget Support in Zambia.
[102] As was concluded in the recent budget support evaluation (DIE – IOB (2011), pp v-vi) and confirmed by the 2010 evaluation of the Public Expenditure Management and Financial Accountability (PEMFA) as cited in the 2010 JAR
[103] As further discussed under below JC-8.6 on effective coordination and complementarity.
[104] Both government and non-government
[105] As for example reported in different EAMRs.
[106] These policy agreements include in chronological order: HIP in 2003; WHIP in 2004; the Poverty Reduction Budget Support Memorandum of Understanding (PRBS-MoU) in 2005; the Zambia Aid Policy and Strategy in 2006; the Joint Assistance Strategy for Zambia (JASZ) in 2007; and the successor JASZ-II recently in November 2011 for the period 2011-2015.

guidance on the elaboration of the strategic and programming documents and determined the EU's aid modalities in Zambia. This complementarity and division of labour was especially facilitated through the Joint Assistance Strategy for Zambia (JASZ) institutional and strategic coordination framework established in early 2007 by the 17 CPs present in the country. The EU has played a prominent role in the establishment of the JASZ and in its functioning ever since. A number of improvements in implementing the Paris agenda in Zambia, notably with respect to CP alignment, use of country systems, and aid predictability have been achieved.[107] Challenges remain in the areas of coordinated technical cooperation, numbers of PIUs, and mutual accountability[108] (I-8.6.1).

The JASZ has been instrumental in strengthening coordination and complementarity between the CPs, and in relation to the aid modality combinations[109]. While harmonisation and alignment of CP engagement has improved, the JASZ has been less effective in enhancing GRZ ownership, building mutual accountability between government and CPs, and managing for results[110]. The general assessment of the JASZ is one of partly unrealised potential. Further improvements need to be made in processes and tools. This constitutes special challenges for the successor JASZ-II (I-8.6.2).

The general concern about the need for enhanced cross-sector complementarity underlying the DOL and JASZ also includes the need to prevent or to remedy situations in which some sectors receive significantly more donor attention ("the darling sectors") than others ("the orphan sectors"). This cross-sector complementarity is one of the issues successfully taken up by the JASZ and under the DOL issue in general. In the EDF10 CSP/NIP document of 2007 this cross-sector complementarity was already introduced "avant-la-lettre" for designing the EU country strategy and indicative programme, complementary to the EU Member States' and other EU inputs, for example those of the EIB (I-8.6.3).

[107] As for example reported in the 2007 Paris Monitoring survey conducted in 2008
[108] As for example reported in the Mid-Term Review of the EDF10 CSP - Conclusions on "Division of Labour and Aid effectiveness"; p.6:
[109] As confirmed in the March 2010 evaluation of the JASZ.
[110] It was these latter challenges and concerns that were especially brought to the attention of the evaluation team during the field visit interviews and consultations during December 2011.

5 Conclusions

The conclusions are divided into two categories: global and specific.

Global conclusions relate to an overall statement on EU co-operation with Zambia and to issues that cut across the EU's strategic response and its implementation, such as the fight against poverty, private sector development and other issues mainstreamed in all EU interventions.

Specific conclusions are more on the technical side, providing feedback on sectoral or thematic issues. They provide the basis for implementing meta-recommendations.

The numbering of global (cGx) and specific (cSy) conclusions allows linking of recommendations with the respective conclusions.

5.1 GLOBAL CONCLUSIONS

cG1. *Governance and Public Finance Management* – A coherent and harmonised approach to Capacity Development, under which a formalised coordination and dialogue process on TA activities could be established, is lacking in the EU strategic response. Governance and PFM progressively became the major EU strategic concerns, unexpectedly considering the relative enthusiasm for them during the first half of the reference period. The EU contribution in dialogue on public financial management issues was however a driver of PFM reforms. The whole new administrative set-up – PFM and indeed sector-wise – remained extremely vulnerable to external political pressure and demonstrated limited, if any, regulatory autonomy as promoted by the EU. In practice PEMFA is perceived by some as primarily an avenue for enabling PRBS donors to control fiduciary risks, rather than a genuine capacity development programme owned and led by GRZ.

cG2. *LMIC status* – The EU response strategy was coherent with the policy priorities of the Government of Zambia. It was well focused on the needs of the population in the first, 2001-2005, half of the ten-year period under review (basically covered by the EDF9 CSP-NIP). The EDF10 response strategy, although comprehensive and well-articulated, underestimated the link between increased export tax revenues and the loss of appetite for donor-led policy dialogue. Since around 2005 the combination of improved macro-economic performance, booming revenues from the copper mining industry, growing BRIC countries' interests and South-African FDI, has enabled Zambia to make rapid progress towards lower-middle-income country status. At the same time – and this is a major Zambian characteristic – the contribution of SMEs to private sector development, government capacity, decentralisation and the rural-urban divide has kept lagging behind. The need for high-level policy dialogue is rightly perceived by the EU but has faced increasing reluctance, if not resistance, from the government.

cG3. *Desire for accountability* – In parallel with economic growth, an increasing demand for accountability emerged first in Civil Society and the Media, and then was progresively taken on board by the government, notably with EU support (PBRS Reviews, PEMFA components, performance assessment framework). The 2009 crises relating, among other issues, to misappropriation of funds (mismanagement for health, over-commitment and poor value-for-money for roads) and corruption, increased the pressure from Civil Society and a united donor community on the government for accountability. Accountability and performance monitoring are the fields – among EU interventions and more widely – in which government ownership is high. The result of the 2011 elections created even higher expectations among the Civil Society and Cooperating Partners.

cG4. *Absolute increase of budget support* – The magnitude of EU funding subject to government budgetary processes has increased over the years as demonstrated by PRBS 1 (€117m), PRBS 2 (€60 m) and notably MDG Contract (€255m). GRZ perceived the MDG contract in Zambia as a reward for improved macroeconomic performance over the period covered by PRBS 1 and 2. During the first part of the evaluation period EU budget support increased the size and share of aid subject to GRZ's budgetary processes. Furthermore EU support facilitated implementation of the FNDP through improved planning, accounting, and reporting procedures for the Government with regard to aid inflows. Overall there was minimal reduction in the transaction costs of development cooperation. The amount of off-budget aid requiring parallel planning, administration, and reporting processes is still substantial.

cG5. *Relative decrease of influence* – Against this increase in the size of EU GBS funding, its share in government expenditure decreased from an initial 6.4% in 2002 to 3.7% in 2004 and eventually to 2.5% in 2010. The EU underestimated the related loss of influence in overall and sector policy frameworks, aggravated by the multiplying offers of financial support based on a different understanding of the nature of cooperation and partnership *vis-à-vis* that of the EU and other traditional donors. China, India, Brazil and South Africa are opening up markets rather than promoting poverty reduction and good governance, with transaction costs that are not directly comparable. The government has often complained of the difficulties of accessing EU financial support, such as lengthy procedures, one-sided decision-making, heavy reporting, and packaging of politically sensitive issues, with high transaction costs.

cG6. *Policy dialogue* – EU-GRZ dialogue was limited in scope and poor in substance, creating challenges to come to significant policy reforms this way. The quality of dialogue is also weak for all platforms but health. Notwithstanding all the formal prerequisites for policy dialogue, it has not been utilised to its full potential. Policy dialogue is mainly conducted during the semi-annual PRBS Reviews, except in 2009 when two main PFM issues erupted in the Health and Transport sector (mismanagement of funds and over-commitments, respectively) which led to an intense formal PRBS Dialogue, with donors questioning the 'Underlying Principles' of providing BS, and involving regular meetings with the Secretary to the Treasury. PRBS Reviews are conducted in a rather formal manner and conclusions are often reached although certain issues such as the rural-urban divide are not addressed systematically. GRZ often shies away from open dialogue and refers everything back to 'Cabinet discussion'.

cG7. *Performance Assessment Framework* – The EU focuses more on PFM and governance indicators in the PAF and is eager to see government attach importance to these areas as they are fundamental to economic growth. However, there is generally a lack of consensus among cooperating partners, and also between government and cooperating partners, on the appropriate size and substance of the PAF. The PAF is the pivotal instrument of PRBS policy dialogue but Cooperating Partners have not managed to harmonise their different expectations under this central monitoring tool. Despite CPs' awareness of the shortcomings of the PAF and their general willingness to move forward in harmonising their approaches, the prevalence of diverging preferences among CPs regarding the focus of the PAF indicators presents a problem.

cG8. *Institutional support to domestic accountability* – A major achievement of capacity building in PFM by the EU and other cooperating partners was the revision in 2009 of the budget management cycle which had for a long time been an obstacle to effective budget management in Zambia. While progress has been recorded in increased capacity and expansion of the Auditor General's Office, there is continued weak domestic accountability by government due to lack of active participation by Parliament and CSOs in budget implementation. The EU should use its financial leverage to contribute to policy discussions on lack of capacity, coordination problems and the lack of consistent political will through institutional support which would also help enhance its relevance to economic and social development.

cG9. *Cross-cutting issues* – Cross-cutting issues were difficult to push through by the mere fact that EU support to Civil Society was not implemented during the reference period to the extent expected. EU relayed its concerns about cross-cutting issues in managing its individual (sector) projects but the administrative intake was therefore limited due to the lack of external pressure from CSO advocacy in national debates.

5.2 SPECIFIC CONCLUSIONS

5.2.1 RELEVANCE AND COHERENCE (EQ 9)

cS1. *Alignment* – Since the EDF10 response strategy is linked to or aligned with the FNDP, stronger EU policy dialogue and technical interactions with GRZ and the other CPs was opportune, given the situation analyses and forecasts at the root of the national development strategies and plans, their monitoring and their updates.

cS2. *Operationalisation* – The CSP-NIP strategy and programming documents were insufficiently explicit in providing overall directions and guidance for the operationalisation of the response strategy. This particularly pertains to the quality of the Logical Frameworks and of their translation into operational plans and implementation schedules which, to a large extent, determine the quality of the link between strategy design and implementation.

cS3. *National/Regional* – The synergy of the EU's CSPs-NIPs national response strategy for Zambia and its RSP-RIP regional strategy with the EAS-IO region in the relevant strategic documents is relatively weak. This weakness is being addressed in practice through a range of interventions, initiatives and processes initiated at national and regional levels by the EU and partners, which contributed to further strengthening of institutional coordination and dialogue fora, sharing of information, and better synchronisation of outputs from regional programmes to facilitate implementation of national support programmes (and *vice versa*).

cS4. *Political dialogue* – The political dialogue component of the EU's responsibilities following the Lisbon Treaty and in accordance with Art. 8 of the Cotonou Agreement has not yet been fully taken up.

5.2.2 AID MODALITIES AND AID EFFICIENCY (EQ 8)

cS5. *Combination of aid modalities* – At sector level the mix of EU aid programming instruments, approaches and financing modalities has generally been adapted relatively well to sector-specific factors and has changed over the period along with the context. For sectors covered by both general and sector budget support there is room for better synchronisation of both aid modalities for enhanced sectoral programme efficiency, effectiveness and impact, for example linking improved PFM to sector-based programming (road sector). Decision-making on the ultimate choice of aid modalities and their combinations has been made more to suit partners' capacity than to conform with the regulations inherent in each financing modality.

cS6. *Performance measurement* – Whereas concerted and sizeable improvements have been made in the later part of the review period under the EDF10 CSP-NIP, important challenges still remain in respect of further strengthening of integrated results-based performance measurement, monitoring and evaluation of sectoral and overall portfolio performance. There are issues in their efficiency dimension and in the perspective of maximising the potential of performance M&E systems as both operational and strategic management tools, including their early warning functionality.

cS7. *Coordinated policy dialogue* – With the JASZ and the SAGs, in principle a well-elaborated institutional multi-stakeholder platform is in place for facilitating policy dialogue between the Government of Zambia and the Cooperating Partners. The important role of the JASZ and DOL in providing the broader strategic framework for the donor mapping of sectoral involvement and their perceived comparative advantages is widely acknowledged, as is the proactive engagement of the EU in this context. The common approach to dialogue enjoys different levels of appreciation among the CPs. Some feel that this shared understanding or common view on specific sector issues does not reflect their individual views and that therefore emphases may be affected.

cS8. *BS crisis management* – As a lesson learned from the 2009 mismanagement of budget support in the transport and health sectors, EU tools, systems, procedures, rules and regulations were unable to contain a deterioration in policy dialogue on governance issues in budget support environments. Achievement of the encompassing strategic goals of poverty alleviation and MDG achievement at the level of deprived groups and communities in society was disproportionately affected, or was so for too long, by policy dialogue or governance issues at macro level. One cannot but conclude that there was a relative failure of these policy dialogue mechanisms, as empirically demonstrated by the different CP reactions to the mismanagement in the health and transport sectors, leading some donors to pull out of Zambia while others continued business as usual.

cS9. The EU and its Member States confirmed the importance of prior preparatory dialogue between them ahead of joint CP-GRZ policy dialogue meetings under the aegis *inter alia* of the CPG, JASZ and SAGs.

cS10. *Capacity for policy dialogue* – The policy dialogue agenda has necessitated stretching of capacities to such an extent that only limited time and capacity has been left for the strategizing, steering, management and monitoring of the actual development actions benefiting the targeted beneficiaries and communities. Contributing to – and even more leading – policy dialogue at high and sector levels requires background studies, training and experience that are rarely available among EUDel staff. Local experts recruited to provide this expertise and contextual knowledge are already overloaded with administrative procedures and quickly lose their expertise and local connections.

cS11. *Policy dialogue impact* – The actual impact of the ongoing policy dialogue on GRZ policies has not been measured. The EU did not develop a methodology and related tools and publications for doing this, while in several sectors, in which an ownership deficit gives rise to a substantial element of risk in the policies implemented, an open dialogue and innovative thinking on the relevance and effectiveness of the current cooperation arrangements and architecture may be essential.

5.2.3 GBS, SBS AND MDG CONTRACT (EQ 1)

cS12. *Aid predictability* – EU Aid predictability has remained comparatively poor (even though the EU was committed to timely disbursements in the EU-GRZ financing agreements), which has undermined government's effective budget planning and programme implementation. In addition the MDG Contract is a long-term financing agreement which provides a minimum level of predictability essential for effective government planning. However, performance has been less satisfactory than expected, particularly in year 1 and 2 of the MDG contract.

cS13. *Uneven progress* – While some progress was recorded in health, education and HIVAIDS, poor performance was recorded mainly in the areas of rural roads and reforms in the agriculture sector, which has had a negative impact on achievement of MDG1, due mainly to the formal dialogue in 2009, which questioned the eligibility for general budget support. In addition, there was also copious correspondence between the Delegation and Headquarters on PFM issues such as the mismanagement of resources in the road and health sectors. Reforms in the agriculture sector did not materialise. These issues affected the disbursement commitment schedule.

5.2.4 PRIVATE SECTOR DEVELOPMENT (EQ 2)

cS14. *Institutional capacity-building* – Not even the striking comprehensiveness of the EU's and other CPs' private sector development framework – which accounted for the allocatin of a very large share of aid, directly or indirectly, to promoting the three pillars of private-sector-led development (reduced inflation rate, stable public expenditures, competition-friendly environment, and infrastructures) – was sufficient to achieve GRZ ownership whenever capacity-building was involved. Anecdotal explanations vary (bureaucratic mentality, power games between sector ministries and the MoFNP and within ministries, conflicts with TAs), but the fact remains that government structures were unable to rejuvenate themselves with EU support, and subsequent budget allocations were not made. EU PSD projects, like most other CP projects, were strongly perceived as too donor-led and, as such, not worth the commitment of middle management staff. This rejection appears to be spreading as GRZ export tax revenues grow

cS15. *Private sector-led development* – The private sector developed independently of EU institutional support but the EU contribution did contribute to reduced inflation, revolving funds for strategic sectors (mining and exports), and support to intermediary organisations. The EU contribution has had limited results in accelerating the ongoing economic transition. Its contribution to the renewed policy framework has also been limited, and the multiplier effect expected from the Zambia Development Agency was lost both because of personal conflicts and delayed delivery and also because of ZDA's institutional instability. At the end of the reference period the SMEs' potential was not exploited at large, all the more so in rural areas.

cS16. *Accountability* – Within the area of institutional support, and particularly with PEMFA, interventions targeting performance management and accountability were the most effective and best taken over by the government.

5.2.5 TRANSPORT (EQ 3 AND 4)

cS17. *Enlarged focus* – EU interventions in the transport sector were focused on road infrastructures, although the EU also seized opportunities to broaden the scope of its action to rural roads (addendum to SPSP1, 17.2 M€), civil aviation (airports rehabilitation, and now legal and institutional framework), inland waterways (pontoons), and advocacy of an integrated approach (agreed by GRZ in the SNDP).

cS18. *Sector policy dialogue* – In the early stages of the period under review, EU interventions were designed within a framework of constructive and open policy dialogue with the GRZ, and in close operational coordination with other CPs, notably the WB. Most legal and institutional reforms were agreed and implemented before the start of EU SPSP1, as evidence of GRZ goodwill. At the end of the reference period the nature of the relationship had completely changed. Right after the beginning of SPSP1 the pace of policy dialogue and reforms slowed and came to a standstill with the 2009 Road Audit. The EU first revived policy dialogue by putting a hold on disbursements until corrective measures relating to the OAG audit were agreed and implemented. At the end of the reference period, however, EU EDF10 interventions were (re)formulated more on the basis of crisis resolution (such as for implementation of long-term corrective measures, the EU ban on Zambian airlines), than on constructive dialogue.

cS19. *Institutional reform* – Implementation of the road institutional reform, with the establishment of the NRFA and the RDA, showed how ineffective is EU road financing and management good practice. GRZ applied the principles of the RFM initiative, but the safeguards required by the EU for limiting fiduciary risks on its financial inputs did not prevent informal links between senior staff and the political sphere during the run-up to elections. Significant EU TA inputs with RDA had only limited impact on performance in programming, contracting and supervision of road construction and maintenance. Better outputs were reached with NRFA, even though it does not comply fully with the definition of a second generation Road Fund.

cS20. *Accessibility* – With SPSP1 the EU unquestionably contributed to increased mobility on the paved sections of the CRN and the regional corridors, through improvements in road conditions. Those benefits were not extended to the feeder and rural roads, mainly because GRZ financial resources were almost exclusively targeted on paved roads, regardless of relative traffic volumes. The number and choice of the performance assessment framework indicators appears all the more strategic for ensuring not only value-for-money but also a maximum return in respect of poverty reduction.

cS21. *Mobility* – Savings in VOC and travel times brought about by the EU's contribution to RCN conditions were passed on to users by a competitive road transport industry. The EU interventions allowed protection of the asset value, which is another reason for the GoZ to allocate more resources to service delivery or any other relevant public policy. Other less expensive measures complementary to road rehabilitation and maintenance, such as the Chirundu one-stop border crossing, may have had high rates of return.

5.2.6 HEALTH (EQ 5)

cS22. *Improved overall performance* – Joint EU and other CP budget support, combined with a longstanding and structured SWAp over the period, contributed to improved overall performance of the health sector, ensuring appropriate and timely budgetary disbursements to the districts. It contributed to (i) strengthened policy dialogue between global and sectoral concerns and (ii) improved monitoring of the implemented national and sectoral strategies.

cS23. *Aid fragmentation* – The combined EU commitment to Budget Support did not succeed in attracting more “in-budget” donor commitments and most donor resources are currently tied to specific diseases, particularly HIV/AIDS, TB and Malaria. This fragmentation reinforces the vertical approach that weakens the health system and raises sustainability issues. The same issue might arise in the future with the large philanthropic disease-specific funds, for instance for the purchase of drugs.

cS24. *Crisis management* – The comprehensive structure of the policy (global and sectoral) dialogue did not help avoid the 2009 crisis involving misappropriation of funds at the Ministry of Health, which indicates that GBS-SBS monitoring does not preclude technical commitment from both sides. The rather coordinated response from CPs as well as the comprehensive response from MoH (sustained financial commitment and implementation of an ambitious Joint Governance Action Plan) finally led to strengthened partnership all round.

cS25. *Human resources* – The sustained EU commitment against staff attrition is starting to yield quantitative (training and retention) and qualitative results with the implementation and update of the Human Resources Development Plan. However, ensuring the sustainability of the results achieved implies a (very) long-term commitment, far exceeding the timeframe of the EU’s 5-year programming cycles.

cS26. *Vulnerable groups* – The joint EU/CP support did not elicit an adequate response to the persistent vulnerability of the population. Despite substantial progress in health-care delivery, Zambia paradoxically belongs to the 26 lowest-performing countries in terms of maternal health. And in spite of substantial efforts by the MoH to improve access to public health care facilities, the issue of financial accessibility is still pending as households still bear the major part of total curative health expenditure. This suggests that patterns in the consumption of health services and drugs are changing in a way similar to the overall changing development pattern of the country and that donor support has to adapt to it.

5.2.7 DEMOCRATIC GOVERNANCE (EQ 6)

cS27. *EU framework* – The EU response to the different actors in the governance arena has been quite comprehensive as it targeted the different main stakeholder clusters and actors, including government, parliament, electoral processes, civil society organisations, and so forth, either explicitly or exclusively through a special project approach type of intervention, or in the broader framework of an encompassing general budget support programme (PRSP, PEMFA, PRBS,…). But it is not clear whether and how these different components of the governance response strategy targeting the different stakeholder groups relate to each other, or how far they are complementary and mutually reinforcing, as the different interventions have generally tended to be stand-alone actions and not part and parcel of a broader, encompassing and integrated governance strategy.

cS28. *GRZ framework* – EU support to Civil Society Organisations (CSOs), which is a major component of the EU response strategy for enhancing democratic governance, was provided in the absence of a conducive legal and regulatory framework aimed at maximising the potential of CSOs as development actors. This substantially affected the effectiveness, impact and sustainability of the EU governance response strategy targeting CSOs and their apex structures during the reference period. There are however emerging indications that with the change of Government following the September 2011 elections, Government–CSO relations are evolving in a more positive direction of mutual recognition of the complementary roles of both of the key development actors.

cS29. *Capacity development* – Capacity strengthening of CSOs (in the broad sense, also covering economic NSAs, people's organisations, professional organisations, etc.) has been an integral part of general budget support programme under the EDF9-10 CSPs-NIPs, but this support has been specially provided (for about two-thirds of interventions) through the vertical, thematic budget lines. The overall quality, effectiveness and impact of these different *ad hoc* CSO capacity-strengthening interventions or intervention components are however rather limited. They also substantially suffered from the protracted non-approval of the special, comprehensive CSO support programme under the EDF9 CSP-NIP.

cS30. *Elections* – EU long-term support to the electoral process in a trust fund setting with UNDP as lead contributed substantially to a transparent and well-organised electoral process during the latest national elections in September 2011. Earlier electoral processes, including pre- and post-election sub-processes, also benefited positively from the support programme. Observed shortcomings in the support process are being translated into lessons learned with a view to further improving processes and results during the remainder of the support period. This particularly pertains to the mainstreaming and institutionalisation within the Electoral Commission of the special expertise built up by the support programme.

5.2.8 AGRICULTURE AND FOOD SECURITY (EQ 7)

cS31. *Access to agricultural inputs* – The effects of the main EU interventions in support of agricultural growth, diversification and food security were constrained on one side by the weakness of the MACO at central (FS strategy) and decentralised levels (extension services), and on the other by severe procedural delays and deficiencies in TA. MACO extension services proved unable to benefit from EU technical assistance and resources, and maintained business as usual with outdated messages and little orientation to farmers' needs. Flexibility was introduced in budget allocations between components, allowing late development of NSA initiatives under calls of proposals. EU support to CSO initiatives (under FF calls for proposals and EDF projects) proved more effective, albeit unevenly so. However they provided useful lessons for (i) better integration of food security and agricultural development, (ii) designing a SWAp, (iii) promotion of policy reforms, and (iv) developing the capacity of MACO central services with a view to allowing innovative PPP schemes on the ground.

cS32. *Policy framework* – Rural communities and mind-sets still largely reflect the socialist period, being demonetarised and fully dependent on government schemes, and with MACO extension services lacking resources or motivation unless topped-up by project allowances. In the past, little attention was given by EU programmes to agricultural diversification, private initiative and value chain development beyond provision of market information and storage facilities. The new agricultural policy, although still exclusively maize-oriented, builds on a preference for an approach based on private sector development and conservation farming, taking stock to a limited extent of lessons learned from EU projects. The new EDF10 programmes are better aligned to this new framework, although land tenure remains a sensitive issue.

6 Recommendations

The evaluation team selected five meta-recommendations and organised other strategic and operational recommendations to contribute to those meta-recommendations.

The five meta-recommendations, prioritised, are the following:

1. **Engage in accelerated adjustment of the EU strategy in response to the steady decrease in the leverage capacity of the EU's financial inputs.**
2. **Focus on a "Good Governance and Development Contract" on vertical and horizontal accountability, democratic and economic governance, and performance monitoring.**
3. **Carry on with the project approach in agriculture, focusing on rural investment, land tenure and access to agriculture inputs.**
4. **Engage in an exit strategy by increasing the Road SPSP II focus on rural transport.**
5. **Address the issue of persisting rural vulnerability in the districts most at risk.**

They address the three main aspects of EU aid to Zambia that need to be improved: (i) strategic response/ programming, (ii) aid effectiveness (focused on the partnership) and (iii) programme implementation, and are presented along those categories.

The following strategic recommendations are addressed, as lessons learnt, mainly to headquarters. Related operational recommendations are mainly addressed to the Delegation(s) although some are at a level that is more general.

Engage an accelerated adjustment of the EU strategy in response to the steady decrease in the leverage capacity of the EU's financial input.	Ranking:	**1**
	Strategic response	
	Related conclusions: cG1, cG2, cG1, cG3, cG4	

Related strategic recommendations

1. *Increased leverage* – Increase further the focus of EU cooperation and free up more leverage capacity by gradually moving away both from road infrastructures to support to land transport, and also from SBS to a project approach; this exit strategy from road infrastructures will be balanced by the sharp increase in alternative funding opportunities, with better potential for ownership within the transport sector as well as in other sectors. (cG1, cS4, cS18)
2. *Good Governance and Development Contract* – Put in hand preparation of a "Good Governance and Development Contract"[111] by the end the MDG contract by progressively reorienting EU interventions to mainstreaming GRZ vertical and horizontal accountability, results delivery, decentralisation, transparency, human rights, democratic governance, economic governance, parliament and political parties, ombudsman and complaints handling, role of media, checks and balance, and so forth. Reinforcing institutional

[111] In line with the COM(2011) 638/2, "*The Future Approach to EU Budget Support to Third Countries*".

support for strategy and programme performance monitoring (covering aid effectiveness, efficiency and economy in a balanced manner) at central (MoFNP), sectoral-thematic (line ministries and agencies) and local (Provinces and Districts local government units) levels should be addressed as a first step for reorienting the EU strategic response. The contract should cover the three main national development stakeholder partners: (i) Government and public sector partners, (ii) Economic Non-State Actors (NSAs) and (iii) Civil Society Organisations (CSOs), as such duly recognizing the respective roles of the socio-economic partners and Civil Society for sustainable, inclusive and equitable national, local and human development. (cG2, cS4, cS11, cS13, cS16, cS28, cS29)

3. *Agricultural Reform Contract* – In spite of being a lower-middle-income country, Zambia is still characterised by substantial challenges in terms of poverty alleviation, sustainable and equitable socio-economic and human development, with growing rural-urban and geographical disparities; project approach should be continued for agriculture, including rural investment, land tenure and access to agriculture inputs. (cG1, cS15, cS20, cS26, cS31, cS1,)
4. *Drivers of growth* – Reinforce the EU's support for drivers of sustainable economic growth (Vision 2030) typical of lower-middle-income and middle-income countries such as trade liberalisation (through Regional Economic Communities {RECs}, followed by harmonization at national level) and SME development, with progressive broadening to cover social security system development, higher education and research. A project approach would meet the need for flexibility in a step-by-step involvement. (cG1, cG7, cS11, cS13, cS14, cS16)

Related operational recommendations

5. *Logical framework* – The main overall focus is on performance enhancement with equal or balanced attention to performance at all levels of the results chain covering the "3Es" of **economy** (inputs level – financial, human, other), **efficiency** (Operational level – activities and direct outputs) and **effectiveness** (results level – outcomes and impact). Give more systematic attention to aid efficiency (operational performance) in addition to focused attention on aid effectiveness and input management within the present aid modalities, particularly General Budget Support. Consider as an overall underlying principle for the next country strategy and indicative programme the maximisation of a balanced win-win approach to both the country strategy or programme partner (Zambia) and the European Union (and its Member States), with better adaptation to equal partnership with Zambia in the light of its evolving status as a lower-middle-income developing country. (cG5, cS1, cS6, cS27)
6. *Political dialogue* – Seek clarification of and actively pursue the political dialogue component of the EU's responsibilities following the Lisbon Treaty (Art. 8) and in accordance with the EU-ACP Cotonou Agreement. The EU Delegation, as the local EU presidency, should use this position to strengthen the linkages between political (Article 8) and policy dialogue. This is important especially in a country like Zambia where most, if not all, important policy decisions are politically sanctioned at Cabinet level. The linkages may be created between the Rule of Law and Governance issues, sector policies and the "Good Governance and Development Contract". (cG9, cS4)
7. *Policy dialogue* – In leading the JASZ-II, facilitate and proactively pursue the high level political dialogue and other components of the dialogue process with GRZ, CSOs and CPs on transport, agriculture and food security, governance, and macro-economics. Budget support has imposed the establishment of policy dialogue frameworks and it is essential for government and cooperating partners to move away from project orientation towards long-term programming in order to enhance the quality of dialogue. Such a comprehensive mechanism requires on both sides strong capacity (government and EU) and political will to manage its complex functions efficiently at sector and central levels. Engage government bilaterally (directly) so as to focus on its concerns rather than be consumed by the CPG common approach to dialogue. The bilateral dialogue approach may also be useful for the EU for openly discussing with government contentious policy

issues that may be deemed irrelevant by other CPs. Eventually there will be a need for a more comprehensive, systematic and customised capacity development programme on the different aid modalities for the different user groups, both with the Zambian partners (government and non-government) and with the Delegation. (cG4, cG7, cG9, cS7, cS8, cS10, cS11, cS18, cS24, cS21)

8. *Crisis management* – There is a need for enhanced or updated EU tools, systems, procedures, rules and regulations to minimise policy dialogue deterioration on governance issues in budget support environments. They should ensure that the response strategy development agenda aimed at the achievement of the encompassing strategic goals of poverty alleviation and MDG achievement at the level of the deprived groups and communities in society is not disproportionately affected by policy dialogue or governance issues at macro level. (cG7, cS8, cS24)
9. *Performance monitoring* – Strengthen integrated performance monitoring of GBS-SBS at central level (spearheaded by the MoFNP) encompassing aid effectiveness, efficiency and economy in a balanced manner, based on targeted performance measurement indicators at all levels of the intervention logic. Ensure close horizontal collaboration with the sectoral and thematic line ministries and agencies on any technical and quality assurance aspects. Ensure that this PME system is based on qualitative, regular bi-directional vertical performance monitoring reporting and information flows to and from local levels (especially Districts and Provinces), rooted in the monitoring of District and Provincial Development Plans, their progress and their reporting of results, along with assured feedback. At all levels establish and strengthen collaboration with and involvement of Civil Society (both CSOs and economic Non-State Actors) to ensure system ownership and transparency. Ensure complementarity and integration of GBS and SBS performance M&E and ensure that individual projects' PME systems are aligned with the overall umbrella GBS/SBS PME system. Support a comprehensive human and institutional capacity-strengthening drive on the part of all the main performance monitoring and evaluation system proponents and stakeholders to ensure regular use of appropriately-owned, sustainable systems as prime development planning, management and decision-making instruments. (cG5, cS6)
10. *Higher education & Research* – Drawing on EU experience in cooperating with middle-income countries (for example in Asia), insofar as Higher Education Institutes (including Research Institutes, Universities and University Colleges) are also important catalysts of sustainable (regional) development, consider higher education collaboration as a special CSP-NIP strategy and programme component with special foci on joint research, joint or double degrees, academic and student exchanges, academic twinning, N-S-S and N-N-S academic networks, research based education, translation of research findings into outreach (development extension, policy advice and commercial spin-offs), and so forth. Tap into existing specialised EU instruments and tools or support creative and innovative initiatives on a pilot basis. (cG1)

Focus on a "Good Governance and Development Contract" on vertical and horizontal accountability, democratic and economic governance, and performance monitoring.	Ranking:	**2**
	Aid effectiveness	
	Related conclusions: cG2, cG5, cG7, cG9, cS27, cS28	

Related strategic recommendations

1. *Domestic accountability and national control mechanisms* – Improving accountability relationships is an effective strategy for developing capacity. Effective accountability mechanisms encourage both governmental and non-governmental organisations to

remain relevant and responsive to the needs and demands of the groups they serve. Therefore the EU should refer to the fundamental EU values of human rights, democracy and the rule of law for designing budget support contracts, in particular the following:

a. Establishment of an accountability policy framework focused on nurturing accountability at local level, addressing specific bottlenecks in delivery to citizens of basic services (education, health, agricultural extension), while supporting the progressive strengthening of CSOs (see below). The EU should engage in high-level policy dialogue for the policy framework to be consistent with its fundamental values.
b. Establishment of a dedicated Transparency and Oversight[112] strategy, defining audit arrangements which ensure compliance with financial regulations and effective accountability by ministries and agencies**;** adequate civil service pay and benefits to attract and retain skilled staff**;** and appropriate mechanisms to demonstrate full PFM system transparency and accountability, particularly with respect to availability of budget information, participation in the budget preparation process by interested stakeholders, and open methods of execution and reporting to allow independent assessments of process integrity.
c. Enhancement of the role and resources of the Parliament (vertical accountability).
d. Support for the Office of the Auditor General on Special Audit coverage (including value-for-money audits), financial audits, OAG decentralisation at provincial level.
e. Support for Internal Audit and Evaluation and Monitoring systems for performance monitoring (responsiveness), from central services down to district level. (cG2, cG5, cG7, cG9, cS27, cS28)

2. *PFM reforms* – Continue to provide resources for PFM reforms within the "Good Governance and Development Contract" as they are essential for implementing SWAps effectively. The EU should involve government in developing a successor PFM reform programme (from 2013), while in the meantime focusing on strengthening ongoing reforms such as IFMIS, the Treasury Single Account, procurement reforms, and internal audit reforms. Maximising Zambia's domestic tax base (especially from mining) should be at the forefront of this programme. Government has stated its intention to carry out the next PEFA assessment in 2012, using as in the past a mixed GRZ-consultant team. (cS27, cS12)
3. *Civil Society Organisations* – There is a need for a comprehensive and integrated capacity strengthening programme with demand-driven, customised services for the different main types of CSOs, clustered along two main sub-components:
    a. One through the mandated government regulatory entity regarding legal, regulatory, administrative, monitoring, auditing and other aspects of the broader enabling environment for CSOs to fully realize their potentials as capacitated development partners, and
    b. The other one through the CSO umbrella organisations on capacity strengthening and support services to CSOs on, amongst others: (local) governance, policy dialogue, advocacy, organisational development and networking, Human Resources development, monitoring and evaluation, and on PCM, service delivery, and other more technical sector / thematic specific aspects. (cG9, cS29)
4. *Economic and Corporate Governance* – Among the most essential foundations of good economic and corporate governance is the regulatory framework. In most economic sectors some form of ongoing government control is required to handle potential market

[112] COM(2011) 638/2: "*The fight against corruption and fraud is a key dimension that should have greater prominence under this criterion. The Commission will pay particular attention to the fight against corruption and will promote a stronger use of anti-corruption provisions. Partner countries need to be actively engaged in the fight against corruption and fraud and be equipped with appropriate and effective mechanisms to prevent and detect fraud and corruption (including adequate inspections authorities and judicial capacity) as well as to provide adequate responses and effective sanction mechanisms*"., p.8

failures, including misuse of market power in activities that have a high degree of monopoly power, as well as environmental, safety, and other concerns. The EU should engage in supporting economic regulation, that is (i) by separating the government's policymaking and regulatory roles by establishing independent regulatory mechanisms, as this helps assure stability in the regulatory environment, including reducing the risk of regulation being misused to achieve short-term political ends; and also (ii) by fostering the development of regulatory expertise. It should also, as well as supporting corporate governance, contribute to enhancing tripartite relations between private sector intermediary organisations, government and unions through a call for proposals initiative. (cG1, cS14, cS15, cS16)

Related operational recommendations

5. *EU capacity* – As attested to by both the EUDel management and staff concerned and also by the CSO partners, the capacity of the Delegation with regard to (both democratic and economic) governance matters needs to be strengthened[113], particularly with regard to technical governance matters, complementary to the regular procedural and contracting skills.
6. *Eligibility criteria* – To ensure consistency with the NIP the eligibility criteria for budget support contracts should not be assessed by the EU Delegations or consultants under contract to EU Delegations, as results might be biased. The ***senior regional teams at Headquarters and in Delegations***[114] should be responsible for formulation of contracts, including the **three pillars**, the **seven key areas** and **risk assessment analyses**.
7. *Legal & regulatory framework* – A clear and generally agreed definition is needed as to what is meant by a Civil Society Organisation and what are the main categories of CSO under such a broad-based definition, as this is not clear from the legal and regulatory provisions. This is a *sine qua non* for a comprehensive civil society capacity-strengthening programme, customised to the specific characteristics and needs of the various CSO types and sub-types (NGOs, economic NSAs, apex organisations, community-based organisations, media, academia, cultural organisations, etc.).
8. *CSO Fund* – Consider a CSO Fund and Programme Envelope (based on competitive open calls for proposals) with special budget lines for the different main CSO strategy and programme components, covering policy dialogue, advocacy, organisational and human capacity strengthening, services delivery (the latter covering a maximum of a predetermined percentage of the Fund), and so forth.
9. *Economic governance* – For the Economic Non-State Actors (the tripartite social partners of Government, SMEs, micro-entrepreneurs, cooperatives, MFIs, farmers groups, etc.), consider a programme or project on economic governance covering the broader enabling environment for sustainable socio-economic and private sector development, covering among other things enabling policy and regulatory frameworks, tripartism, rules, norms and standards, incentive schemes, quality control and inspections, and related issues.
10. *NSA Fund* – Consider an economic NSA Fund (based on competitive open calls for proposals) with components for the different main economic NSA stakeholder types (among other things employers' organisations, professional organisations, workers' organisations, micro-, small- and medium-size enterprises, organisations of farmers or agricultural entrepreneurs, etc.).
11. *Decentralisation* – The overall framework of such an integrated system is the decentralisation process based on district development plans and budgets. It also requires strengthened M&E systems in the sectoral and thematic line Ministries and

---

[113] In the framework of the COM(2011) 638/2: "*In order to engage in a genuine high-level political and policy dialogue with countries eligible for budget support in general, and for Good Governance and Development Contracts in particular, staff resources at EU Delegations will have to be reviewed nationally and regionally, both in terms of level and expertise. To this end, the Commission will set up senior regional teams, at Headquarters and in Delegations, with the participation of relevant Commission services and the EEAS". p. 7*

[114] COM(2011) 638/2, p.7

Agencies, with strong overall M&E system coordination, steering and quality assurance vested in the MoFNP's monitoring and evaluation department. E-networking and E-government, along with a strengthened development statistics database system, will be core features and components of the envisaged overall system. (cS6) Give special attention to district-based participatory development performance planning, management, measurement, monitoring and evaluation (tools, system, capacity strengthening, piloting and roll-out), spearheaded by MoFNP's M&E Department in close collaboration with the M&E Departments of Sectoral and Thematic Ministries and Agencies supporting the Districts and Provinces (local administrations and multi-sectoral committees – DDCCs and PDCCs).

Carry on with the project approach in agriculture, focusing on rural investment, land tenure and access to agriculture inputs.	Ranking:	**3**
	Aspects addressed: **Programming & performance**	
	Related conclusions: cS31, cS32	

Related strategic recommendations

1. Support easy access to title deeds for promoting sustainable increase of productivity, conservational practices and access to softer loans for agriculture inputs. (cS31, cS32)
2. Scale down public service delivery in the agriculture sector and include support for private sector investment among direct beneficiaries. (cS31, cS32)
3. Promote capacity-building for diversification in the agricultural sector and value chain development. (cS31, cS32)
4. Support development by micro-finance institutions of agricultural micro-finance products for smallholders. (cS31, cS32)

Related operational recommendations

5. Take stock of lessons learnt through Food Facility projects for designing EU sector strategy for sustaining policy dialogue with the required level of expertise. (cS31, cS32)
6. Seek good conceptual integration and operational coordination of food security interventions and agricultural development. (cS31, cS32)
7. Support sound sector monitoring with full ownership by MACO. (cS31)
8. Support knowledge management and dissemination of best practice, and its integration into training courses, whether in agricultural colleges or for extension workers. (cS31)
9. Support CSOs and IOs in entering into policy dialogue and in performance management and accountability, along with support for service delivery. (cS31, cS32)

Engage in an exit strategy by increasing the Road SPSP II focus on rural transport (reorient from road infrastructure towards a broader approach to the transport sector, i.e. rural accessibility, inter-connectivity, other transport modes)**.**	Ranking:	**4**
	Aspects addressed: **Programming & performance**	
	Related conclusions: cS19, cS20	

Related strategic recommendations

1. Reorient the SPSP2 Performance Assessment Framework with a view to anticipating the Agriculture Sector Contract by modifying indicators and target values, minimising the weight accorded to paved CRN rehabilitation, and correspondingly increasing the weight and target values for the unpaved CRN and feeder roads indicators. (cS20)
2. Transfer part of SPSP2 from road infrastructure to transport services so as to increase the EU's leverage in rural accessibility, inter-connectivity and other transport modes. (cS21)
3. Advocate and provide incentives through PAF indicators for progressively disband force account units at provincial level after organising major training programmes for supervisors and technicians in the basics of spot improvement of rural roads. All local authorities and communities should be eligible for EU co-financing to improve responsiveness to needs and ownership, and thus sustainability. A Local Road Authority, appointed by the Minister responsible for Roads, might manage a dedicated fund. Labour-based methods should be used for spot improvement ("passability") programmes for rural roads. (cS17, cS19)

Related operational recommendations

4. Resume SPSP1 disbursements only after implementation of the long-term corrective measures, particularly of the ROADSIP II Addendum.
5. In SPSP2 re-orient the TA missions; in addition to TA support for the evaluation by NRFA of the achievement of RDA contract specifications, an evaluation of the value-for-money of the annual work programme prioritisation proposed by RDA should be supported. Support should also be given to road transport intermediary organisations and road users' associations. (cS18, cS21)
6. Within the SPSP2 framework, support improvements to the policy and programming frameworks for rural roads and (intermediate means of) transport with dedicated TA. (cS20)
7. Keep supporting routine data input in the road management system but also extend support to rural roads and traffic, which are the most outdated, and introduce the required changes in annual work programming rationale and procedures. District Councils should be duly involved in prioritisation of the Local Road Authorities' annual work programmes. (cS20, cS21)

Address the issue of persisting rural vulnerability in the districts most at risk.	Ranking:	**5**
	Aspects addressed: **Programming & performance**	
	Related conclusions: cS22, cS25, cS26	

Related strategic recommendations

1. Further capitalize on the successful complementarity of the GBS-SBS implemented by the EU, with due reference to other pooled donor commitments such as the SWAp in the health sector. In particular, build on the comparative advantage of MDG contracts and Good Governance and Development Contracts with a view to sustaining a joint long-term EU commitment to improved staff management in the context of the EU's commitment within the staff alliance. (cG1, cS22, cS25)
2. Adapt future EU commitments to changing patterns in the consumption of health services and drugs. In particular the EU could encourage harnessing of high household expenditures into formalised systems such as social health insurance or community pre-payment schemes, so as to pool resources and mitigate the financial risk borne solely by patients. The EU could also suggest developing mechanisms for encouraging contributions from private for-profit companies. (cS22, cS26)

Related operational recommendations

3. The increasing consumption trend towards purchasing drugs in the private sector points to the need to explore further the opportunities both for improving value-for-money in the supply of drugs (in the public sector) and for strengthening support for quality control of drugs supplied by Zambia's public and private sectors. (cS26)
4. Contribute to the strengthening of health professional bodies, in the context of the EU's recommended commitment to improved overall accountability. In particular, the choice of indicators could still be refined with an improved balance between process monitoring and results evaluation; the results indicators should be expected to bring about significant changes on a year-to-year basis and be tracked by routine information systems. The targets have to capture an actual trend within the direct control of the evaluated partner (MoH for instance) and more room should be given for appraising the measured results prior to final disbursement decisions. (cS25)