Ministry of Foreign Affairs

IOB Evaluation

Impact of Ending Aid

Zambia country study

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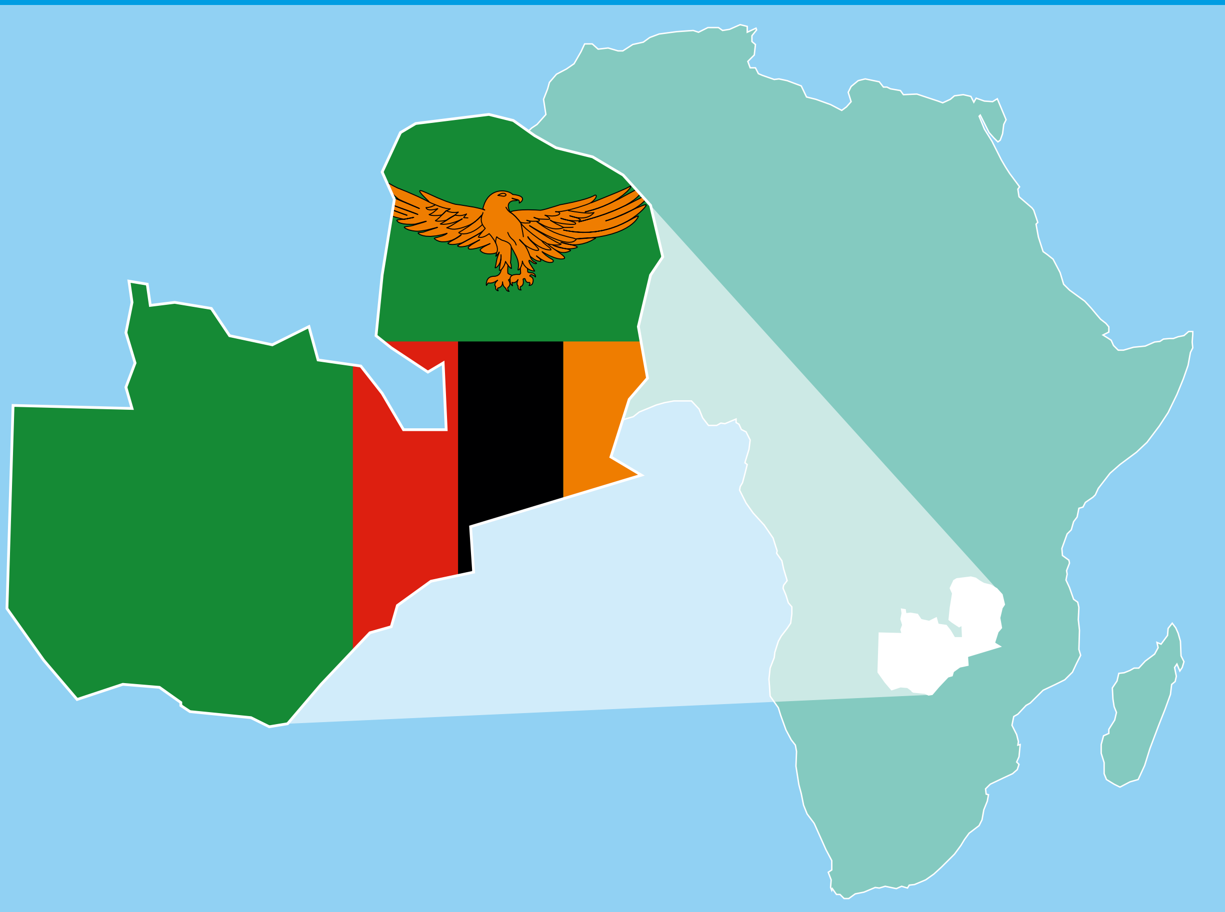

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List of abbreviations

ACC	Anti-Corruption Commission
AIDS	Acquired immune deficiency syndrome
AIID	Amsterdam Institute for International Development
ART	Antiretroviral therapy
ARV	Anti-retroviral
BESSIP	Basic Education Sub-Sector Investment Programme
CACPP	CHAZ Aids Care and Prevention Programme
CHAZ	Churches Health Association of Zambia
CHI	Church Health Institute
CIDA	Canadian International Development Agency
CPs	Cooperating Partners
CRS	Creditor Reporting System
CSO	Central Statistical Office
DAC	Development Assistance Committee
DANIDA	Danish International Development Agency
DFID	Department for International Development
DHS	Demographic and Health Survey
DoL	Division of labour
DPT	Diphtheria, pertussis and tetanus vaccine
EC	European Commission
ECCDE	Early Childhood Care and Development Education
EFA	Education for all
EIU	Economist Intelligence Unit
EKN	Embassy of the Kingdom of the Netherlands
EU	European Union
EUR	Euro
FAWE	Forum for African Women Educationalists
FAWEZA	Forum for African Women Educationalists of Zambia
FMAP	Financial Management Action Plan
FNDP	Fifth National Development Plan (2006-2010)
FRA	Fiduciary Risk Assessment
FTE	Fulltime equivalent
FTI	Fast-Track Initiative
GAP	Governance Action Plan
GBS	General budget support
GDP	Gross domestic product
GFATM	The Global Fund to Fight AIDS, Tuberculosis and Malaria
GGDC	Good Governance and Development Contracts
GPE	Global Partnership for Education
GRZ	The Government of Zambia
HC	Honorary Consulate
HIPC	Heavily Indebted Poor Countries

HIV	Human immuno-deficiency virus
HLPD	High Level Policy Dialogue
IEG	Independent Evaluation Group
IMF	International Monetary Fund
IOB	Policy and Operations Evaluation Department
ITNs	Insecticide-treated nets
JASZ	Joint Assistance Strategy for Zambia
JFA	Joint Financing Agreement
JICA	Japan International Cooperation Agency
LCMS	Living Conditions Monitoring Survey
LGBT	Lesbian, gay, bisexual and transgender
LORET	Lusaka Orthopaedics Research & Education Trust
MAF	Mutual Accountability Framework
MASP	Multi-Annual Strategic Plan
MCDMCH	Ministry of Community Development, Mother and Child Health
MDGs	Millennium Development Goals
MESVTEE	Ministry of Education, Science, Vocational Training and Early Education
MMD	Movement for Multiparty Democracy
MoE	Ministry of Education
MoF	Ministry of Finance
MoH	Ministry of Health
MoU	Memorandum of Understanding
NAC	National Aids Council
NGO	Non-governmental organisation
NHSP	National Health Strategic Plan
NICHE	Netherlands Initiative for Capacity development in Higher Education
NIF	National Implementation Framework
NOK	Norwegian krone
OAG	Office of the Auditor General
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OVCs	Orphans and Vulnerable Children
PAF	Performance Assessment Framework
PE	Personal emoluments
PEMFA	Public Expenditure Management and Financial Accountability
PF	Patriotic Front
PFM	Public financial management
PRBS	Poverty Reduction Budget Support
PSD	Private sector development
R-SNDP	Revised Sixth National Development Plan (2013-2016)
SACMEQ	Southern and Eastern Africa Consortium for Monitoring Educational Quality
SBS	Sector budget support
SCT	Social Cash Transfer
SEK	Swedish Krona
Sida	Swedish International Development Cooperation Agency

SMAP	Strategic Multi Annual Plan 2004-2007
SNDP	Sixth National Development Plan (2011-2015)
SRHR	Sexual and Reproductive Health and Rights
SWAp	Sector-wide approach
TEVET	Technical Education, Vocational and Entrepreneurship Training
TI	Transparency International
TIZ	Transparency International Zambia
TTL	Time To Learn
UK	United Kingdom
UNICEF	United Nations Children's Fund
UPND	United Party for National Development
USAID	United States Agency for International Development
USD	United States dollar
WDI	World Development Indicators
WHO	World Health Organization
WRR	Dutch Scientific Council on Government Policy
ZBF	Zambia Business Forum
ZCCM	Zambia Consolidated Copper Mines
ZMK	Zambian Kwacha
ZNAN	Zambia National AIDS Network
ZHRWS	Zambian Health Workers Retention Scheme

1

Introduction

In 2010, the government of the Netherlands decided to reduce the number of partner countries from 33 to 15. An argument was the conviction that decreasing fragmentation and specialisation would enhance the efficiency and effectiveness of Dutch bilateral aid. It would give the Netherlands a better position for gaining more in-depth knowledge of the political, economic, social and cultural structures in the (remaining) countries and would help to reduce the costs of operational management. The government also curtailed support to the social sectors (education and health), focusing more on the economic sectors as it believed that the value added of the Netherlands in the latter would be higher. Both policy changes were also instrumental for realising budget cuts, as the government had decided to lower Dutch ODA from 0.8% to 0.7% of the GDP. Budget cuts also hit the Netherlands Ministry of Foreign Affairs, forcing it to cut down the Dutch presence abroad. The embassies in five countries where the Netherlands had decided to phase out bilateral development cooperation were closed as well.

Zambia is one of the countries where the Netherlands has ended its bilateral aid relationship, after having provided support for more than 40 years. One of the main justifications was the country's graduation to lower middle-income status. Zambia is also one of the countries where the Netherlands closed its embassy, though it has opened an honorary consulate that will attend to Dutch business interests.

The House of Representatives in the Netherlands has requested an evaluation of the impact of budget cuts in bilateral aid on recipient countries. The Policy and Operations Evaluation Department (IOB) of the Netherlands Ministry of Foreign affairs has conducted this evaluation. IOB assessed the impact:

- at the macro level, focusing on the Dutch decision to phase out and the effect on total aid and the policy dialogue;
- at the micro level, concentrating on specific programmes and projects that were previously supported by the Netherlands.

IOB conducted six country case studies: Nicaragua, Guatemala, Bolivia, Zambia, Burkina Faso and Tanzania. The evaluation department selected these countries on the basis of income level and the relative importance of Dutch development assistance for the country. In each of the six country studies, the evaluation analyses the impact on key sectors that received Dutch support.

This report outlines the results of the Zambia case study. It presents the findings that assess the impact of ending general budget support and exiting from the health and local government sectors. The report is based on the analysis of information obtained through interviews with various stakeholders, the review of documentation and existing evaluation reports, and the analysis of financial and other statistical information (part of which was provided by ministries and beneficiary organisations in Zambia).

Chapter 2 presents the country context. Chapter 3 discusses the phasing-out process. Chapter 4 describes the macro-impact of the Dutch exit, including budget support. Chapters 5 and 6 discuss the impact on the education and health sectors. Chapter 7 presents the main conclusions.

2

Country context

2.1 Introduction

Zambia was a relatively prosperous country when it gained independence in 1964. However, since then the economy has deteriorated, with negative per capita growth rates. The causes were the low demand for copper and the resulting low price of the commodity since the oil crisis in 1973, mismanagement of the nationalised mines and a heavy debt burden. Since the late 1990s, the economy has picked up again, due to macro-economic reform, debt relief, and a higher demand for copper, with average growth figures of 6%-7% per year. As a result, Zambia became a lower middle-income country in 2011. Economic growth and reduced external support have reduced the country's dependence on aid, and as a result donors are reconsidering their provision of aid to Zambia.

This chapter outlines Zambia's recent political and socio-economic development in order to contextualise the Dutch exit decision. The chapter signals economic progress and the declining role of development cooperation. Challenges nevertheless remain.

2.2 Political development

After gaining independence in 1964, the Republic of Zambia became a one-party democracy, and Kenneth Kaunda from the United National Independence Party (UNIP) became the first president. Civil unrest, due to the economic decline in the 1980s, and external donor pressure forced Kaunda to establish a multi-party system. The Movement for Multiparty Democracy (MMD) won the elections in 1991, installing Fredrick Chiluba as the first elected president. Chiluba promoted economic liberalisation and democratic reform, but the economy did not recover and inflation was rampant. During the second half of the 1990s, democratic accountability began to deteriorate and political rights and civil liberties where curtailed (De Kemp, Faust and Leiderer, 2011).

In 2000, President Chiluba unsuccessfully tried to change the constitution to allow himself a third term as president. Despite democratic irregularities and heavily disputed elections in 2002, the MMD won the elections, installing Levy Mwanawasa as the new president. Mwanawasa improved transparency and democratic accountability and initiated the National Movement against Corruption. The government liberalised the economy and improved macro-economic policy. The 2006 elections, also won by Mwanawasa, were deemed free and fair by the international community. Since then Freedom House has ranked the country as an electoral democracy. New elections needed to be called in 2008 after Mwanawasa died. His vice-president and MMD candidate Rupiah Banda won the elections. Banda was less reform-minded than his predecessor, and his administration was characterised by severe deficiencies (De Kemp, Faust and Leiderer, 2011). Problems of patronage and corruption continued to persist.

In 2011, the Patriotic Front (PF) won the elections and Michael Sata became the next president. The PF administration intended to increase (mining) taxation as domestic revenue collection remained low, and it also wanted to scale up the necessary investments to accelerate socio-economic development. President Sata died in office in 2014, and in January 2015, PF Secretary General and Minister of Defence and Justice Edgar Lungu won the elections.

2.3 Socio-economic development

In its first years after independence, Zambia's development was volatile, alternating between high growth rates and negative figures. From 1973 onwards, the economy stagnated, due to the falling demand for copper and a decline of copper production caused by mismanagement of the nationalised mines. In the expectation that copper prices (and production) would recover, Kaunda had taken out excessive loans, creating a massive debt burden. Fredrick Chiluba charted a more liberal course, but the stagnating economy, high interest rates, debt service and the controversial adjustment programme forced the country to make extensive cutbacks at the expense of both economic growth and public services (White and Dijkstra, 2003). Economic growth in the 1990s was negligible, which, in light of the population growth, meant a decline in the average income (De Kemp, Faust and Leiderer, 2011). In 1997, Zambia started negotiations on the privatisation of its copper industry in order to qualify for debt relief under the HIPC. The World Bank and IMF saw this privatisation as a necessary condition for improving the management of the mines, attracting investment and restoring fiscal balance (IEG, 2015). Aided by the world economy, a rising demand for copper and macro-economic reforms, the economy has picked up again since the late 1990s, with average growth figures of 6%-7% per year. The cancellation of the lion's share of the country's USD 7 billion debt in 2004-2005 also contributed to the country's positive economic development. Foreign direct investment has been increasing steadily over the years from USD 70 million in 2001 to USD 2.4 billion in 2012 (Mwanawina, 2008; IMF, 2015).

Table 2.1 Macro-economic indicators (2008-2015)

	2008	2009	2010	2011	2012	2013	2014	2015
Gross Domestic Product (USD billion)	17.9	15.3	20.3	23.5	25.5	28.0	27.1	21.2
Real GDP growth (%)	7.8	9.2	10.3	5.6	7.6	5.1	5.0	3.2
Population (million)	13.1	13.5	13.9	14.3	14.8	15.2	15.7	16.2
GDP per capita (USD)	1,366	1,135	1,456	1,636	1,725	1,840	1,726	1,308
Public sector balance (% of GDP)	-1.5	-3.7	-2.5	-1.8	-3.2	-6.7	-5.4	-8.1
Trade balance (USD million)	408	906	2,704	2,229	1,595	1,648	1,625	-74
Current account balance (USD million)	-597	913	1,525	1,093	1,372	-161	-387	n.a.
Current account balance (% of GDP)	-3.3	6.0	7.5	4.7	5.4	-0.6	-1.4	n.a.

Source: IMF (International Financial Statistics); World Development Indicators (GDP and GDP per capita) and Bank of Zambia.

The pace of economic growth has slackened since 2011, however, and dropped to 3.2% in 2015 as a result of waning copper prices and lower demand. The current account has deteriorated, international reserves have fallen and the budget deficit has increased to more than 8%. In 2012, the government announced a 45% increase in government salaries, which took effect in September 2013 (IEG, 2015). The (foreign) debt is increasing again as a consequence of borrowing USD 750 million in 2012 and another USD 1 billion in 2014 on the international capital markets (IEG, 2015).[1] Inflation increased to more than 14% in 2015, compared to less than 8% in 2014 (CSO, 2015). As a result of the large fiscal imbalances, public investments have been put on hold (IMF, 2015). The government has been trying to increase the low revenue from mining, which resulted in a major growth of mining revenue in 2015.

Table 2.2 Socio-economic indicators

	1998	2006	2010	2014
Extreme poverty (national poverty line):				
Rural	59	59	58	
Urban	17	13	13	
Total	43	43	42	
Total poverty (national poverty line):				
Rural	83	80	78	
Urban	56	30	28	
Total	73	63	61	
Human Development Index (HDI)	0.43	0.49	0.56	0.59
Multidimensional poverty		0.32		0.26
People in multidimensional poverty (%)		63		54
Inequality (Gini coefficient)	0.49	0.55	0.56	0.58
Employment (2006-2014):				
Employment to population ratio (15+;%)	54	67	69	69
Employment in agriculture (%)*	70	72	54	52
Vulnerable employment (% of total employment)	82	81	77	79

** Final year 2012.*
Source: CSO (1998; 2006 and 2010); WDI, WB and UNDP.

While economic growth, debt relief and foreign aid have contributed to economic investment and expanded social programmes, equitable distribution of growth is lagging behind and poverty remains high and widespread. Available national poverty data for 2010 indicate that 61% of the Zambian population is poor. Half of the population were living in extreme poverty in 2006, but this number decreased to around 42% in 2010. Poverty remains predominantly geographically defined, with extreme poverty in rural areas close to 58%, compared to 13% in urban areas. With a Gini of 0.58 in 2013 (IEG, 2015), Zambia is among

[1] In 2015, the IMF concluded that the loose fiscal policy has raised domestic interest rates substantially (with the 1-year treasury bill increasing from 12% in 2012 to over 20% in 2015).

the most unequally divided economies in sub-Saharan Africa. It has one of the highest rates of undernourishment in the world. Zambia ranks 139th out of 188 countries on the Human Development Index and 139th on the gender index. High levels of discrimination and gender inequality still exist, while approximately one in four Zambian households are run by females (WFP, 2015). In spite of all the government support to the sector, the number of undernourished people has more than doubled in the last 20 years to 7.4 million people (48%) (WFP, 2015). About 40% of children under five suffer from stunting.

An important reason is that growth was mainly concentrated in the mining sector and supply and services industries. Zambia's mining sector employs just 1.3% of the total labour force (IEG, 2015). About 60% of the informally employed people work in agriculture and another 8% of the 625,000 are formally employed (Rasmussen et al., 2014). The trickle-down effects of mining are minor. The main beneficiaries are foreign companies, including new Chinese investors, and this has created a schism in the economy (Mwanawina, 2008; Carmody, 2009). In 2015, IEG concluded that Zambia derived little benefit from its resources. Due to the low copper prices when the contracts were signed, the fiscal revenue from mining in Zambia is far below that of international comparators (IEG, 2015). Tax evasion by foreign mining companies exacerbated the loss of government revenue.[2] In addition, government programmes focusing on agriculture did not sufficiently target the poorest groups (De Kemp, Faust and Leiderer, 2011).Nevertheless, while the government did not succeed in substantially driving back income poverty in rural areas, economic growth helped to extend social services, especially in health and education. The poorest groups in particular benefited through better access (see chapters 5 and 6). In addition, GRZ has initiated a number of programmes such as the Social Cash Transfer (SCT) Programme, the Public Welfare Assistance Scheme, the Food Security Pack, the School Feeding Programme and the Tertiary Bursary Scheme.[3] While access has improved, the quality of public services remains low (De Kemp, Faust and Leiderer, 2011; IEG, 2015; WFP, 2015; see also chapters 5 and 6).

2.4 The changing aid relationship

Since the late 1970s, Zambia has received a substantial amount foreign aid, though volatile and often unpredictable. Total support dwindled in 1987, when the government abandoned the IMF reform agenda and refused to stick to the regulations of debt servicing. When Chiluba won the elections and promised to adhere to the reforms as required by the structural adjustment programmes, the IMF and other donors resumed their support (White and Dijkstra, 2003, 402). In the early 1990s, donor support rose to an unprecedented level, averaging almost USD one billion annually (Wohlgemuth and Saasa, 2008). Throughout the

[2] Zambia's minerals industry exported a total of USD 10 billion in 2011, while the country itself collected only USD 240 million in tax mining revenue (Africa Progress Report 2013).

[3] The objective of the SCT Programme is to reduce extreme poverty and the inter-generational transfer of poverty. The programme started in 2003. In 2013, it reached over 60,000 beneficiaries in 19 districts. By then, GRZ announced an 800% increase in its funding to allow the programme to expand to almost 190,000 recipients in 50 districts in 2014. Beneficiary households receive 70 Kwacha per month (about 10 USD; MCDMCH, 2015).

1990s, the character of aid to Zambia changed with the introduction of sector-wide approaches. Bilateral and multilateral donors gradually exchanged project aid and balance of payments support to other forms of programme support, especially in health, education and agriculture. From 2003 onwards, the Zambian government and donors agreed to work in a more coordinated, harmonised and aligned way. In 2005, donors launched the *Joint Assistance Strategy for Zambia* (JASZ), a framework for cooperation with the Zambian government in line with the principles of the *Fifth National Development Plan*, the prevailing strategic plan at the time in Zambia for poverty reduction. An important element of the JASZ was a better division of labour among donors.

After the death of President Mwanawasa, relations gradually deteriorated. According to the cooperating partners, president Banda was less persevering than his predecessor in pursuing reform and fighting corruption. They criticised the slow progress on a number of reforms (including the decentralisation policy, the public sector wage bill and public financial management) and the lack of results in fighting poverty. The results of a new Living Conditions Monitoring Survey (LCMS) hardly showed a reduction in poverty levels, despite economic growth. In the roads sector, the auditor general revealed severe deficits in the procurement process, resulting in high unit rates and massive over-commitment (De Kemp, Faust and Leiderer, 2011). In 2009, the discovery of fraud in the Ministry of Health had a negative impact on the relationship (see chapter 4 and 6).

When Zambia received lower middle-income status in 2011, several donors reconsidered their country strategy and scaled down their development assistance programmes (Prizzon, 2013), though mainly because policies had changed in their own countries. Donors signed a new JASZ in 2011, but discussions about a new Mutual Accountability Framework (MAF) proved to be cumbersome (Prizzon, 2013). In 2011, Denmark and the Netherlands decided to phase out the bilateral aid relationship. Norway closed its embassy in 2016.

Table 2.3 illustrates the shifts in the sectoral distribution of official development assistance in Zambia. The role of aid has been dwindling since 2010 as a result of economic growth, increased domestic revenue and decreasing support. In 2009, ODA was about 8% of Zambian GDP, but by 2014 it had decreased to less than 4%; the contribution of grants to the budget went down from 13.5% to 3%. After the peak in 2009, budget support to Zambia has been decreasing steadily (see chapter 4). Cooperating partners continue to support the social sectors, but less and less through government structures and more and more through project aid.[4] In addition, relatively more aid is going to economic and productive sectors. Non-traditional partners are becoming increasingly important, as illustrated by a USD 500 million contract to a Chinese firm for road construction and rehabilitation in 2015.

4 The large contributions to the social sectors in recent years are mainly vertical disease-control-related projects from the United States and the Global Fund. In 2014, 14% of all ODA came from the United Kingdom, partly through sector budget support.

Table 2.3	Distribution of ODA (2006-2014 in USD million)*								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
General budget support**	137	188	203	468	264	160	106	53	24
Social infrastructure and services	435	542	638	562	475	657	671	791	693
Economic infrastructure and services	92	40	92	58	66	117	64	160	180
Other	124	135	174	152	118	130	159	149	145
Total	**789**	**905**	**1,107**	**1,240**	**923**	**1,065**	**1,000**	**1,152**	**1,042**
ODA as % of GDP	6.2%	6.4%	6.2%	8.1%	4.6%	4.5%	4.0%	4.3%	3.9%
Grants as % of GRZ expenditure***	19.9%	18.8%	15.8%	13.5%	7.9%	3.2%	7.8%	6.0%	3.0%
Grants included in the budget as % of GDP***	4.6%	4.6%	4.1%	2.9%	1.8%	0.6%	1.7%	1.5%	0.8%

** Excluding debt relief.*
*** Including IMF loans (Concessional Trust Fund; USD 244 million in 2009).*
**** Grants included in the government budget. Source: IMF.*
Source: OECD/DAC (CRS data); WDI (GDP) and IMF; adapted by the authors.

Aid relations are changing fundamentally, and donors are having to adapt and find new ways of enhancing aid effectiveness. Zambia's middle-income status and improved access to capital markets has caused the government to shift its priorities more towards external private sector flows instead of ODA (Prizzon, 2013). Traditional donors have lost part of the leverage they previously had with budget support and basket support modalities. At the same time, the strategic importance of the country for donors has decreased (Prizzon, 2013).

2.5 Challenges

Despite the favourable economic growth figures, several challenges continue to persist. A first one is Zambia's reliance on the mining industry and its economy's lack of diversification. Copper exports, responsible for about three-quarters of Zambia's export earnings, and foreign direct investment in the mining industry, play a critical role in Zambia's economic development, making the country highly vulnerable to external shocks (IEG, 2015; IMF, 2015). Zambia's agriculture sector also faces challenges, as it employs the majority of the country's working population. The sector depends too much on one crop (maize) and suffers from ineffective and market-distorting government policies. Climate change is a growing concern (IEG, 2015). Climatic shocks have enduring consequences on poverty levels and malnutrition rates (WFP, 2015).

A related challenge is the growing economic and social disparity between rural and urban areas, as well as gender disparity. So far, economic growth has not been accompanied by substantial progress in the country's effort to reduce poverty and inequality. Overall poverty levels remain high, particularly in rural areas. Economic policy requires a more active approach, focusing on the poorest groups with less reliance on expected trickle-down mechanisms (De Kemp, Faust and Leiderer, 2011; Hirano and Otsubo, 2014; IMF, 2014; World Bank, 2015). The implementation of social programmes is hindered by the country's weak implementation capacity at different government levels (IEG, 2015). At the same time, the government has to restore the macro-economic and fiscal balance, especially by broadening the revenue base and by combating corruption (IEG, 2015).

3

The process of phasing out

3.1 Introduction

The Netherlands has had a long-standing aid relationship with Zambia, for more than 40 years. It started cautiously in the 1970s, but then picked up pace in 1977. The Dutch embassy in Lusaka played a key role in the harmonisation process and the implementation of the Paris Agenda in the country. Nevertheless, only five years after signing the JASZ, the donor decided to end the bilateral development relationship and close its embassy. With the exception of the health sector, this exit was not foreseen in the Multi-Annual Strategic Plan. The embassy in Lusaka tried to adhere to the principles of a responsible exit, but it was bound to a tight time schedule and limited financial flexibility. This had a negative impact on the underlying principles.

3.2 Background: the Dutch role before phasing out

Dutch development cooperation with Zambia started with technical assistance (Hoek, 2014). From 1980 onwards, the bilateral aid volume increased substantially with projects and activities in health and agriculture in a limited number of districts, mainly in the Western Province, as well as with balance of payments support (Cornelissen and Chisala, 2005). During the 1990s, the Netherlands gradually moved from project aid to programme support, also focusing more on the social sectors and, after 2000, on the Millennium Development Goals (MDGs). The Netherlands was one of the first countries working with the government towards a sector-wide approach in education and health. Moreover, the Dutch embassy was an active advocate of the harmonisation and alignment agenda and one of the signatories of the joint assistance strategy. Under Mwanawasa, the relationship with the Zambian government improved.

The Multi-Annual Strategic Plan (MASP) for 2004-2007 stressed the necessity of reform and improving governance, particularly democratisation, the constitution and the fight against corruption. As part of this objective, the Netherlands helped to strengthen the Court of Audit. The embassy sought to intensify the political and policy dialogue and to contribute to a more accountable and transparent public sector by providing general budget support. The Multi-Annual Strategic Plan for 2008-2011 echoed its predecessor in that it also focused on a harmonised and aligned approach. The embassy expected the share of fully aligned (programme) support to increase by 50% in 2011, while the total annual budget was expected to remain stable. In line with what was agreed upon in the JASZ and its division of labour, the embassy would be involved in education and gender (see chapter 5), health and HIV/AIDS (see chapter 6), private sector development and good governance.

As a lead donor in private sector development, in a Troika with the World Bank and USAID, the Netherlands supported the private sector development (PSD) reform programme, rural electrification (the latter through a silent partnership with Sida), the Zambia National Commercial Bank (increasing access to finance), and the Zambia Business Forum, a platform for membership associations ensuring public-private dialogue. The embassy was also an active donor in governance issues, focusing on PFM and corruption issues, lesbian, gay, bisexual and transgender, and elections. For many years, the embassy supported the Office of the Auditor General (OAG) through a delegated cooperation agreement with Norway. In the fight against corruption, the Netherlands has also supported the Zambian chapter of Transparency International (TI).

Between 2006 and 2010, on average Dutch aid amounted to about USD 60 million per year, more than 40% of which went to the education sector and almost 25% to health and HIV/AIDS (not including support by Dutch NGOs). Private sector development was the fourth priority sector.

Table 3.1 Sector distribution of Dutch ODA (2006-2013; in USD million)

	2006	2007	2008	2009	2010	2011	2012	2013
General budget support	7.3	11.0	14.4	13.9	13.2			
Education	15.7	28.4	37.5	31.2	16.5	13.8	5.3	6.2
Health care / HIV/AIDS	17.7	21.0	23.8	9.4	1.8	0.4	0.8	0.7
Private sector development	3.0	4.6	4.3	6.2	2.2	2.7	0.0	
Other	4.8	4.6	8.1	5.7	4.5	5.4	3.9	1.8
Total	**48.5**	**69.6**	**88.2**	**66.4**	**38.3**	**22.3**	**10.0**	**8.6**

Source: Netherlands Ministry of Foreign Affairs.

The embassy played an important coordinating role in the donor community, especially in terms of harmonisation and alignment, and it was committed to the Paris Declaration and providing programme support. It was the lead donor in the education sector, in HIV/AIDS and in the Mutual Accountability Group, and it was co-lead in PSD.

The Dutch appreciation of development in Zambia changed gradually after the death of Mwanawasa. A corruption scandal in the health sector in 2009, other irregularities (roads and agriculture) and the slow pace of reform all had a negative impact on the relations between GRZ and the cooperating partners. In 2010, the situation gradually improved, partly because GRZ met the demands of the cooperating partners in the health sector case, including the prosecution of officials involved in the fraud, and partly because of the role of the Dutch embassy as lead donor in the process. Under Sata, Zambia's political self-consciousness increased rapidly. The government's relationship with the Netherlands as a donor became increasingly problematic and the leverage for an active policy dialogue decreased.

3.3 The exit process

While the events in 2009 had a negative impact on the relations between GRZ and cooperating partners, the Netherlands embassy in Lusaka worked hard to restore them. In 2010, the embassy drafted, working closely with Sweden, the United Kingdom (UK), Finland and Norway a joint assessment for the continuation of general budget support, and the embassy advocated continuing the modality, in spite of the challenges. However, priorities had changed in the Netherlands. In 2010 the Dutch Scientific Council on Government Policy (WRR) published a report on the future of Dutch development cooperation (Van Lieshout et al., 2010). The WRR advised the government to reduce the number of partner countries in order to enhance the efficiency and effectiveness of Dutch development cooperation. In 2010, a new government welcomed the report and decided to limit the number of partner countries to 15. This meant that the Netherlands would phase out its bilateral development relationship with 18 countries. The country selection was based on seven criteria:

- the prospects of achieving development objectives, also as a result of the perceived Dutch value added;
- income and poverty levels in the partner countries concerned;
- a 'quick scan', showing in which countries the Netherlands would have something to offer on the prioritised themes;
- Dutch interests;
- the financial scope of the existing aid programme and possibilities of reducing it;
- the quality of governance, including democratisation, respect for human rights and combating corruption in the partner countries; and
- the potential to help reduce the number of missions abroad.

The selection was not, and could not be, a mathematical exercise. Political arguments played a role and several criteria had the potential to conflict in practice. For instance, the Netherlands intended to continue providing support to the poorest fragile countries, but almost by definition the quality of governance is these countries is low. There were several things at stake for Zambia. First of all, in the near future Zambia was set to become a lower middle-income country, and therefore aid was supposed to become less relevant for Zambia. Indeed, its aid dependency was declining steadily.[5] Moreover, the ministry pointed out that the political dialogue was deteriorating. Despite some progress, discussions on several topics, including the improvement of governance in the health and education sectors, advanced with difficulty. Zambia scored positively on the 'doing business' indicator, but there was not enough progress on attaining the MDGs or increasing domestic revenues.

In March 2011, two months after Denmark announced that it would close its embassy, the ministry informed the embassy that the Netherlands would end its bilateral development relationship with Zambia and that it also intended to close its embassy. The next day, the Head of Mission informed the Ministers of Finance and National Planning and the Deputy Minister of Foreign Affairs about the Dutch decision to end development cooperation and about the intended closure of the embassy.[6] The Minister of Finance and National Planning and the Deputy Minister of Foreign Affairs reacted rather quietly and resigned, acknowledging Dutch support in the past decades. Nevertheless, the Zambian government interpreted the decision to close the embassy as a negative political message. Moreover, GRZ feared that other cooperating partners would follow suit.

[5] In a letter to the House of Representatives, it was assumed that countries that had recently received the status of (lower) middle-income country would be able to finance their own development.

[6] At that moment, the Minister of Foreign Affairs was abroad.

In order to ensure a smooth and sound exit, the ministry in The Hague had asked the embassies to develop an exit strategy, including a timetable and an assessment of the possibilities for ending or handing over Dutch funding of development cooperation programmes and projects to other partners. The exit strategy should adhere to the recommendations of the joint exit evaluation of 2008 (Slob and Jerve, 2008) and the Dutch reaction on this evaluation (TK, 2008-2009, 31 250, no. 56). Specifically, the recommendations demanded:

1. timely communication at a political level with the countries in question;
2. involvement of stakeholders in the process;
3. development of a realistic timetable with input from the countries in question;
4. flexibility in the allocation of budgets;
5. respecting existing obligations and political commitments;
6. to take into account the existing institutional capacity of recipient countries, in order to prevent the loss of capital and to ensure the sustainability of results.

Overall, the embassy communicated the decision to the government in a timely fashion. After having discussed the Dutch exit with the Ministry of Finance and the Deputy Minister of Foreign Affairs, the embassy also informed other ministers and other partners and distributed an aide-mémoire to explain the decisions. The cooperating partners were informed through the cooperating partners group, the donor platform in Zambia. The embassy informed the Dutch community by means of a newsletter and further explained the Dutch decision in contacts, speeches and interviews with the media. In addition, the embassy commissioned a study to highlight the results of five decades of cooperation between Zambia and the Netherlands (Hoek, 2014). Nevertheless, stakeholders were not really involved in the process.

According to other donors, the Dutch exit was well managed, though the decision came as a surprise. Zambia became a lower middle-income country in 2011, but looking at the Human Development Index and poverty figures, the Netherlands could have made a different decision. Zambia's donor dependence had decreased and the country's access to capital markets had improved, but the country still faced huge challenges (especially service delivery in rural areas), while an excessive recourse to (foreign) loans had the potential to cause another high debt-service ratio. Moreover, the exit process was based on the Dutch decision to phase out and not on the government's planning and budgeting process and supported NGOs. The embassy attempted to extend funding as long as possible within the exit timetable and tried to find other donors to take over the Dutch role, but the recipients' interests were not really part of the decision-making process.

The Dutch approach contrasts with the Danish exit. While the Netherlands and Denmark phased out at the same time and both have closed their embassies, Denmark continued to provide financial support to the country. Denmark supported the transport sector until 2013, and water and sanitation in 2014.

The cooperating partners perceived the Dutch timetable as realistic, but the NGOs in question were less enthusiastic about it. They were given little time to find alternative funding. There was no real participation from the Netherlands' counterparts, as the time horizon and the end of commitment had already been decided by headquarters. The exit strategy of the embassy in Lusaka was well received in The Hague and mentioned several options for handing over the Dutch role in order to ensure the sustainability of Dutch support, but does not mention a participatory process. The embassy believed that a period of two years would be enough time to phase out the major share of activities in a responsible way and was also confident that it would be able to identify reliable partners in governance, HIV/AIDS and gender. The embassies involved in a process of phasing out also hardly received support from headquarters in drafting their exit strategies, and what guidelines they were given focused completely on the multi-annual strategic plan, which was less relevant for the embassies that were phasing out development cooperation. The cooperation partners in Zambia commended the collaboration they had with the embassy during the exit.

There was some flexibility in the allocation of budgets, but the ministry in The Hague discouraged extra commitments or only accepted them after the embassy insisted. Nevertheless, the embassy succeeded in extending several activities until the end of 2013, such as support to the Forum for African Women Educationalists of Zambia (FAWEZA), the Churches Health Association of Zambia (CHAZ) and Transparency International Zambia (TIZ). In the case of the education sector, the drafting of a new *National Implementation Framework* was delayed too long and therefore the embassy was not able to support the new framework. The embassy succeeded in supporting the ministry through UNICEF for early childhood education for 2012 and 2013, though the total amount was substantially lower than what was budgeted for the *National Implementation Framework* (NIF). In the case of the OAG, Norway accepted the proposal to frontload the Dutch contribution, enabling the embassy to make the final contribution in 2012.

The embassy was able to respect existing (legal) obligations, but through its multi-annual commitment of aligned (sector) support with the government and the core funding of NGOs (i.e. FAWEZA, CHAZ), the Netherlands had raised expectations. It was expected, for instance, that the Netherlands would continue to provide general budget support for the years 2011-2014 (see chapter 4).[7] For NGOs such as FAWEZA, Dutch support was a large part of their budget (see chapter 5) and it was difficult to find other sponsors. In the Multi-Annual Strategic plans for 2004-2007 and 2008-2011, the Netherlands had proved to be a staunch supporter of harmonisation, alignment, ownership and mutual accountability. But only five years after the JASZ was signed, the Netherlands decided that it would phase out in a period of just over two years, even in sectors where the embassy was a lead donor.

[7] The budget for 2011 included a commitment of EUR 35.6 million (USD 50 million).

The exit strategy hardly referred to the recommendation to take into account the existing institutional capacity of recipient countries. While it was adequate in terms of highlighting a number of challenges for the sectors and organisations involved, it did not provide any answers. The Netherlands did not have a strategy for handing over activities to other stakeholders. The intention from headquarters was to transfer financial responsibilities to other donors, but the exit strategy conceded that finding other partners would be problematic for several civil society organisations. With Denmark already phasing out support and shifting priorities and reduced budgets in other countries, the embassy's room for manoeuvre was limited. Other donors were bound by their own multi-annual planning and commitments. Furthermore, donor support for un-earmarked funding in Zambia had decreased in recent years. The embassy tried to ensure that the financial gaps created by the Dutch decision to exit would be filled by coordinating with other donors as much as possible. In the case of TIZ, NORAD explicitly took over as a major sponsor.

A specific challenge for the embassy in Lusaka was the success of the JASZ. The downside of the improved division of labour was that it would be difficult to find other parties to fill the gaps that the Netherlands would leave behind (EKN, draft exit strategy, March 2011). In the case of the education sector, the Netherlands and Denmark pulled out at a critical stage. Irish Aid was a smaller donor and faced budgetary problems. Both donors neglected the impact of their exit on the strategic role of the remaining donor. The departure of the Netherlands and Denmark was seemingly overcome by sector support from DFID and pooled funding from Japan (JICA), but in both cases this was merely budget shifting.

The exit strategy was linked to the closure of the embassy on June 30, 2013. Since the closure, the Dutch ambassador in Harare is also accredited to Zambia. The Netherlands opened an Honorary Consulate in Lusaka, and the newly appointed Honorary Consul received a budget for hiring extra staff, especially to promote trade relations between the Netherlands and Zambia.

3.4 Conclusions

After more than 40 years of development cooperation, the Netherlands decided to phase out completely in slightly over two years. To partners in Zambia, the exit came as a surprise. Apart from the health sector, the strategic plan for 2008-2011 did not mention the possibility of a gradual exit or the conditions for such an exit. On the contrary, the Netherlands aimed at being a reliable partner. The embassy tried to observe the recommendations of the joint exit evaluation of 2008 during the phasing-out process. Nevertheless, it did not receive much support from headquarters. The Dutch exit was well managed, but this was more the result of an actively operating embassy than a process that was guided by headquarters. There were no guidelines for the exit strategy or for the closure of the embassy. Moreover, the embassy was hampered by the fact that the main decisions already had been taken and that flexibility was limited. This made it difficult to adhere to the spirit of the recommendations.

The time to adapt to the changed situation was rather short and did not take into account the partners' planning process or the time needed to find other funding sources. The institutional capacity of the partners involved hardly played a role in the discussion. Headquarters expected too much from the possibility that the embassy would find other cooperating partners to take over the Dutch role, thereby neglecting other donors' planning procedures. In a sense, there were arguments for a quick exit. The decision to phase out had an impact on the Dutch role especially in the policy dialogue, and it limited the possibility of influencing Zambian policy.

4

General budget support

4.1 Introduction

This chapter outlines the background of the provision of general budget support in Zambia, the Dutch role and the consequences of the Dutch exit. The chapter concludes that the modality had lost its macro-economic relevance in the country and that, as a corollary, the impact of the cooperating partners on government policy decreased as well. This does not mean that ending budget support had no consequences. As long as Zambia remains a poor country and does not have the means to provide public services to the whole population at an adequate level on its own, aid may help to achieve development targets. Nevertheless, given the country's economic growth, the role of aid has diminished, so the exit does not have the same impact that it would have had ten years earlier.

4.2 GBS in Zambia

Development

In 2005, the government and several donors, including the Netherlands, signed a Memorandum of Understanding (MoU) for general budget support, called Poverty Reduction Budget Support (PRBS). Other cooperating partners followed suit. By then they had sufficient confidence in the Mwanawasa administration's socio-economic policy. There were still weaknesses, including public financial management, fiduciary risks and low scores on governance indicators, especially on government effectiveness, but also important improvements, for example in the area of macro-economic stability and the existence of a credible programme for growth and poverty reduction (*Joint Appraisal*, 2007; De Kemp, Faust and Leiderer, 2011). The government was open to reform and had taken several initiatives, including the *Fifth National Development Plan* (2006-2010), and concrete measures to fight corruption (IOB, 2012). Moreover, budget support gave donors direct access to the Ministry of Finance and the government. Smaller donors who decided not to provide budget support faced the risk of becoming less effective in the policy dialogue (IOB, 2012). Conversely, for the Zambian government, general budget support was the preferred modality, which was not surprising given the spending freedom that the modality entails.

Table 4.1	Disbursements of general budget support 2006-2014 (in USD million)								
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Sector budget support	28.6	12.2	49.6	16.9		11.8	15.4	1.8	45.8
PRBS grants	102.8	143.5	161.1	178.3	159.0	131.3	106.1	51.5	24.0
o/w Dutch PRBS	7.3	11.0	14.4	13.9	13.2				
PRBS loans	8.8		30.6	32.6	68.4	30.0	54.0		
Total budget support	**140.2**	**155.7**	**241.3**	**227.8**	**227.4**	**173.1**	**175.5**	**53.3**	**69.9**
PRBS grants as % of government expenditure	4.1%	5.1%	4.6%	6.5%	4.3%	2.9%	1.9%	0.8%	0.4%
PRBS grants % of total ODA to GRZ*	26%	27%	29%	48%	55%	84%	24%	13%	12%
PRBS grants as % of ODA by DAC countries through public sector**	15%	33%	29%	35%	36%	30%	27%	13%	7%

** According to IMF data on budget, project support was extremely low in 2011 (ZMK 714 billion = USD 147 million).*
*** Including EU institutions.*
Source: De Kemp, Faust and Leiderer (2011), Ministry of Finance and OECD/DAC CRS database, IMF; Netherlands Ministry of Foreign Affairs; authors' calculations.

The first years served as a means to gain experience with the instrument. The start with general budget support was modest, and donors continued to provide aid through other aid modalities such as projects, basket funding and sector budget support. From 2006 to 2009 the share of general budget support in bilateral aid to the government increased from 15% to 35%, financing more than 6% of government expenditure in the latter year.

From late 2008 onwards, relations gradually changed. The cooperating partners criticised the slow pace of reform, and in 2009 the discovery of the misappropriation of funds in the Ministry of Health put relations on edge in 2009 (see chapter 6). The Netherlands, Sweden, the GAVI Alliance and the Global Fund to Fight AIDS, Tuberculosis and Malaria immediately suspended their disbursements to the Ministry of Health in 2009, and Sweden put general budget support on hold. According to the cooperating partners, the principles underlying the provision of budget support had been violated (especially on public financial management and good governance), and therefore a reinforced dialogue was necessary, for which they presented a roadmap for reform. They initiated a High Level Policy Dialogue (HLPD) on the underlying principles as stipulated in the MoU's PRBS. To the surprise of the donors, the government reacted in October 2009 with a formal letter, advising embassies, international organisations and trade missions to conduct all communication with ministries through the Ministry of Foreign Affairs. In spite of this reaction, the formal dialogue in November 2009 proved to be more successful (at least in the eyes of the cooperating partners), and outstanding issues continued to be monitored and discussed in 2010.

From 2010-2011 onwards, the shift in donor behaviour became especially visible in several European Union donors' growing scepticism of budget support (De Kemp at al., 2011; Delputte and Orbie, 2014). Sweden decided to stop budget support to Zambia and cancel the disbursements for 2010 and 2011 because of concerns about the quality of governance, the deteriorating human rights situation and the Banda administration's inadequate approach towards corruption. This was the beginning of the end of the modality in Zambia. The Netherlands followed suit in 2011 (see the next section), as did the World Bank and the African Development Bank in 2013. The European Commission (EC) and the United Kingdom moved to sector budget support. In 2015, the instrument ceased to exist.

One of the reasons for the waning interest in the modality is the substantial increase in domestic resources in relation to decreasing budget support, resulting in a declining leverage effect of the policy dialogue (Delputte and Orbie, 2014; IEG, 2015). The relationship with GRZ had become reserved, and the policy dialogue had become a protracted ritual dance. More and more, GRZ shied away from open dialogue, referring topics back to cabinet discussions (Caputo et al., 2012) and warned not to interfere in internal affairs.

Another reason is that Zambia was devoting less attention to poverty reduction, and its performance on the PAF indicators was consistently deteriorating, going down from an average score of 0.85 in 2005 to 0.31 in 2013.[8] For the World Bank, dissatisfaction with progress in a number of areas and the public salary increase in 2013 were important reasons for ending the modality (IEG, 2015). The government's weak record on reform, as well as the availability of more revenue from mining, and funding from the market, raised serious concerns about the future role of budget support (IEG, 2015). For the EC, the changed policy on (general) budget support, which imposed stricter requirements for the provision of good governance and development contracts, and the sluggish pace of reform played a role. DFID moved from general budget support to more targeted support (including sector budget support) because of the growth of the Zambian government's own revenue. The department concluded that given this development, aid would be more effective if targeted at reforms in key areas such as education, health and PFM (DFID country programme, *Operational Plan 2011-2016*, update December 2014). For Germany, the PRBS platform had lost its momentum, due to the exit of several donors and the changed role of budget support in the total budget. Moreover, a critical stance in Germany towards budget support also contributed to the discontinuation of the modality in Zambia. Norway wanted to reduce its presence and saw this as a natural development, as Zambia had become a middle-income country.[9] In addition, for smaller donors the instrument became irrelevant for meaningful dialogue when larger donors decided to discontinue the modality (Finland, 2014, *Country Strategy for Development Cooperation with Zambia 2014-2017*). Moreover, GRZ did not want to continue the labour-intensive process of annual reviews. For the Ministry of Finance, budget support was merely an instrument among many, and the government increasingly preferred to intensify

8 The donors' idea was that these indicators were measuring the progress of the government of Zambia on development objectives anyway (see for an extensive critique, De Kemp, Faust and Leiderer, 2011). In reality the whole policy dialogue, with the PAF as its centrepiece and gauge, was a very labour-intensive and time-consuming process.

9 In October 2015, Norway announced the closure of its embassy in Lusaka.

trade relations, rather than aid relations, which comes with a considerable interference in internal affairs and micro-management by donors. Now that the country had better access to capital markets, it could focus its priorities more on external private sector flows than on ODA, and spend less time and effort negotiating with traditional donors (Prizzon, 2013).

Impact

The joint evaluation of 2011 concluded that budget support contributed to more transparent decision making, better financial management and stronger supervisory institutions (De Kemp, Faust and Leiderer, 2011). Direct support to the government budget gave donors an argument for demanding improvements in these areas. There was also no evidence of a negative impact on domestic revenue. Through the combination of debt relief, funding, PRBS and sector dialogue, budget support had a positive effect on expenditure in the social sectors, and the increase in spending was larger than could be explained by the provided support. The budget in the education sector increased by 54% in real terms between 2005 and 2010 (see chapter 5). In the health sector, GRZ's share in total expenditure increased again after years of decline (see chapter 6). Pressure from PRBS donors resulted in much of the expenditure being decentralised (from 8% in 2006 to 16% in 2010). The additional funds helped to improve basic services (see chapters 5 and 6).

Donors had less influence, however, on major reforms in the area of governance, such as fighting corruption or strengthening democracy. The evaluation concluded that this was not only the result of a lack of commitment and capacity at GRZ, but also of the limited progress by donors in the areas of harmonisation and alignment (see also Caputo et al., 2012; Delputte and Orbie, 2014; Leiderer, 2015). The authors criticised the lack of donor coordination, caused by differences in priorities at the headquarters level. This resulted in a plurality of interests in the policy dialogue, a reduction of donor effectiveness and high transaction costs.

4.3 GBS provided by the Netherlands

In 2005, the Netherlands was one of the cooperating partners that decided to provide aid in the form of general budget support. This was in line with Dutch promotion of harmonisation and alignment among donors. Nevertheless, the initial use of this modality was rather modest (about USD 13 million annually) compared to the amounts provided to other countries. Together with Norway, Sweden and the United Kingdom, the Netherlands took the initiative to draft a *joint appraisal report* (2007) for the period 2008-2010. This report emphasised the role of budget support as an instrument for reducing poverty and achieving the MDGs. Budget support was expected to improve public services, enhance their allocation, have a positive effect on achieving macro-economic objectives, and improve domestic accountability. In the Multi-Annual Strategic Plan (MASP) for 2008-2011, the embassy concluded that a growing share of Dutch bilateral support could be provided in the form of sectoral budget support (SBS) and general budget support (GBS). The embassy expected the share of fully aligned support to increase from its current level of 15% to 50% of the total budget by 2011. Furthermore, the embassy intended to provide an annual incentive tranche for GBS of EUR 2 million (about USD 2.5 million) if 80% or more of the PAF indicators were to be met.

One year later, the 2008 annual report concluded that the policy/political dialogue between the cooperating partners (CPs) and the government was a key concern. According to the embassy, this dialogue was not very effective. As part of the main Troika of CPs in 2009 and the first half of 2010, the EKN aimed to improve the policy and political dialogue with GRZ, focusing on domestic accountability systems for government services delivery and anti-corruption systems. In addition, the Netherlands intended to push forward the harmonisation agenda. However, the cooperating partners adopted a much more critical approach as a result of fraud in the health sector, other irregularities and the slow pace of reform. In 2010, the situation gradually improved, partly because GRZ met the cooperating partners' demands in the health sector case, including the prosecution of officials involved in the fraud, and partly because of the role of the Dutch embassy as lead donor in the process. A *joint appraisal report* by the end of that year, written together with the UK, Finland, Norway and Sweden, identified a number of risks, but also concluded that on balance it was justified to continue providing general budget support. The report highlighted positive developments on a number of (international) indicators and the improvement of PFM. Moreover, the report concluded that the revelation of fraud and other irregularities did not necessarily point to increased corruption, but rather to the improvement of financial systems and control mechanisms (such as a better functioning of the Office of the Auditor General). Finally, the results of the joint evaluation of budget support (by Germany, Sweden and the Netherlands) reflected the positive impact on service delivery, especially benefiting the poorest groups.

However, in the Netherlands the climate regarding budget support had changed since 2008 (see chapter 3). This was partly the consequence of problems, mostly fiduciary issues, in several countries that received budget support, including Zambia. In 2010, the new government decided to drastically reduce the use of the instrument, limiting the number of recipients to a maximum of two or three. The arguments to discontinue budget support in Zambia were closely related to those for completely ending bilateral support: Zambia was on the verge of becoming a lower middle-income country, the dialogue had deteriorated, there was not enough progress on MDG indicators and fiduciary risks made it difficult to provide budget support. In addition, severe cuts on operational budgets also forced the Ministry of Foreign Affairs to reduce its presence abroad. The Ministry had decided to close (at least) two embassies in Africa. The reduced geo-strategic role of Zambia in the region did not help in this respect (Prizzon, 2013). The new minister for Development Cooperation decided in early 2011 to discontinue budget support to Zambia. The absence of existing obligations by then also facilitated the decision.

Transparency International Zambia

In the fight against corruption, the Netherlands has also supported the Zambian chapter of Transparency International (TIZ). This global civil society organisation promotes the transparent use of public resources and aims to combat corruption by strengthening legal and policy frameworks. TIZ's main activities include monitoring (for example through the

Bribe-Payers Index and the Corruption Perception Index) and strengthening legal and policy frameworks, lobbying and advocacy, empowering citizens and improving TIZ's financial management. According to the EKN, TIZ is an essential watchdog ensuring that increased revenues are properly used and benefit the poor (EKN, 2011). The organisation provides checks and balances on Zambia's democratic system, and the Zambian population considers TIZ to be the country's most trusted anti-corruption institution.

The Netherlands embassy supported TIZ actively. Apart from funding, the embassy advised, commented on draft reports, and linked TIZ to other organisations and donors. Moreover, the ambassador's political backing was important for the functioning of the organisation. TIZ works in a rather hostile environment, which is partly the result of the organisation's confrontational approach. A good illustration is the assassination attempt on director Goodwell Lungu in 2011. TIZ has lost this support as well, as Norway has also phased out.

Financially, the Netherlands was the only donor that provided core funding, directly contributing to the implementation of TIZ's multi-annual strategic plans. Other cooperating partners (i.e. DFID, Finland and Sweden) only provided earmarked funding for specific projects. For the (exit) period 2012-2013, the EKN provide a total contribution of almost EUR 0.5 million. The Netherlands considered this two-year time horizon as sufficient for the organisation to find alternative financial (core) funding, thereby averting the negative effects of the ending of Dutch support.

TIZ is an example of a successful transfer of Dutch involvement. Norway took over as a major sponsor of TIZ when the Netherlands withdrew its support. Norway had intended to withdraw because the Netherlands was a big donor, but reconsidered this position when the Netherlands left. For Norway, it was also important that a general evaluation of Norway's anti-corruption support (and that of DFID, Danida and Sida) concluded that the work in Zambia would benefit from more support to civil society in this area. There was good cooperation between the two donors about reporting and other issues during the final phase of the NL support. Support from Norway resumed again in 2014 for the amount of NOK 6.4 million (approximately USD 1 million), NOK 1.6 million of which was disbursed in 2014. Nevertheless, for TIZ funding from Norway did not really replace the Dutch contribution, as Norway had disbursed NOK 1.4 million in 2012 and NOK 2.1 million in 2013. The organisation had to scale down operations and expected a large financial gap in 2016. Moreover, Norway is phasing out as well.

4.4 The impact of ending budget support

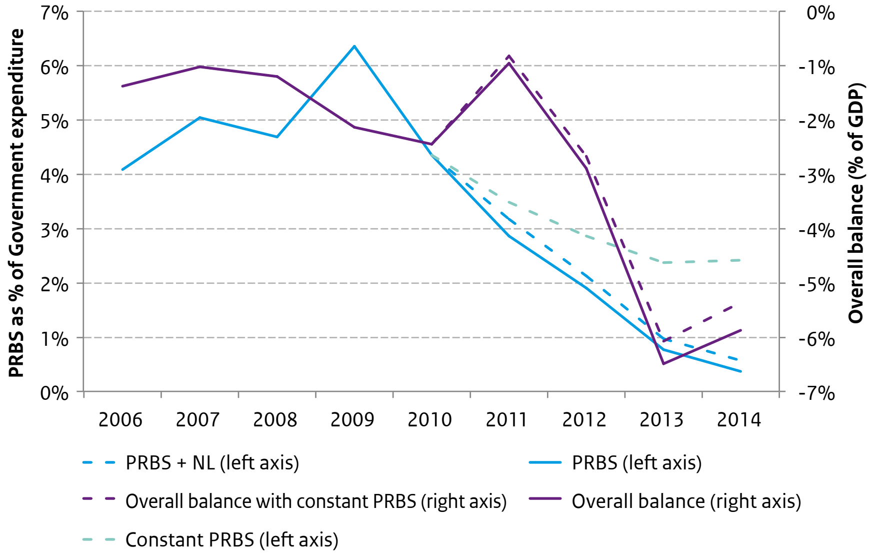
The discontinuation of general budget support by the Netherlands and Sweden had some effect on the policy dialogue as it meant the exit of two of the main advocates of harmonisation and alignment as well as of two critical donors who pushed for reform and more active policies in fighting corruption and improving PFM. Donors such as the Netherlands also had more flexibility for coordination at the country level (OECD-DAC, 2009; Delputte and Orbie, 2014). The Dutch exit was also a great loss of expertise. On the other hand, by 2011, the policy dialogue had already reached a stalemate and there was no effective leverage any more. There has not been a high-level policy dialogue since 2012. According to one of the cooperating partners, this is an indication in itself. While the exit of Sweden and the Netherlands may have speeded up the process, it is unlikely that these countries would have come to conclusions in 2013-2014 that would have deviated from the assessment of the remaining PRBS donors.

The changed role of budget support in the government budget reduced the role of the modality in the policy dialogue. Moreover, GRZ perceived budget support, with its conditionalities and intensive political and policy dialogue, as interference by donors in their internal affairs and felt it was becoming a burden, rather than an asset. Aided by debt relief in 2005, the growth of domestic revenue, the existence of alternatives (China) and better access to private (foreign) loans, the government lost its appetite for the grant instrument that was in fact anything but a blank check. The large increases in the government budget, in spite of reduced external funding, show that the Dutch exit did not necessarily punch a hole in investments or in (social) expenditures.

Figure 4.1 shows how prolonged budget support would have had an impact on total budget support as well as the budget deficit, assuming that this would not have had an impact on disbursements by other donors. The relative impact on total PRBS would have been relatively small until 2013, when the EC and the UK moved to sector support. The discontinuation of general budget support by these two main providers in 2013 and 2014, respectively, had a much larger impact. In 2014, the Netherlands would have become a larger PRBS provider, in the absence of other donors. Nonetheless, the impact on the government budget, with a contribution of 0.2%, would be small – too small to play a significant role in the policy dialogue (De Kemp, Faust and Leiderer, 2011; IOB, 2012; IEG, 2015). The impact on the budget deficit would also be modest.

The purple dotted line in figure 4.1 shows the effect on the deficit, assuming that total PRBS would have remained constant (in USD) and that the government would have used it to reduce the deficit. In the short run, this would have been a realistic assumption, given the high increase in the deficit, mainly due to the increase in the salaries of public workers (IMF, 2015; IEG, 2015). In 2011, lower grants were more than compensated by much higher domestic revenue. From 2012 onwards, however, smaller grants contributed to increased (non-concessional) borrowing, in spite of economic growth and higher revenue. In 2015, the IMF concluded that the loose fiscal policy had raised domestic interest rates substantially (with the one-year treasury bill increasing from 12% in 2012 to over 20% in 2015). If PRBS had remained constant at the 2010 level, then this would have resulted in a deficit 0.4 percentage points lower in 2013 and 2014. The Dutch contribution would have been 8% (or 0.04% of GDP).

Figure 4.1 *General budget support grants (PRBS) and the budget deficit in Zambia (2006-2014)*



Source: Ministry of Finance and IMF; authors' calculations.

In the longer run, the continuation of budget support would have had an impact on social expenditures. For an analysis, it is instructive to look at the relationship between budget support and health and education expenditure. In 2011, the joint evaluation of budget support in Zambia concluded that the provision of budget support had boosted GRZ's spending on health and education (De Kemp, Faust and Leiderer, 2011). Before 2006, donors felt that the Zambian government spent too little on these sectors. After the MoU for budget support was signed in 2005, expenditures on health and education increased substantially, much more than in other sectors. Economic growth and debt relief were insufficient to explain the growth of governments' own expenditures in these sectors (IOB, 2012). The joint evaluation concluded that the combination of budget support, GBS policy dialogue, sector dialogue and ownership effectively contributed to increased expenditure.

This relationship has changed since 2010. Thanks to economic growth and higher domestic revenue (see chapter 2), the government was able to increase per capita spending in health and education, even though budget support was reduced. Expenditures in these sectors are increasingly less dependent on external resources, though external support remains high, especially in the health sector (see chapter 6). The relative contribution of general budget support to expenditures in the social sectors decreased steadily between 2010 and 2014. If the entire sum of budget support (including sector budget support) had been spent on the social sectors in 2014, then the contribution would not have been more than 2.7% that year (compared to more than 25% in 2009).

Nevertheless, this does not mean that additional resources would not have had a positive impact. Zambia has become a middle-income country, though it is in the lower half of the income range. Despite growth, the education and health sectors remain heavily underfunded, thereby contributing to Zambia's low score on the Human Development Index. Per capita health expenditure (about USD 95 per year) is relatively high compared to neighbouring countries, but less than a tenth of the world average (about USD 1,050). Moreover, the distribution of health services is skewed and challenges in the sector are high as well (IEG, 2015, see also chapter 6). In the education sector, expenditure per pupil in primary education is about USD 240, which is high compared to most neighbouring countries, but much lower than Botswana (USD 570), Namibia (USD 730) or South Africa (USD 1,200).

In 2012, IOB concluded, based on an extensive literature review as well as econometric research, that in general governments have used budget support to increase budgets for the social sectors (see also De Kemp and Dijkstra, 2016). On average about 70%-80% of the provided budget support goes directly to the social sectors (with 1/3 going to the health sector and 2/3 to the education sector). Therefore, had the Netherlands provided GBS as intended (about USD 13 million annually), there would have been additional resources available for the health sector of about USD 3.5 million and for the education sector about USD 7 million. Chapters 5 and 6 discuss the impact on these sectors.

4.5 Conclusions

Since 2006, budget support had become an important element of Zambia's aid architecture and policy dialogue, though financially its role remained modest. The cooperating partners' initial enthusiasm, as well as GRZ's, decreased gradually from 2009-2010 onwards, and in 2015 the modality ceased to exist in Zambia. As a result of economic growth and increased domestic growth, the instrument had lost its role in macro-economic policy and, consequently, its leverage effect.

While two of the main proponents of the modality, Sweden and the Netherlands, were the first to pull out, it is unlikely that they would have continued to provide general budget support in 2015 if they had not ended their support in 2010-2011. Economic growth has caused the economic importance of the instrument to dwindle, and the Dutch exit has hardly affected macro-economic stability. In the short run, the deficit would probably have been slightly lower. In the longer run, the continuation of (general) budget support would have made a modest contribution to achieving development objectives. The influence of donors on government policy would have been small, but the 2011 joint evaluation and the 2012 IOB policy review had already concluded that this influence was modest: budget support is only effective if there is ownership and a congruence of development objectives and priorities (De Kemp, Faust and Leiderer, 2011). If Dutch PRBS resources would have gone to the health and education sectors, this would have resulted in an increase of 0.6% (in 2014) in these budgets.

5

Education

5.1 Introduction

Since the late 1990s, the Netherlands has been an important supporter of Zambia's education sector. In 2006, the embassy became lead donor, together with Irish Aid. This chapter outlines the development of Dutch support to the sector and the impact of the Dutch withdrawal. It concludes that in spite of increased domestic resources, the sector remains underfunded. Had the Netherlands continued its support, then it would have had an impact. Dutch support was comparable to the costs of enrolling 140,000 pupils (in primary education). The ministry could have used this support to recruit about 4,500 teachers or construct 4,500 classrooms or double the amount of existing school grants. Moreover, the Netherlands left the sector at a critical moment, when Dutch expertise was badly needed to improve financial management and planning in the ministry.

5.2 Development

During the 1980s and 1990s, economic stagnation, poor revenue from the copper sector and a heavy debt burden forced the Zambian government to cut its expenditures on social sectors, including education. The underfunding led to a substantial decline in non-salary recruitment expenditure and investment (De Kemp and Ndakala, 2011). Total enrolment decreased despite a fast-growing school-age population. Educational outcomes and literacy rates deteriorated.

By the late 1990s, GRZ and donors started to cooperate more closely in order to revitalise the sector. The sector-wide approach (SWAp) created the financial preconditions for large investments in basic education and for the abolition of school fees in basic education in 2002. Support was provided through a joint sector pool and through project aid. Cooperating partners continued funding the new *National Implementation Framework* (NIF II), an elaboration of the *Fifth National Development Plan* (FNDP) for the education sector and the new Education Sector Strategic Plan for the years 2009-2015 (MoE, 2010), both focusing more strongly on the quality of education (and especially investment in teachers and infrastructure) (IOB, 2008; De Kemp and Ndakala, 2011).

Table 5.1 Expenditure of the Ministry of Education and donor support 2006-2014 (USD million)

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Personal emoluments	247	253	329	320	437	534	592	727	992
Other expenditures	172	209	304	244	169	190	283	238	318
Total expenditure	420	462	633	564	606	725	874	965	1,310
Sector pool	59	82	63	100	32	56	15	11	7
Sector budget support*									43
Total support to education (including off budget project aid)	**95**	**102**	**101**	**133**	**58**	**79**	**45**	**45**	**81**
Expenditure as % of GRZ budget	23%	19%	19%	21%	17%	15%	16%	16%	20%
Personal emoluments as % of total	59%	55%	52%	57%	72%	74%	68%	75%	76%
Pool and sector support as % of non-salary exp.	34%	39%	21%	41%	19%	30%	5%	5%	16%

** Including USD 8.6 million from the Global Partnership for Education (GPE).*
Source: Ministry of Finance (Financial Reports), Ministry of Education and OECD/DAC (CRS database); authors' calculations.

In 2011, the government merged the Ministry of Education with the Ministry of Science, Technology and Vocational Training into one ministry, the Ministry of Education, Science, Vocational Training and Early Education (MESVTEE), in order to improve planning, budgeting, and monitoring and evaluation.[10] In addition, GRZ reversed the shift from primary and secondary education to basic education (grades 1-9) and high school education (grades 10-12) and vocational training, and reintroduced a conventional system with primary and secondary education (IOB, 2008; NIF III, 2011). According to the government, the anticipated benefits of the basic education system in terms of quality and relevance did not materialise. A main problem was that many basic schools did not have the required infrastructure of qualified teachers to offer grades 8 and 9. GRZ also agreed to allocate more resources to education, in order to introduce free and compulsory education from grades 1 to 12, promote inclusive education, upgrade primary schools and especially community schools, and also improve teachers' qualifications. The new *National Implementation framework* (NIF III) for the years 2011-2015 reflects the policy changes.

In 2014, domestic non-PE expenditures increased by almost 50%, even though external funds decreased. Overall, the role of donor funds has dwindled from more than 39% of the non-PE expenditures in 2007 to 5% in 2012 and 2013, mainly as a result of the Danish and especially Dutch exit. In 2007, donors contributed more than USD 100 million to the sector; in 2015 commitments fell to USD 28 million. Total support from all cooperating partners is now below 2% of the total education sector budget (DFID, 2015). As a result, and especially

[10] Recently, President Lungu has split the ministry into the Ministry of General Education and the Ministry of Higher Education.

due to the salary increase in the second half of 2013 (see chapter 2), personal emoluments increased again to 76% of the total in 2014. That year, external support to the education sector was much higher than in 2013, but this was only the result of a) an incidental contribution from the Global Partnership for Education and b) the DFID's shift from general budget support to sector budget support.[11] Total budget support from DFID to Zambia that year was USD 42 million, the same as in 2011 (OECD/DAC, CRS database).

Impact

IOB has evaluated the impact of support to the education sector twice, in 2008 and in 2011. Both reports concluded that sector cooperation has proved to be rather successful and that despite the enormous challenges, the sector can point to impressive results. The sector-wide approach and combining resources contributed to further harmonisation and alignment. It was an important condition for the successful introduction of free primary education. In primary education, the number of teachers rose from 37,000 in 2000 to 61,000 in 2009, and the number of classrooms increased from 25,000 to 41,000. Rigorous impact evaluations showed that the investments contributed to the growth of school enrolment from 1.8 million pupils in 2000 to 3.4 million in 2009. That year, 53% of pupils finished the nine years of basic education, as opposed to 34% in 2000 (IOB, 2008 and 2011). Since then, most indicators continued to improve (see table 5.2). In primary education, the country has (almost) achieved gender parity. For grades 8-9, the gender balance improved from 0.77 in 2000 to 0.93 in 2014.

Table 5.2 Key indicators basic education

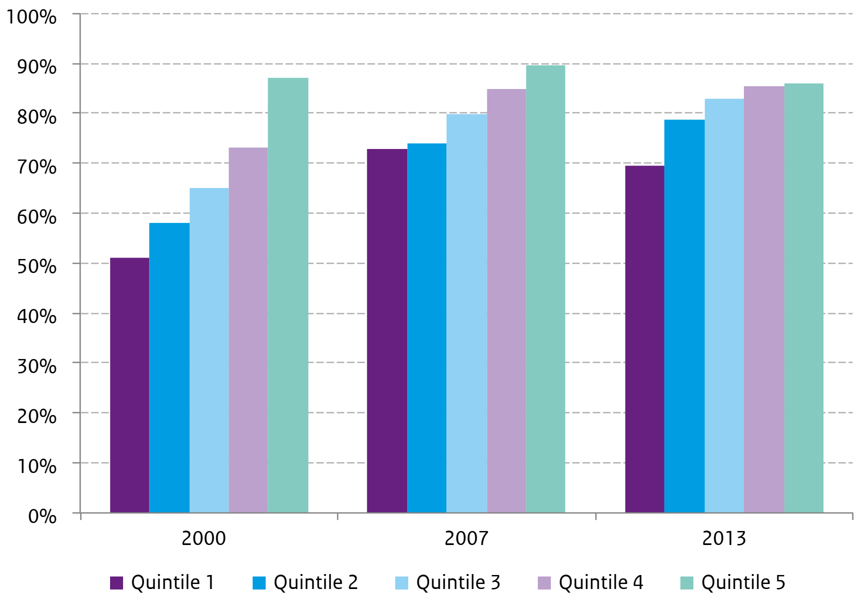
	2000	2006	2010	2014
Basic schools (x 1,000)	5.3	7.6	8.5	8.8
Classrooms (x 1,000)	25	33	44	48
Teachers (x 1,000)	37	53	63	78
Pupil-teacher ratio (grades 1-9)	49	57	50	47
Enrolment in primary education (grades 1-7, million) *	1.6	2.6	2.8	3.2
Enrolment in basic education, grades 1-9, million) *	1.8	3.0	3.2	3.7
Gender parity grades 1-7	0.93	0.97	0.98	0.99
Gender parity grades 8-9	0.77	0.86	0.88	0.93
Dropout rates	4.6%	2.6%	2.3%	1.8%
Transition rate grade 7	51%	52%	58%	59%
Transition rate grade 9	42%	38%	45%	42%
Completion rate grade 9	34%	43%	53%	58%

** Enrolment in 2010 is probably underestimated as estimates for 2009 and 2011 were higher and a one-year decrease is unlikely.*
Source: Ministry of Education, Educational Statistical Bulletins 2006-2014.

[11] GPE has committed a grant of USD 32.5 million. In 2014, GPE disbursed USD 8.6 million. For DFID, the education sector was more viable for sector support than the health sector. According to DFID, the health sector was not yet ready for sector support.

Major inequalities continue to exist between urban and rural areas, but they have decreased. The poorest groups have benefited more from the investments in education and the introduction of free primary education than other groups, especially between 2000 and 2007: disparities in school attendance have become much smaller and thus expenditures on basic education are pro-poor. Between 2007 and 2013, these disparities continued to diminish, though school attendance by children from the poorest groups decreased by 3 percentage points. Remarkably, school attendance by the highest wealth quintile also decreased, by 4 percentage points.

Figure 5.1 *Primary school attendance by wealth quintile (2000, 2007 and 2013)*



Source: IOB (2008; 2011: DHS 2007 and DHS; 2014).

The 2011 evaluation by IOB also concluded that much work remains to be done, both in terms of enhancing the quality and ensuring the equitable regional distribution of education. In 2001, 29% of grade 5 pupils achieved the minimum performance level for English and mathematics. For English, this figure gradually improved to 36% in 2012 (ECZ, 2012; MESVTEE, 2015). For mathematics, on the other hand, the proportion of pupils reaching the minimum required levels increased to 45% in 2008, but in 2012 this figure dropped to 40%. In the regional tests of the Southern and Eastern Africa Consortium for Monitoring Educational Quality (SACMEQ), Zambian pupils perform at a much lower level than their neighbours (with the exception of Malawi) or the international mean (SACMEQ 3, MESVTEE, 2015). The poor outcomes are partly the result of the large increase in enrolment of pupils in poor, remote areas, where pupils, but also parents and even teachers, hardly speak English (De Kemp and Ndakala, 2011). Highly populated schools, mostly in urban areas, undertake double and even triple shifting, reducing teacher-pupil contact time to 2.5-3 hours per day for grades 1-4 (MESVTEE, 2015). Challenges in rural education have not been effectively addressed (De Kemp and Ndakala, 2011).

5.3 Dutch support to the education sector

For many years, the Netherlands has been a leading donor in the education sector in Zambia. Until the early 1990s, Dutch contributions mainly targeted higher education and vocational training (IOB, 2008). Support to the basic education subsector started in 1998 with a project in the Western Province called the Western Province Education Programme. The experiences with this project proved to be important for further decentralisation in the sector. In 2003, the Netherlands moved to provide direct support to basic education (through the Basic Education Sub-sector Investment Programme) and later on support to the sector plan through pooled funding.

With the introduction of the JASZ and the division of labour among donors, the Netherlands became the leading donor in the sector with Ireland in 2006. Between 2006 and 2010, the Netherlands contributed USD 120 million to the sector through pooled funding and another USD 9 million for specific NGOs and projects. The Netherlands was also the supervising entity for the management of USD 60 million (between 2009 and 2011) from the FTI Catalytic Fund, a fund that was created and for a large part funded by the Netherlands. As a lead donor, the Netherlands was especially keen on improving financial management in the Ministry of Education, including procurement and audit systems. Initially, the Netherlands provided technical assistance to the Ministry of Education, later on the sector dialogue became more important.

In addition to sector support, the Netherlands contributed to vocational education (through the Ministry of Education, Science, Vocational Training and Early Education) and female education through the Forum for African Women Educationalists of Zambia (FAWEZA). FAWEZA aims to solve gender issues in education, including equity, sexual reproductive health rights and women's social and economic empowerment.
The Netherlands also contributed to higher education through the Netherlands Initiative for Capacity Development in Higher Education (NICHE).

Table 5.3 Dutch support to the education sector in Zambia 2006-2013 (in million USD)

	2006	2007	2008	2009	2010	2011	2012	2013
Support to the Ministry of Education	13.7	25.9	34.9	29.7	15.9	13.0		
Support to ECCDE (UNICEF)							4.5	5.3
Technical assistance at MoE	0.2	0.2						
Vocational education	0.9	1.5	1.9	0.9				
FAWEZA	1.0	0.8	0.8	0.6	0.6	0.8	0.8	0.9
Total	**15.7**	**28.4**	**37.5**	**31.2**	**16.5**	**13.8**	**5.3**	**6.2**

Source: Netherlands Ministry of Foreign Affairs.

From 2008 onwards, the Netherlands and other cooperating partners in the sector worked together to provide targeted sector budget support. For Zambia to receive this and become eligible for grants from the FTI Catalytic Fund, it was necessary to conduct a Fiduciary Risk Assessment (FRA) to explore ways of improving the sector pool and propose a more efficient and aligned channel for donor funding (De Kemp and Ndakala, 2011). The FRA discerned a number of weaknesses in the management system (including procurement, accounting and reporting), and these had to be solved before being able to move forward with sector budget support. However, progress on the side of the Ministry of Education was slow. This caused relations between the ministry and cooperating partners to deteriorate (FTI Progress Report, 2011). In 2010, the latter suspended part of its support to the sector (about USD 40 million, including USD 5 million from the Netherlands and USD 30 million from EFA/FTI) because of concerns about financial management and a lack of progress on sector reform. The cooperating partners felt that the MoE had not done enough to strengthen financial management and accountability systems. Weaknesses in GRZ, the sector pool fund and the financial management systems continued to persist. In 2011, the ministry and donors developed a financial management action plan, and by the end of that year, the latter disbursed suspended amounts. Nevertheless, the sector dialogue mechanisms were not working effectively anymore. Meetings were regularly delayed or cancelled. In January 2011, Denmark announced its decision to phase out as part of an overall exit from Zambia.

Two months later, the Netherlands followed suit. In the exit strategy, the embassy noted that the Dutch and Danish exit would leave a financial gap in the sector, in spite of increased involvement by DFID and UNICEF. According to the embassy, a period of two years was needed to responsibly end Dutch support to the education sector. As a lead donor, the Netherlands actively tried to find another cooperating partner willing to take over the Dutch role as well as a new supervising entity for FTI and new contributing partners. The embassy managed to hand over the co-lead role in the education sector to UNICEF by 2012. The local education specialist working for the EKN also went to UNICEF. Coincidentally, DFID was moving from providing general budget support to sector budget support and therefore was happy to return to the sector. DFID also took over the role of supervising entity for EFA/FTI, later on the global Partnership for Education (GPE).

The embassy expected to contribute to NIF III for a period of two years, through a silent partnership with UNICEF. Part of the Dutch contribution would go to a pooled fund, and part of it would be channelled to UNICEF programmes in the education sector. However, due to the delayed finalisation of the NIF III, the Netherlands was not able to contribute any more.[12] Through NICHE, the Netherlands still supported a few ongoing projects for higher education in Zambia. In 2012, the Dutch embassy concluded an agreement with UNICEF to support its Early Childhood Care and Development Education (ECCDE) Programme for 2012-2013. The project targeted 500 basic and community schools in 16 of the lowest-performing districts in five provinces on a vulnerability index and was expected to provide access to ECCDE for 10,000 children by 2013. Through UNICEF, the Netherlands contributed

[12] Initially, the Netherlands had planned to commit USD 46 million between 2011 and 2013 (FTI progress report 2011).

to the training of 264 ECE teachers and the provision of 54,000 learner's workbooks and teacher's guides, benefitting some 13,000 young children (UNICEF Zambia, *Annual Report 2014*). By 2015, 50% of the early learning centres had at least one trained teacher.

5.4 Impact of the Dutch exit

Impact on the sector collaboration

While the EKN tried to exit carefully from the sector, these ambitions were hampered by challenges in the sector. The Netherlands announced the exit at a critical moment in its relations with the new Ministry of Education, Science and Vocational Training. While the CPs, including the Netherlands as lead donor, insisted that future funding would depend on improving financial management, the Dutch and Danish exit did not strengthen this position. The announcement of an exit undermines the effectiveness of the policy dialogue, especially when things are not going as anticipated.

The exit of the Netherlands meant the loss of a great deal of experience, and this also had an impact on the policy dialogue, even though the experienced Zambian education expert from the Dutch embassy went to UNICEF. The ministry and other partners called it a loss for the sector, given the Dutch expertise and passion. The Netherlands had a leading role, especially on financial management and fiduciary issues. These issues have not been resolved. The sector still faces challenges in the areas of planning, budgeting, PFM and procurement. The CPs have less confidence in reporting by the government, and there is less discipline. Donors are losing their influence on the budget process. DFID focuses more on sector outcomes, on what happens in the classroom (DFID, 2015), than the Netherlands. The Netherlands embassy may be criticised for focusing too much on planning and financial management (De Kemp and Ndakala, 2011; Riddell, 2012), but actually it seems that the combination of the two approaches is beneficial for ensuring sustainable educational quality.

The combination of the provision of GBS and support to the education sector strengthened the Dutch role. It helped to discuss important issues at different levels. With the Dutch exit, the attention for cross-cutting issues such as gender equity and HIV/AIDS has diminished. Together with Irish Aid, the Netherlands focused on harmonisation. When the Netherlands and Denmark left, the sector pool thinned out, and now only Irish Aid and JICA (Japan) still participate in the pool. This had consequences for sector collaboration. It has been suggested that the effectiveness of donor interventions has been hampered by the absence of a joint partner agenda (De Kemp, Faust and Leiderer, 2011; Irish Aid, *Country Evaluation*, 2011). This problem has increased. New cooperating partners are working in a less harmonised way, making it more difficult for the lead donors (Irish Aid and UNICEF) to play their role. Moreover, new donors' knowledge of the systems and procedures in the Zambian education sector is limited. UNICEF and Irish Aid are trying to strengthen the dialogue, but this is difficult given the reduced number of cooperating partners, the reduced role of aid in the budget and the relatively independent position of other cooperating partners. DFID manages the GPE funds, but considers these to be more or less UK funds: '…the support to the education sector, provided by the UK through SBS and GPE will be GBP 55.5 million (USD 90 million) from 2011-2015, making DFID the second-largest donor for the education sector in Zambia' (DFID, 2013, p. 12).

The Dutch and the Danish exit contributed to the anticipated annual financing gap of the new sector plan (NIF III) of USD 100-200 million. The 2011 FTI progress report warned of a funding gap if development goals were to be met. The assessment concluded that additional resources (from GRZ, FTI and other donors) would be essential to sustain access and improve the quality of education. In spite of the support from DFID and JICA, external support has decreased, creating challenges for the sector. The support provided by DFID is a shift from GBS to SBS. The budget of Irish Aid has been reduced as well and has shifted its focus onto the interests of Irish investors. The education budget has increased substantially, but the government is prioritising higher education, and budget increases are mainly used on salaries and construction. Despite the large budget increase (from an average of USD 100 per pupil in primary education in 2009 to USD 200 in 2015), the sector remains heavily underfunded and its budget is not high enough to cope with the challenges facing the country. In primary education, more than 91% of the budget was committed to teachers' salaries, leaving only a limited budget for infrastructure, the school feeding programme and capitation grants (school grants).

In the past, the externally funded pool financed most of the non-PE related expenditures: school grants, textbooks, infrastructure, school desks and capacity building. The reduction of external funds has, in combination with the delayed finalisation of the NIF, reduced the pace of school construction (see also table 5.2). In addition, it has had an impact on non-wage recurrent expenditures. The amount available for teaching and learning resources and running schools is low (MESVTEE, 2015). The grants that primary schools receive to support teaching and learning are insufficient to cover running costs (IOB, 2008; De Kemp and Ndakala, 2011; MESVTEE, 2015). As was hypothesised for this evaluation, reduced donor funds have been translated into school grants that are smaller than anticipated. Until 2015, the school grant for primary school children was not more than USD 3.5 per pupil, far below the level anticipated in the NIF III. Shortages continue to exist (in terms of teachers, classrooms, desks, books, and other teaching and learning materials).

The good news is that GRZ is taking over the donor funding. For 2016, the ministry has set aside 11.8% of the total education budget for operational funds – teacher training, textbook procurement and school grants (in comparison with 6.8% in 2014) (DFID, 2015). For 2016, the budget for school grants is about USD 6.50 per pupil in primary education, already almost 100% higher than in 2015, but still lower than the level that was envisaged in the sector plan (NIF III, USD 7.70). Shortages continue to exist, while enrolment will continue to increase as a result of demographic developments. In rural areas, many children have to walk more than five kilometres to get to school (Beyani, 2013). Despite salary increases, teacher and pupil absenteeism, partly caused by the impact of HIV/AIDS, remain high.

Had the Netherlands continued its support at a level of USD 32 million (including USD 7 million GBS, see chapter 4), then it would have been possible, for instance, to increase school grants to USD 17. With the extra budget, the ministry would also have been able to recruit about 4,500 teachers or construct 4,500 classrooms. The annual contribution is also comparable to the costs of enrolling 140,000 pupils (in primary education). De Kemp and Ndakala (2011) calculated for Zambia that 4,500 teachers would lead to an extra enrolment of 50,000 pupils. Likewise, the construction of 4,500 classrooms would lead to an extra enrolment of 6,000 pupils. These figures also show that the extra investments not only attract new pupils (or increase school attendance), but also make it possible to reduce pupil-teacher and pupil classroom ratios. This would have an impact on educational results.

There are not many other estimates for assessing the impact of investments in education in developing countries (see Kremer et al., 2013; McEwan, 2013; Psacharopoulos, 2014). An exception is Banerjee et al. (2007), who did find a substantial programme impact for remedial education. This is not to suggest that money is not an important factor for improving the quality of education (think of all the parents who send their children to private schools). There are several explanations why it is difficult to pinpoint the impact. First of all, in countries like Zambia the quality of education is low, especially in rural areas. An important explanation is that teachers themselves do not master the language that is used in national tests (often English) (see De Kemp and Ndakala, 2011). Second, there is evidence that the relationship between expenditures and results is S-shaped and that at low funding levels large investments are needed to improve learning achievements. For instance, the relationship between class size and educational results is convex, meaning that results will only improve significantly if there is a large reduction in the often huge class sizes.

Empirical evidence clearly demonstrates a causal link between investment in schooling infrastructure in developing countries and the increased quality of education, as measured by test scores in primary and secondary education. Investments in school infrastructure, such as the construction or upgrading of school facilities, have a tangible effect in terms of student learning outcomes (White, 2004; Glewwe et al., 2011; De Kemp and Ndakala, 2011; IOB, 2011a). In the counterfactual situation of prolonged funding from the Netherlands, non-PE expenditure and thus investments in school infrastructure would have been higher. This, in turn, would have had a modest but positive effect on student learning outcomes.

Impact on FAWEZA

In addition to providing support to the Ministry of Education, the Netherlands has subsidised FAWEZA, an affiliate of the Forum for African Women Educationalists (FAWE), which operates in 34 African countries. FAWEZA is the leading NGO in Zambia for championing female education. The organisation promotes gender equity and aims to increase female enrolment, retention, progression, qualitative performance and completion at all levels of education. FAWEZA provides scholarships to vulnerable girls and particularly to orphans and so they gain access to schools and remain enrolled there (at the primary, secondary and tertiary levels). Other activities include the establishment of safe houses; mobile transit schools, operating in localities that have a high prevalence of orphans and vulnerable children, reading circles, remedial lessons and mobile libraries; the promotion of female education in the area of science, mathematics and technology;

and life-skill programmes. In addition, the organisation plays a watchdog and advocacy role in relation to MESVTEE's performance regarding gender. FAWEZA also undertakes research, such as on girls' safety and security initiatives, which informs its advocacy initiatives.

Table 5.4 Development of external support to FAWEZA (2011-2014; x USD 1,000)

	2011	2012	2013	2014
The Netherlands	828	753	860	
Denmark	1,863	196	1,472	
Irish Aid	115	164		
World Vision	179	254	326	270
USAID*		1,638	938	
CHAZ			1,171	1,468
UNICEF			121	134
Others	124	178		211
Total	**3,108**	**3,183**	**4,889**	**2,083**

** USAID supports the Time to Learn (TTL) project that is being carried out by the Education Development Center (EDC) in collaboration with FAWEZA. A specific role for FAWEZA is the provision of bursaries.*[13]
Source: FAWEZA.

The Netherlands embassy has supported FAWEZA for about ten years and has been its most important partner. The project appraisal document for 2011-2013 concluded that FAWEZA is not financially sustainable without external support. The Netherlands provided core funding, together with Denmark and Irish Aid. In the exit strategy, the embassy supported FAWEZA until the end of 2013, to give it sufficient time to identify other donors. Other donors have ended their support to FAWEZA as well, including Denmark and Irish Aid. The Global Fund has supported FAWEZA through CHAZ.

Although there is no hard evidence, there is a consensus that FAWEZA has helped to improve female education and the educational results of girls. The organisation increased awareness among policymakers, teachers, parents and communities about issues affecting female education (EKN, 2010). Through these activities, FAWEZA helped to improve female enrolment and completion rates. Pregnancies remain an important reason for dropping out, but more and more girls are going back to school again. In 2006, 39% of the girls at the secondary level who were pregnant went back to school again; in 2014 this had increased to 67% (MESVTEE, 2015). In 2011, at the secondary level, slightly more boys received bursaries than girls, but in 2014 the number of girls receiving bursaries was up by 24%. An example of a successful FAWEZA programme is the Mobile Library project. An evaluation (Banda, 2013a) concluded that the project has helped to improve pupil performance. The project helped to create access to relevant and up-to-date materials, contributed to the creation of a reading culture and had an impact on the performance of pupils in grade 12 examinations. In 2012,

[13] TTL is a five-year (2012-2017) USAID-funded project that aims to improve reading among 500,000 primary grade community school learners in six provinces in Zambia. Source: Falconer-Stout et al., 2015.

FAWEZA commissioned a study to determine whether funding in the MESVTEE promoted the education of girls in Technical Education, Vocational and Entrepreneurship Training (TEVET) institutions (Banda, 2013b). The evaluation revealed that the ministry had no programmes specifically designed for gender and equity interventions. In addition, the bursary scheme was only based on vulnerability and did not take gender into account. FAWEZA is using the report's results to lobby MESVTEE and the cooperating partners for more support for female education.

The Dutch exit created challenges for the organisation. The press suggested that FAWEZA was on the brink of collapsing (*Zambian Watchdog*, December 6, 2013). While this was an exaggeration, FAWEZA has not managed to find alternatives for the Dutch and Danish exit. The executive director has been trying to find new donors, but only succeeded in attracting smaller contributions and has not been able to attract a new lead donor. As a result, the organisation was forced to reduce staff in 2014 to 23 FTEs (compared to a total staff in 2013 of 42). The organisation received support from the Global Fund from 2013 to 2015 (through CHAZ), but this support has not been continued in 2016.

The reduction of the budget in 2014 had a major impact on FAWEZA's activities. Compared to 2012, expenditure for lobbying and advocacy and demonstrative interventions decreased by 50%, while research and documentation came to a standstill. The organisation had to halve the number of bursaries for girls (from 4,500 for primary and secondary education and 250 for tertiary education in 2013). The MESVTEE and other organisations increased the number of bursaries that year, bringing the total (from all organisations, including MESVTEE and FAWEZA) from 86,000 in 2013 to 97,000 in 2014. According to MESVTEE, there are 670,000 orphans and vulnerable children (OVCs) enrolled in primary and secondary schools, of which 96,000 are on a bursary scheme. Many OVCs in need of support do not have a bursary (MESVTEE, 2014). About 400,000 children are not enrolled, many of them orphans or girls in rural areas. Zambia has about 1.4 million orphans, most of them poor. According to the most recent DHS, 17% of the children under 18 do not live with their parents and 11% has lost a father, a mother, or both parents. School attendance of double orphans at the age of 10-14 is 78% and lower than the attendance of non-orphans (91%). In 2013, the ministry spent USD 2.3 million on orphans and vulnerable children, almost 60% of which was paid by cooperating partners (Ministry of Finance, 2014). Had the Netherlands continued to provide support, then FAWEZA could have provided about 6,000 more bursaries.

5.5 Conclusions

As a lead donor, the Netherlands contributed on average about USD 26 million per year to the education sector between 2006 and 2010. Dutch support is comparable to the costs of enrolling 140,000 pupils (in primary education). Two evaluations by IOB showed positive impacts, especially on access. The quality of education is low, mainly because of underfunding and a lack of capacity. Investments had a major impact on access, but less so on quality.

In recent years, the role of external support to the sector has decreased enormously, mainly because GRZ has increased domestic resources. A large part of the growth is needed for salaries. Non-salary expenditures have increased as well, but are still too low to cope with the challenges in the sector. Shortages continue to exist, while enrolment will continue to increase as a result of demographic developments. This has had an impact on the quality of education.

Had the Netherlands continued its support, then the ministry would have been able to recruit about 4,500 teachers or construct 4,500 classrooms or increase the amount of existing school grants to USD 17 per pupil. The Dutch exit is having a wider impact as well. The country's exit meant a huge loss of experience, which has also had an impact on the policy dialogue and planning and financial management at the ministry. The Netherlands left the sector at a critical moment when Dutch expertise was sorely needed to improve financial management and planning in the ministry. The sector still faces challenges in the areas of planning, budgeting, PFM and procurement. New donors have not taken over the Dutch role.

In addition to collaboration with the Ministry of Education, the embassy supported FAWEZA, the leading NGO in Zambia for championing female education. The Netherlands provided core funding, together with Denmark and Irish Aid. As a result of the exit of Denmark and the Netherlands, FAWEZA has been forced to reduce its staff from 42 to 23 and to scale down its activities by 50%. This has had an effect on the education of girls in Zambia, though it is difficult to quantify the impact. An evaluation of FAWEZA's activities showed significant positive impacts.

6 Health and SRHR sector

6.1 Introduction

The Netherlands has been involved in the health sector by supporting the national health strategies as a 'silent' partner in the health basket fund and as lead donor on HIV/AIDS. Thus, the Netherlands has contributed to better service delivery and improved health outcomes. This chapter assesses the impact of the Dutch exit. Continuation of Dutch support would have contributed to modest increases in health coverage and service delivery.

6.2 Development of the sector

In the health sector in Zambia, sector cooperation started as early as 1993 when GRZ and the cooperating partners developed a sector-wide approach (SWAp) for the sector. By then, the country had a dilapidated infrastructure and a chronic shortage of drugs, medical supplies and health workers (De Kemp, Faust and Leiderer, 2011). The HIV/AIDS crisis had a huge impact and caused a dramatic increase in the number of orphaned children. In addition, there were cholera and tuberculosis epidemics, while malaria was endemic. GRZ and the cooperating partners felt that the dominant project approach did not tackle the challenges in an effective or efficient way. Nevertheless, it took another six years before the Ministry of Health (MoH) and the cooperating partners signed a memorandum of understanding (MoU) to coordinate external assistance within the framework of the National Health Strategic Plan (NHSP). With that plan, funding by cooperating partners increased from 15% of the total health expenditure in 2001 to 47% in 2005, a large part of which came from additional resources from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Picazo and Zhao, 2009; De Kemp, Faust and Leiderer, 2011).

From 2005 onwards, GRZ's own resources increased as well. An important impetus came from debt cancellation, increases in general and sector budget support and their accompanying policy dialogue, the FNDP and the 2006-2010 National Health Strategic Plan (NHSP IV). The NHSP aimed to solve the ongoing human resource crisis, improve the health infrastructure and improve access to health facilities (Saasa, 2010). External support was provided through basket funding (Sweden, the Netherlands and Canada), sector budget support, by DFID and by the EC, general budget support and projects. In spite of the harmonisation and alignment agenda, most external funds continued to provide aid through projects, thereby creating parallel systems for aid delivery (Pereira, 2009).

In 2009, a corruption scandal and GRZ's lack of action had a negative impact on funding, which in turn had a negative impact on service delivery (De Kemp, Faust and Leiderer, 2011). That year, a whistle-blower tipped off the Anti-Corruption Commission (ACC) about the embezzlement of funds at the Ministry of Health by high-level officials.[14] Sweden and the Netherlands immediately suspended disbursements, while Canada, who had already released its funds, requested that these funds not be used (Pereira, 2009). Other donors,

14 In July 2009, the auditor general reported a total misappropriation of ZMK 32 billion (USD 5.7 million), of which ZMK 17 billion (USD 3 million) from the donor basket fund and the rest from the Global Fund and GRZ (Vaillant et al., 2012).

such as the GAVI Alliance and the Global Fund to Fight AIDS, Tuberculosis and Malaria followed suit. Before releasing the funds, the donors required the development of an action plan that would include the recovery and repayment of misappropriated funds based on the outcome of the Auditor General's Forensic Audit, prosecution of the officers involved, and corrective actions to prevent misappropriation in the future, including the strengthening of financial management and oversight and safeguards provided by the Office of the Auditor General and key departments such as procurement, accounts and internal audit. The action plan followed a three-stage approach. Donors would disburse frozen funds in line with the implementation of the plan.

While GRZ initially made progress with the plan, its full implementation took a long time. This further harmed relations between the government and the cooperating partners. Donors ceased funding through the government, leading to the establishment of numerous parallel structures (Usher, 2015). There are a few exceptions. The EC provided some sector budget support, actually paid out as a shift from GBS to SBS, and Sweden disbursed basket funds in 2012 and 2013.

Table 6.1 Expenditure in the health sector (in USD million)

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total health expenditure*	688	607	861	724	834	1,051	1,186	1,349	
Ministry of Health	183	232	324	236	303	383	457	339	407
Ministry of Com. Dev., Mother and Child Health	17	15	19	14	15	24	26	105	215
Total two ministries	**200**	**248**	**342**	**250**	**319**	**407**	**483**	**444**	**622**
MOH and MCDMCH as % of GRZ	11%	10%	10%	9%	9%	9%	9%	8%	10%
MoH Funded through:									
Sector budget support	5	12	4	17		12	15		
Basket fund	39	63	58	22			8	8	
Total external support (ODA):									
Health	85	133	110	90	52	105	136	252	80
SRHR/ HIV/AIDS	123	152	273	239	233	327	309	319	341
Total external support	**208**	**285**	**384**	**329**	**285**	**432**	**446**	**571**	**421**
Externally funded as % of total health expenditure*	44%	34%	38%	42%	53%	32%	38%	34%	

** WHO data, including private expenditure; 2014 not available.*
*** Previously Ministry of Community Development and Social Services. No breakdown in health- and non-health expenditures.*
Source: Ministry of Finance; Ministry of Health, OECD/DC (CRS data); adapted by the authors.

Table 6.1 shows the reduction in external funds, as well as the expenditure of the Ministry of Health in 2009 and 2010. During these two years, high farmer support subsidies resulted in a reduction of releases to other ministries, including the Ministry of Health (De Kemp, Faust and Leiderer, 2011). The budget cuts had a negative impact on service delivery, despite the release of the first tranche and even though several donors tried to provide aid through alternative structures (Pereira, 2009; OPM, 2010; Saasa, 2010; De Kemp, Faust and Leiderer, 2011; Usher, 2015). Immunisation, for example, decreased between 2008 and 2012 from 87% to 78% (WHO, WDI).[15]

In 2011, the government rearranged responsibilities in the health sector between the Ministry of Health (MoH) and the Ministry of Community Development and Social Services. The new Ministry of Community Development, Mother and Child Health (MCHMCH) became responsible for all primary health care and hospital services (MoF, 2014). The MoH remained responsible for human resources, medical supplies, general health infrastructure and setting up social health insurance. Since then, several donors have re-entered the sector again, including Sweden, DFID and the Global Fund. The Global Fund increased its support substantially in 2013, especially for the fight against HIV/AIDS, but also for the control of tuberculosis and malaria. In 2015, the organisation reinstated GRZ as its principal recipient. Sweden and DFID have been working together to draft a new five-year agreement for reproductive, maternal, neonatal, child and adolescent health, to be channelled through government structures (Usher, 2015). Sweden planned to contribute SEK 400 million (about USD 47 million) for 2015-2019.

Public expenditure increased as well, until 2012, though in 2014 it decreased as a percentage of government expenditure and remains well below the Abuja target of 15%. The large increase in 2014 is largely the result of the salaries that were raised in 2013. In the past, low salaries, dissatisfaction with the workload and limited career opportunities led to brain drain in a competitive (inter)national market for health staff (Carasso et al., 2012).

Impact

The additional funds for the social sectors helped to improve basic services, and the abolition of user fees in rural (in 2006) and peri-urban areas (in 2007) for public health-care facilities has enhanced access, especially for the poorest groups (De Kemp, Faust and Leiderer, 2011). The availability of the most essential medicines increased from 71% in 2005 to 82% in 2010, and the vaccination of children in the most inaccessible districts increased from 63% to 69%. In the same period, the number of employees in the health-care sector rose from 12,000 to more than 17,000 in 2010. In spite of the reduction of external funds, the number of employed health workers has further increased to 21,000 in 2014.

[15] The Ministry of Health gives higher figures, but these figures also show a downward trend.

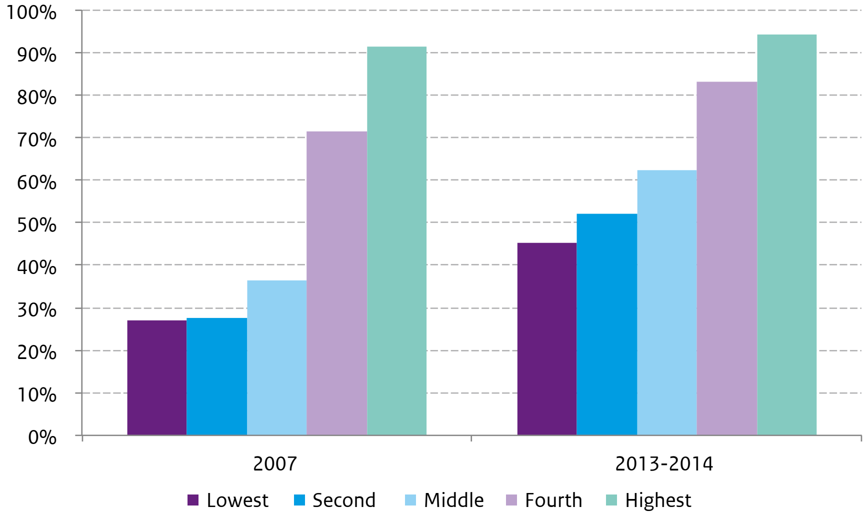
Table 6.2 Health indicators				
	2002	2007	2010	2013/2014
Health expenditure per capita (current US$)	23	50	63	93
Births attended by skilled health staff (% of total)	43	47		64
Births in health facilities	44	48		67
Immunisation, DPT (% of children)	84	80	83	86
Prevalence of HIV, total (% of population ages 15-49)	14.1	13.3	13.0	12.4
Incidence of tuberculosis (per 100,000 people)	695	554	495	406
Malaria incidence (%, 2000, 2007, 2010 and 2014)	32	36	24	39
Life expectancy at birth	45	52	56	59
Lifetime risk of maternal death (%)	2.7	1.8	1.5	1.3
Maternal mortality ratio (per 100,000 live births)	729	590	480	398
Under-5 mortality rate	143	98	82	67
Mortality rate, infant (per 1,000 live births)	87	61	53	45

Source: WHO; WDI / DHS (2002, 2007 and 2013-2014); Ministry of Health.

The number of births attended by skilled health workers remained low for a long time, partially as a result of the human resource crisis, but the three DHS surveys reveal a steady improvement, especially between 2007 and 2013. Moreover, as a result, inequalities in assisted-birth deliveries have decreased as well (see figure 6.1). In 2001 and 2002, 82% of mothers who had not received an education gave birth at home; in 2007 this percentage had decreased to 74% and in 2013-2014 to 46%.[16] Tuberculosis, malaria, diarrhoea and child and mother mortality declined significantly. Zambia has not achieved the MDG targets for infant (36 per 1,000 births), under-5 (63 per 1,000 births) and maternal (159 per 100,000 births) mortality rates, but these rates have improved steadily over the past decade. Especially as a result of the large external support, Zambia has made progress towards achieving universal access to treatment for HIV/AIDs, with free paediatric antiretroviral drugs and increased access to antiretroviral therapy (ART) and HIV/AIDs testing. In 2013, about 88% of all HIV-positive pregnant women received ART. That year the country was on track for meeting the MDG targets of combatting HIV/AIDs (UNDP, 2013).

[16] Note that the percentage of women without any education has decreased as well.

Figure 6.1 *Percentage of assisted births by a skilled provider 2007 and 2013-2014 (by wealth quintile)*



Source: DHS 2007 and 2014.

Despite progress, the health infrastructure is still poor and health coverage is low in rural areas.[17] Key health outcome indicators, such as life expectancy, lag behind comparator countries in sub-Saharan Africa (IEG, 2015). There is an acute shortage of health personnel, especially in the rural areas. Numerous facilities do not have professional staff. In 2014, only over half of the required positions (about 38,000) were filled. Most of the government's intentions to train and retain medical staff have not been fulfilled due to inadequate training facilities, equipment and budget constrains (Gow et al., 2011). The quality of the health services suffers from insufficient availability of drugs and medication. The country's disease burden remains high, with HIV/AIDs alone having caused about 36,000 deaths in 2012 and an incidence rate of 13% in 2013-2014 (ZDHS, 2013, 2014; WHO, 2015). Even though they could have been prevented or cured, there were over five million recorded cases of malaria in 2013, and the disease remains among the highest causes or morbidity and mortality.

GRZ is committed to enhancing infrastructure and improving the provision of drugs and medical equipment. The government aims to address the human resource crisis by allowing private health training institutes, re-stablishing nursing training schools and providing higher compensation for workers in rural districts, but funding remains below the required levels and well below the Abuja target of 15%. More financial resources are needed in the sector.

[17] In the Chama and Kalabo districts, for example, more than 50% of the health centres were not accessible for about six months in 2013 as a result of impassable roads and bridges damaged by the weather.

6.3 The role of the Netherlands in the sector

In the 1980s and 1990s, the health sector was a main component of the development programme of the Netherlands in Zambia, especially in the Western Province (Cornelissen and Chisala, 2005). The Netherlands supported primary health-care services and rural district hospitals and stationed medical doctors in the country. At the national level, it contributed to the human resource development programme, the supply of medical equipment, the import of essential drugs and the national tuberculosis programme. By the end of the 1990s, when Dutch policies moved towards the sector-wide approach, the health sector was a natural choice for the embassy as, by then, the health sector was a model for health reforms and the sector-wide approach (Cornelissen and Chisala, 2005).

Between 2006 and 2013, the Netherlands supported the health sector through basket funding as well as through the Zambia Health Workers Retention Scheme (ZWHRS), the National Aids Council (NAC), the Employment House, the Churches Health Association of Zambia (CHAZ), the Zambia National AIDS Network (ZNAN) and research through Lusaka Orthopaedics Research (LORET). For both CHAZ and ZNAN, the EKN aimed to streamline support and reduce transaction costs and took the lead in the basket-funding process. Multiple donors supported both organisations initially until 2010 through a joint financing agreement (JFA). The JFA for CHAZ was extended until 2015. ZNAN was, however, forced to end its operations before 2010 due to its inability to refund unaccounted-for contributions from Global Fund and subsequent withdrawal of funds. The Dutch contribution to the basket was about 30%

Table 6.3 Dutch support to the health sector 2006-2013 (USD million)

	2006	2007	2008	2009	2010	2011	2012	2013
Health Basket	15.1	17.8	18.8	5.6				
CHAZ	0.0	0.7	0.8	1.4	0.6	0.3	0.8	0.7
ZNAN	0.3	0.7	2.1	2.3	1.1			
NAC	0.0	0.4	1.2					
Employment House	0.7	0.6	0.9	0.1				
ZWHRS	0.6	0.6						
LORET	0.6	0.2	0.1	0.1				
Other health and HIV/AIDS support	0.3	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Total	**17.7**	**21.0**	**23.8**	**9.4**	**1.8**	**0.4**	**0.8**	**0.7**

Source: Netherlands Ministry of Finance.

From 2006 onwards, with the introduction of the (donor) division of labour in Zambia, the Netherlands became an active partner and gradually moved to the role of (not so) silent partner in 2008, in a delegated cooperation agreement with Sweden (Sida). By then, the embassy envisaged ending Dutch support to the sector in 2011, aligned with MoH's planning cycle ending with the National Health Strategic Plan 2006-2011. The Dutch embassy in

Lusaka expected the health sector to continue to benefit from Dutch support after 2011 through the provision of general budget support (MASP, 2008). In the meantime, Sweden and the Netherlands intended to transform basket funding to sector budget support. Additionally, the Netherlands was lead donor in the fight against HIV/AIDS through its support of NAC, CHAZ and ZNAN. It anticipated that the embassy's specific value added would be its ability to push through harmonisation and bring donors, government and non-state actors together in joint financing and delegated cooperation arrangements (MASP, 2008). The JFAs with CHAZ and ZNAN came to an end in 2010. ZNAN had serious shortcomings in their accountability systems and could not refund unaccounted-for Global Fund contributions.

When in 2009 the ACC unveiled the misappropriation of funds at the Ministry of Health, the Netherlands and Sweden acted closely together. Together with Canada, the donors reached a consensus about the requirements for a gradual resumption of disbursements. The Netherlands was involved in the development of the action plan and played an active, much-valued role as part of the main Troika of CPs in the high-level policy dialogue in 2009 and 2010.

When a first tranche of the GAP conditions was successfully implemented, the Netherlands partially restored funding in 2009 by allocating EUR 4 million from the initially committed EUR 13 million. The subsequent exit strategy outlined the intention to make a final transfer of EUR 3 million in 2011 for the implementation of the NHSP 2011-2015. This transfer was tied to the implementation of the second tranche of activities and was substantially lower than the initial commitment of EUR 13 million annually until 2010 and EUR 7 million in 2011. Important conditions for the Netherlands were the start of prosecution proceedings and the repayment of misappropriated funds. However, the MoH did not manage to meet all the requirements of the second and third phase of the GAP, and the results of the financial, procurement and systems audits were not available. The final Dutch contribution was, therefore, never effectuated. The Netherlands continued to support the health sector through the regional programme for HIV/AIDS, but this support is relatively small compared to past disbursements.[18]

6.4 The impact of the Dutch withdrawal

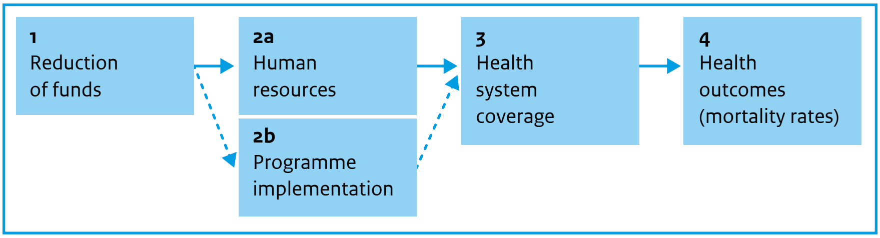
Impact on the sector

The Netherlands anticipated ending its role as silent partner of the expanded basket fund after 2011, though the embassy would remain active in the area of HIV/AIDS, especially through CHAZ. The instruction for the 2011 annual plan foresaw a multi-annual budget of EUR 2.4 million for HIV/AIDS and EUR 4.45 million for general health (in total USD 10 million per year).

18 The Netherlands also provides support through the Global Fund (GFATM). For 2011-2013, the Netherlands contributed EUR 160 million to the Global Fund. For 2014-2016 the Netherlands contributes another EUR 188 million.

The reduction of donor funds for health from 2009 onwards had a negative impact on the implementation of government programmes and service delivery in the Zambian health sector (MoF, 2011; UNDP, 2013; Usher, 2015). The basket fund was used for local service delivery, including the provision of medical drugs. Reduced budgets had an effect on health outcomes, as measured by mortality and morbidity ratios.

Figure 6.2 *Impact of reduction in government expenditure on health*



While the government partially substituted donor funds, more financial means for human resources would have been available in the counterfactual scenario of prolonged support from the human resource basket. There is a direct relation between government expenditure on health and the number of health workers, because the Ministry of Health accounts for personal emoluments. This relationship works through to the ground level: district-level expenditure positively correlates with the number of deliveries assisted by trained birth assistants in Zambia for the period, keeping district-specific effects at a constant level and taking natural change over time into account. There is also a relationship between district-level expenditure and the average number of staff in health facilities (AIID, 2011).[19] Several health studies provide some indication of the impact of prolonged Dutch support:

Achoki and Chansa (2013) linked the government's health budget to health service delivery in Zambia. They constructed a health coverage index using the following variables:
1. percentage of fully immunised children (BCG, Polio, DPT3 and measles)
2. the proportion of children who are not underweight;
3. intermittent preventive treatment for malaria in pregnancy;
4. malaria prevention interventions;
5. skilled birth attendance; and
6. antenatal care.

The first five items were indicators in Zambia's National Health Strategic Plan 2006-2010 and have specific benchmarks and targets. In their empirical analysis, the researchers revealed a positive impact of government expenditure (per capita) on the level of service delivery in the

[19] AIID (2011) performed district fixed-effects regression analyses of the impact of district-level health expenditures on the percentage of births attended by skilled personnel for the period 2000-2008, taking the positive yearly growth into account.

health sector.[20] Extrapolating their coefficients to the counterfactual situation of prolonged basket support until 2011 shows that the ending of basket funding reduced health coverage (output) by about 1% compared to the current situation. Increasing coverage of basic health services would especially benefit Zambia's poor population, given the country's pro-poor distribution at primary facilities such as medical posts and health centres.[21]

Moreno-Serra and Smith (2015) use government health expenditure and immunisation levels as a proxy for health coverage.[22] They find that higher levels of health expenditure (per capita) decrease under-5 mortality in poor countries.[23] Applying their mortality coefficients on the Zambian context suggests that under-5 mortality rates could have been 24 per 1,000 infants lower in the counterfactual situation of prolonged basket support.

The AIID (2011) estimated the impact of health service delivery on mortality rates, revealing that one standard deviation increase of available DPT vaccines is associated with a 17% drop in child mortality, and that a standard deviation more of stocks per capita reduces maternal mortality by 50%. Thus, in the counterfactual situation of prolonged basket funding better service delivery (higher availability of drugs and more skilled deliveries) would have reduced the country's maternal (MDG-5) and infant (MDG-4) mortality rates. The AIID (2011) estimated that one standard deviation increase in supervised birth deliveries reduced infant mortality rates by about 25%.

There is also evidence that the programmes in Zambia were effective in reducing malaria (Chanda et al., 2012; Sedlmayr et al., 2013; AIID, 2011). The Global Fund and the Ministry of Health, supported by the basket donors, provided ITNs and indoor spraying. Nevertheless, the most recent Zambia Demographic Health Survey (ZHDS 2013-2014) reveals that less than half of all households (47%) have at least one ITN for every two persons and 43% of all under-5 children sleep under an ITN, compared to about 35% of the entire population. In total, about 10,700 Zambians died as a result of malaria in 2012 (WHO, 2015). Continued basket funding would have allowed the government to fund additional malaria prevention interventions averting malaria deaths. According to Sedlmayr et al. (2013) the cost per malaria death averted in Zambia using ITNs ranges between EUR 41 and EUR 158.

[20] Using panel data of Zambia's 72 districts over the period 2004-2009, the study estimated health coverage as a function of the coverage in the previous year, government expenditure, donor expenditure and an error term, holding fixed district effects constant, addressing endogeneity through utilization of the Arellano-Bond difference GMM estimator, and correcting for autocorrelation by including a lagged dependent variable.

[21] Phiri and Ataguba (2014) demonstrated that, after controlling for need, Zambia has a pro-poor distribution of primary facilities.

[22] Moreno-Serra and Smith (2015) use large panel data for the period 1995-2008, using instrumental variable specifications to account for reverse causality and unobserved country-specific characteristics.

[23] Generally, the beneficial effects of higher public health expenditure on under-5 mortality are substantially larger in poorer countries, indicating higher marginal returns for an extra EUR of government health expenditure.

In an impressive paper, published in 2013, the Lancet Commission estimated the costs of and benefits of achieving dramatic health gains by 2035 (Jamison et al., 2013). These estimates are based on an extensive review of rigorous empirical research and include estimates for individual low-income and lower middle-income countries. For lower middle-income countries, the authors calculated that for 2015 it would cost an additional USD 11,000 per averted death. Using the results of this research, it may be estimated that Dutch support (on average USD 22 million per year including USD 3.5 million GBS) averted 2,400 deaths per year.[24] The Netherlands had already decided before the exit to phase out support to the health sector and provide support through general budget support. If this support were to be used for basic health services, the impact could have been 1,000 saved lives per year.

Impact on CHAZ

CHAZ is among the most notable NGOs in Zambia's health sector. The organisation accounts for about 50% of rural health support and managed 151 church health institutions (CHIs), including hospitals, health centres and health posts (JFA, 2014). The CHIs provide integrated health services to the local communities, although CHAZ focuses on addressing the country's high disease burden. A key activity is the *CHAZ Aids Care and Prevention Programme* (CACPP). In total, the umbrella organisation funds more than 200 civil society HIV/AIDs programmes. While formally not part of government, the organisation works in close partnership with the GRZ and implements health programmes aligned with the national health strategy. In its dialogue with the government, CHAZ continues to advocate a higher allocation of government resources in the health sector, in line with the Abuja target of 15% of government expenditure.

The Global Fund is CHAZ's main donor, accounting for the large majority of its resources by vertically funding the relatively costly anti-retroviral drugs (ARVs). Support from other donors is financially more limited, but important for the actual functioning of the organisation and the implementation of health services at the local level. Other donors mainly focus on capacity-building processes for the supported organisations, aimed at strengthening the capacities of CHIs and communities. A recent evaluation highlights the positive effects of the HIV/AIDs education and skills training, and increased awareness and knowledge amongst beneficiaries – youths support groups, pregnant women and their men – and the general community (JFA, 2014).

The EKN aimed to streamline support and reduce transaction costs for other donors supporting CHAZ. The embassy took the lead in the basket-funding process. Multiple donors provided support, through a Joint Financing Agreement (JFA), initially until 2010. In the exit strategy, the EKN announced it would extend its support to CHAZ until 2013 with a greater emphasis on SRHR and prevention. The JFA for CHAZ as a whole was extended until 2015. Financial contributions from the Global Fund to CHAZ, meanwhile, are set to decrease over the coming years. The Global Fund and other donors reinstated Zambian government

[24] Here we use an estimate of USD 10,000 per saved life, because Zambia is at the lower end of the (lower) middle-income countries.

entities as the principal recipients in the health sector. As a result, external funds for CHAZ are decreasing.

The CHAZ mid-term review (2013) indicated that the organisation's funding is inadequate to meet the health needs of the Zambian population. There is a relation between CHAZ's expenditure and the number of health centres the organisation is able to support with technical assistance and capacity-building initiatives. Reduced funding will negatively affect the institutional strength of health facilities and service delivery at the local level.

CHAZ tries to reduce its donor dependence and ensure larger financial sustainability by creating a revolving fund and setting up community managed microfinance. Despite these efforts, the organisation continues to depend on external support. In the coming years, CHAZ is set to act more as an implementing organisation in the health sector.

6.5 Conclusions

While resource allocation to Zambia's health sector has increased in recent years, government expenditures to health remain far below the Abuja target of 15%. In the wake of the 2009 events, (un-earmarked) external resources for the health sector decreased substantially. The needs and challenges in the sector continued, however, including poor health coverage, chronical shortages of health personnel and a lack of drugs. Government expenditures are below the required levels to sufficiently address the problematic situation in the health sector; GRZ estimated financing gaps in the health sector for the period 2011-2015 ranging from USD 990 million to USD 1,630 million. The recent increases in government expenditure were mainly spent on personal emoluments as a result of salary raises in 2013.

Most donors that remained involved in the health sector focused on fighting Zambia's high disease burden in recent years, mostly through vertical projects. The Global Fund continued providing ARVs and ITNs on a large scale. As a result, most MDG targets regarding diseases were met. Due to the suspension of foreign aid through government entities, however, the international community devoted fewer resources to increasing public health service delivery. Only recently have some of the larger donors in the health sector (EU, Sweden and the Global Fund) started working with government entities again. With the main donors (Global fund and USAID) focusing heavily on the traditional 'killer diseases', basic health services remain underfunded. Continued Dutch support could have helped to improve these services, which the poorest groups in particular would have benefited from.

Research points to the positive impact of investments in the health sector in Zambia, though it is difficult to summarise the impact in one figure. As an overall estimate, one could argue that the continuation of Dutch support to the health sector, on average about USD 23 million (including USD 3 million GBS), would have saved about 2,400 lives (annually), in addition improving the health of a much larger group of people through better availability of essential drugs at the local level and better functioning health posts.

7

Summary and conclusions

The main question for this case study is: what is the impact of the Dutch exit on Zambia and organisations in Zambia that have been supported by the Netherlands? In order to analyse the impact, we have contextualised the exit (chapter 2), analysed the phasing-out process (chapter 3) and assessed the impact before the Dutch exit (chapters 4 to 6). This chapter summarises the findings of these chapters.

First of all, the country's socio-economic development is important for an understanding of the Dutch decision to end support to Zambia as well as its impact. Chapter 2 outlined the favourable economic development leading to the (lower) middle-income status in 2011. Economic growth and improved access to non-concessional loans reduced Zambia's aid dependence. There is still, however, a role for foreign aid as several challenges continue to persist. Poverty levels are still high, especially in rural areas, and the implementation of social programmes is hindered by the country's weak implementation capacity. Service delivery (especially in the social sectors) is poor. An increased deficit limits government investment in the economic and social sectors. The economy is vulnerable and depends on international demand for copper. In agriculture, where the majority of the population works, farmers depend too much on maize harvests.

'*Unfinished business*' was the title of an IOB evaluation in 2011, but by the time the report was published, the State Secretary for Foreign Affairs, responsible for development cooperation, had already decided that Dutch bilateral support was finished business. That same year, the embassy in Lusaka had started the phasing-out process, to be ended by mid-2013. The embassy tried to observe the recommendations of the joint exit evaluation of 2008. However, adhering to the spirit of the recommendations was hampered by the desire for a quick exit. The main decisions had been taken in The Hague, without prior consultation of the stakeholders. So far, donors had failed to actively coordinate their exits at a higher level, which would have ensured a better division of labour and a responsible exit. Moreover, the exit strategy did not really take into account the interests or capacity of the supported partners, but rather relied on other cooperating partners to take over the Dutch role. This had an impact on supported NGOs in particular (such as Transparency International Zambia and the Forum for African Women Educationalists of Zambia). The aid dependence of supported ministries was decreasing and Dutch support was small in relation to the overall budget.

The discontinuation of general budget support is a case in point. Chapter 4 concluded that economic growth and increased domestic revenues reduced the macro-economic importance of GBS. The Dutch exit hardly had an effect on macro-economic stability. The fact that GRZ and the cooperating partners had ended the bilateral collaboration shows that the modality had seen its best days and was not functional anymore. For the cooperating partners, the instrument had lost its leverage effect. For the government, the modality had become too laborious in relation to the funding. While two of the main proponents of the modality, Sweden and the Netherlands, were the first to pull out, it is unlikely that they would have continued to provide general budget support in 2015 if they had not ended their support in 2010-2011.

The above does not mean that the discontinuation of budget support was without any consequences. In the longer run, the continuation of (general) budget support would have provided a modest contribution to the achievement of development objectives. If the Dutch PRBS resources would have gone to the health and education sectors, this would have increased these budgets by 0.6% (in 2014), which though small is not negligible. The influence of the Netherlands on government policies would have been limited as well, though the supported ministries still face challenges and would benefit from technical support.

In the education sector, domestic funding has increased a great deal in recent years. External support has gone down to less than 2% of the total budget. Nevertheless, the sector still faces many challenges. A large part of the budget is needed for salaries. Funds for investments and recurrent non-salary expenditures are very modest. The quality of education is low, mainly because of underfunding and a lack of capacity. Investments had a large impact on access, but less so on quality. Shortages continue to exist, while enrolment will continue to increase as a result of demographic developments. This has an impact on the quality of education. As a lead donor, the Netherlands contributed on average about USD 32 million per year (including USD 7 million GBS) to the education sector between 2006 and 2010. This support is comparable with the costs of enrolling 140,000 pupils (in primary education). Had the Netherlands continued its support, the ministry could have recruited about 4,500 teachers or constructed 4,500 classrooms per year. Alternatively, it would have been possible to increase the school grants per pupil from USD 7 to USD 17. The chapter also mentioned the wider impact of the Dutch exit. Dutch expertise was important for improving financial management and planning in the ministry. The sector still faces challenges in the areas of planning, budgeting, PFM and procurement, and new donors have not taken over the Dutch role. The ending of support to FAWEZA has had negative consequences for the organisation as well as for the education of girls, particularly orphans and vulnerable girls, in Zambia.

Chapter 6 comes to comparable conclusions for the health sector. In 2009, the discovery of the theft of donor funds by high officials of the ministry, led to the exit of several of the main donors in the sectors (including the Netherlands, Sweden and Canada). The impact of this exit has not been analysed in a rigorous way, but there are many indications that the reduced funding had a negative impact on service delivery and health outcomes at the decentralised level.

For the Netherlands, the discovery of fraud and the perceived inadequate reaction by GRZ meant an earlier exit. The embassy had already indicated in the Multi-Annual Strategic Plan for 2008-2011 that it would phase out by 2011. Chapter 6 shows how external support had an impact on health outcomes. Large donors such as the Global Fund, USAID and the United Kingdom (as well as Sweden) are increasing their support to the sector, but the first two donors mainly invest in HIV/AIDS, tuberculosis and malaria projects. Basic health care is heavily underfunded. The number of health personnel is far below the target, and there are many other shortages. Despite improvements, health outcome indicators lag behind comparator countries in sub-Saharan Africa: the country did not achieve most of the MDG targets regarding mother and child mortality. What's more, the country's disease burden continues to be unacceptably high.

Ending basket funding reduced health coverage by about 1%. This had a particularly hard impact on Zambia's poor population. Continued Dutch funding would have helped to increase the funding of basic health-care services. It is practically impossible to aggregate the Dutch impact in one figure. In medical research, it is not uncommon to use (calculated) indicators such as deaths averted. If we apply the results of empirical research to the health sector in Zambia, and if we assume that budget support would have been used for the health sector, then a continuation of Dutch support could be compared with 2,400 averted deaths (per year).

Overall conclusion

The discontinuation of bilateral development support in Zambia did not have the same effect as it would have five or ten years earlier. Aided by economic growth, donor dependence has decreased from 6%-6.5% of GDP to less than 4% of GDP. The role of ODA in the government budget has dropped from 20% in 2006 to 3% in 2014. The problems in the health sector in 2009 showed GRZ that the sector will not break down as a result of donors exiting. Zambia's political self-consciousness is increasing rapidly, partly due to sustained economic growth rates, new donors and improved access to capital markets. The government does not need foreign aid for macro-economic stabilisation. The complete collapse of general budget support shows how much the rules of the game have changed in five years.

Changed aid relations are also reflected in the diverging development of ODA-to-GDP ratios and the much faster dwindling ODA-grant-to-government-budget ratio. Donors are redefining their aid relationship, completely reversing the Paris Declaration, and are resorting to projects. They are trying to find niches where they can make a difference. Nevertheless, the huge external support in the health sector, especially by the Global Fund and USAID is an indicator that the country still faces many challenges. These challenges are especially visible in rural areas, where poverty and poor service delivery are rampant. Seen from this perspective, a dollar or a euro of aid can still have the same effect. In absolute terms, the impact now is comparable to the impact ten years ago, when the donor community felt that it was enough to make a difference and to justify Dutch support.

Zambia is changing rapidly, not only economically, but also demographically. The country has a very young population. More than 45% of the population is below the age of 15 years; in the rural areas this is almost 50%. This means that Zambia has a small working population and that the demand for public services, especially health and education is high. It also means that the country must find ways to employ the large group that will enter the labour market in a few years (and are accessing the labour market already). Given the challenges, it is remarkable that donors focus on economic growth rates and the country's middle-income status and do not develop jointly and in close collaboration with the recipient country a real strategic exit.

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Annexes

Annex I List of interviewees

Mr. Walubita Imakando	Director Development Cooperation and International Organisations, Ministry of Foreign Affairs
Mrs. Monde F. Sitwala	Deputy Director Economic and Technical Cooperation, Ministry of Finance
Mr. Crane Muleya	Director of M&E Department, Ministry of Finance
Mr. Wamupu Akapelwa	M&E Specialist, Ministry of Finance
Mrs. Chasiya Kazembe	Chief Economist Donor Coordination at Ministry of Finance
Mrs. Maris Wanyera	Commissioner Development Assistance and Regional Cooperation, Ministry of finance, Planning and Economic Development
Mr. William Nyundu	Principal Economist, Ministry of Finance
Mrs. Thokozile Ziwa	Economist, Ministry of Finance
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Mr. Owen Mgemezulu	Director Planning and Information, Ministry of Education, Science, vocational Training and Early Education
Mr. Charles Ndakala	Deputy Director Planning and Information, Ministry of Education, Science, vocational Training and Early Education
Mr. Paul Mumba	Deputy Director for Policy, Ministry of Health
Mrs. Els Fliervoet	Consular and General Affairs Officer, Honorary Consulate of the Kingdom of the Netherlands, Lusaka
Mr. Paul Gosselink	Former Senior Advisor, Office for International Cooperation
Mr. Peter de Haan	Former First Secretary Decentralisation, Anti-corruption, Health and HIV/AIDS, Good Governance, Netherlands Embassy Lusaka
Mr. Nkuruma Chama Kalaluka	Trade and Investments Officer, Honorary Consulate of the Kingdom of the Netherlands, Lusaka
Mr. Marcel van Vlaanderen	Honorary Consul of the Kingdom of the Netherlands, Lusaka
Mrs. Ardi Stoios-Braken	Former Head of Cooperation and Head of Mission, Netherlands Embassy, Lusaka
Mr. Leo van der Zwan	Former Education Specialist, Netherlands Embassy, Lusaka
Mrs. Tanya Zebroff	Education Advisor, DFID
Mr. Aad Biesebroek	Head of Cooperation, EU Delegation in Zambia
Mr. Eric Beaume	Former Head of Operations, EU Delegation in Zambia
Dr. Frank Hofmann	Head of Development Cooperation, Embassy of the Federal Republic of Germany
Mr. Christian Zoll	Counsellor Development Cooperation, Embassy of the Federal Republic of Germany
Mr. Patrick McManus	Head of Development Co-operation, Embassy of Ireland

Mrs. Miyanda Kwambwa	Senior Education Advisor, Embassy of Ireland
Mr. Hans Peter Melby	Deputy Head of Mission, Royal Norwegian Embassy
Mr. David Wiking	Head of Bilateral Development Cooperation, Embassy of Sweden
Mrs. Eva Nathanson	First Secretary Health, Embassy of Sweden
Mrs. Tara O'Connell	Chief Education, UNICEF
Mrs. Given Mwanakatwe Daka	Education specialist, UNICEF
Mr. Munamuzunga Sikaulu	Education specialist, UNICEF
Mr. Golden Mwila	Director Finance, Administration and Human Resource, Churches Health Association of Zambia
Mrs. Agness Mumba Shipanuka	Executive Director, FAWEZA
Mr. Costern Kanchele	Director Finance and Administration, FAWEZA
Mr. Goodwell Lungu	Executive Director, Transparency International Zambia

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Photo chapter 1:	Zambia, Copperbelt Province, Kitwe, August 2013. Photo: Hollandse Hoogte.
Photo chapter 2:	Zimbabwean president, Robert Mugabe, left, and former Zambian president, Kenneth Kaunda, attend the inauguration ceremony of the Patriotic Front's Edgar Lungu, in Lusaka. Sunday, Jan. 25, 2015. Photo: Moses Mwape (AP).
Photo chapter 3:	CHAZ providing information on HIV/AIDS and SRHR. Photo: CHAZ.
Photo chapter 4:	The Patriotic Front's Edgar Lungu, right, is sworn in as president at an inauguration ceremony in Lusaka. Sunday, Jan. 25, 2015. Photo: Moses Mwape (AP).
Photo chapter 5:	Girls waiting for the mobile library. Photo: FAWEZA.
Photo chapter 6:	Mothers waiting for routine growth monitoring and health checks at a Community Health post near Matero. Photo: Ricardo Venturi (Hollandse Hoogte).
Photo chapter 7:	Transparency International Zambia director Goodwell Lungu signing a Memorandum of Understanding with Zambia Police on Transparency and Accountability in Public Service Delivery in 2015. Photo: TIZ.

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