Evaluation of European Community Support to Private Sector Development in Third Countries

Final Report

Annex 6

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This report has been prepared by *A*DE at the request of the European Commission.

The views expressed are those of the Consultant and do not represent the official views of the European Commission.

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Note:

The main report and each of the ten annexes are presented in separate files.

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Country Note Zambia

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List of Acronyms

ACP	Africa – Caribbean - Pacific
APDF	Africa Project Development Facility
ASYCUDA	Automated System for Customs Data
AWP	average wholesale price
BDS	Business Development Services
BoZ	Bank of Zambia
CAP	Country Assistance Plan
CAS	Country Assistance Strategy
CB-PSDP	Capacity Building for Private Sector Development Programme
CB-PSDP	Capacity Building for Private Sector Development Programme
CCI	Cross Cutting Issues
CDE	Centre for the Development of the Enterprise
CEC	Commission of the European Communities
CG	Consultative Group
CLUSA	Cooperative League of the United States
COMESA	Common Market for Eastern & Southern Africa
CRIS	Common RELEX Information System
CSP	Country Strategy Paper
DAC	Development Assistance Committee
DANIDA	Danish International Development Agency
DCI	Development Corporation of Ireland
DFID	Department for International Development
DISS	Department of Infrastructure Support Services
EBAS	Europe-ACP Business Assistance Scheme
EC	European Community
ECHO	European Community Humanitarian Aid Department
EDF	European Development fund
EDP	Export Development Programme
EFF	Export Financing Facility
EIB	European Investment Bank

EPZ	Export Processing Zones
EU	European Union
FA	Financing Agreement
FINNIDA	Department for International Development Cooperation
GART	Agricultural Research Trust
GDP	Gross Domestic Product
GOZ	Government of Zambia
GRZ	Government of the Republic of Zambia
GTZ	German Technical Cooperation
HIPC	Highly Indebted Poor Country
HIV	Human immunodeficiency virus
HQ	Headquarters
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IO	Intermediate Organisation
JICA	Japan International Cooperation Agency
KCM	Konkola Copper Mines
KSSDP	KCM SME Suppliers' Development Programme
LDT	Livestock Development Trust
LuSE	Lusaka Stock Exchange
MCTI	Ministry of Commerce, Trade Industry
MEDA	Euro-Mediterranean Partnership
MFI	ministry of Finance and Investment
MMMD	Ministry of Mines and Mineral Development
MSCF	Mining Sector Credit Fund
MSDP	Mining Sector Diversification Programme
NAO	National Authorizing Officer
NGOs	non-governmental organizations
NIP	National Indicative Programme
NORAD	Norwegian Agency for Development Cooperation
NRDC	Natural Resources Defense Council
NSOs	non-state organizations

NTEs	Non-Traditional Exports
NTMS	Non-Traditional Mining Sector
PAs	Producer Associations
PCM	Project Cycle Management
PFIs	Private Finance Initiative
PIU	Project Implementation Unit
PMU	Project Management Unit
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
PSDP	Private Sector Development Programme
REA	Rural Electrification Authority
REF	Rural Electrification Fund
ROADSIP	Road Sector Investment Program
RSA	Republic of South Africa
SAF	Structural Adjustment Fund
SEDB	small enterprise development board
SEED	Support for Economic Expansion and Diversification
SIDA	Swedish International Development Cooperation Agency
SMEs	Small and Medium Enterprises
SSM	Small Scale Miners
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WTO	World Trade Organisation
ZBF	Zambian Business Forum
ZCCM	Zambia Consolidated Copper Mines
ZCGA	Zambia Coffee Grower's Association
ZEGA	Zambia Export Growers Association
ZIBAC	Zambian International Business Advisory Council
ZIC	Zambia Investment Centre

1. Introduction

1.1 Mandate

The 2003 evaluation plan of the EuropeAid Cooperation Office provided for the Evaluation Unit to undertake an evaluation of European Community (EC) Support to Private Sector Development (PSD) in third countries. The aim of this sector-based evaluation is to contribute to improving the coherence of the Commission's sector-based approach through an assessment of the EC co-operation activities in PSD in the context of the objectives of the various national and regional co-operation and development programmes. It also aims at enhancing coherence between objectives in private sector development support and the European Union's (EU) other policy objectives.

1.2 Background

The evaluation is being carried out in two separate phases. Between October 2003 and June 2004, a **Desk Evaluation** of the 'European Community Support to Private Sector Development in Third Countries' over the period 1994-2003 was carried out. This desk evaluation was based on an analysis of documents collected in Brussels and complemented by interviews with Commission officials and a questionnaire sent to a sample of Delegations. The evaluation's final report presented a set of Evaluation Questions, evidence in support of a response for each of these questions, a thorough analysis of this evidence and preliminary conclusions and recommendations.

The "desk" approach was confronted with certain limitations: strategic and policy aspects could be well covered through documentation analysis and interviews in Brussels, but more specific aspects regarding implementation and impact of projects and programmes were difficult to assess without field missions. For this reason, the Evaluation Unit of EuropeAid requested ADE to complement the Desk Evaluation by a Field and Synthesis Phase.

The **Field and Synthesis Phase** of the evaluation basically entails, first, adjusting the methodology to the new tasks; second, complementing the information base mainly through five country studies; third, integrating these new findings with those from the Desk Evaluation; and finally, analysing this information base to reach an overall assessment of EC support for private sector development in third countries.

1.3 The role of country studies

Country studies offer value added as they allow a better understanding of how Community support to PSD is implemented in the field. Country studies were carried out through a detailed analysis of country- and programme-related documents and complemented with a field mission. **The aim was to collect information that will contribute to answering the Evaluation Questions at the global (not-country specific) level** and not to carry out a sector-based evaluation at country level.

The countries analysed were selected through discussions with the Reference Group. It was agreed that five countries from four cooperation programmes would be included: two Africa-Caribbean-Pacific (ACP) countries (Zambia and Jamaica), one Euro-Mediterranean Partnership Country (MEDA) country (Morocco), one Asian country (Vietnam), and one Latin-American country (Mexico). **Zambia** was chosen given that Private Sector Development is one of the two focal sectors of Community cooperation, the (potential) links between the different sectors of intervention (PSD and transport) and the different instruments used (projects and budget support). Additionally, the government has reinforced its commitment to provide an environment conducive to private sector development in dialogue with the business sector and, further, the international donor community is actively involved in the sector.

1.4 Purpose and Contents of the Country Note

The purpose of this Country Note is to provide a summary of the main findings of the country study. It is important to note that the report is of descriptive nature: it is limited to presenting the information collected and it does not attempt to analyse it or to reach judgments based on these findings. While the report contains a section on conclusions, these are not assessments or recommendations, which will instead be proposed at a later stage of the evaluation and at a global level. In addition, the required limit on the length of the report implies a focus on key findings only. Country notes will be published as annexes to the final report of the global evaluation.

Section 1 introduces this Country Note and gives the general background to the country study. **Section 2** presents data collection methods and its limits. **Section 3** presents the country context: it describes the main features of the country, its economic, social and political context, main government policies, and Community cooperation as well as a view of other donors' interventions in the sector. This section is complemented by a snapshot of the country presented in Annex 7. **Section 4** presents key findings for each of the nine Evaluation Questions. These findings are at criteria level and based on a more detailed matrix (presented in Annex 6) where information is presented at indicator level (see Section 2 on Data Collection Methods). **Section 5** presents the main conclusions derived from the country study. These conclusions will help with the structuring of the analysis stage of the evaluation.

2. Data collection methods

2.1 Data collection tools

During the Desk Evaluation the team proposed a set of **Evaluation Questions** reflecting the main issues to be analysed. These questions relate to one or other of the Development Assistance Committee (DAC) evaluation criteria, to the 3Cs or to cross-cutting issues. For each of these evaluation questions, at least one Judgement Criterion was proposed and for each criterion, several indicators were proposed. The questions were discussed with the Reference Group and were validated by the Evaluation Unit of EuropeAid. Evaluation Questions help focus the evaluation process and structure the analysis. They help to reach an overall assessment in a more objective and transparent way as judgement criteria (the way the Questions will be treated) are announced in advance. Further, the list of indicators constitutes a basic “check list” for collecting information on the field and at headquarters (HQ), making possible an effective and focused collection of information.

The tables comprising Evaluations Questions, Judgement Criteria and Indicators, already completed with information collected for Zambia, are presented in **Annex 6**. A shorter version of these tables comprising only Evaluations Questions and Judgement Criteria is presented in **Section 4** of this Country Note. The answer to whether or not the criterion is met is based exclusively on the information at indicator level in Annex 6. Only Question, Criteria and Indicators that are relevant to Zambia are presented in this Country Note.

To further organize the information, the team produced **Programme Sheets** presenting basic information for each of the programmes analyzed. These Programme Sheets are presented in Annex 5. They serve as a background to Evaluation Question Grids where the team has avoided including long descriptions of the programmes implemented.

2.2 Data collection before the mission

For the overall evaluation, information was already gathered in Brussels during the Desk Evaluation. The Commission’s strategy documents were reviewed; EC programmes relating to the private sector were identified, notably for Zambia, using the Common RELEX Information System (CRIS). Finally, Commission officials involved in private sector support were interviewed to complete this information. For the country study, specific information was collected before the mission regarding both the country and Community interventions in support of PSD. Based on the complete set of information, the team started to complete Programme Sheets and Evaluation Question grids in advance of the missions. An exception was the Zambia mission, which was chosen as the pilot in order to test the approach and data collection tools. Indeed, after the mission, the team adjusted the Evaluation Question grids and refined the approach.

2.3 Data collection during the mission

The evaluation team conducted structured interviews with the Commission Delegation, local authorities, programme management units, intermediate organisations and beneficiaries. The evaluation team also analysed more precisely a set of PSD programmes which is supposed to constitute a representative sample of the EC's PSD interventions in Zambia (see Annexes 4 to 6). On the basis of the information collected, the team finalized the Evaluation Question grids for Zambia.

3. Brief description of the context

3.1 General economic, political and social context

Zambia is a landlocked country in Southern Africa with a population of 10 million. Since the 1970s Zambia has experienced negative growth with an associated sharp decline in real income (from $590 per capita in the early 1970s to $330 in the 1990s) and deteriorating social indicators (World Bank, 2004). This experience has been caused primarily by the country's high dependence on copper mining, the price of copper declining throughout the period. In addition to this external shock, a series of internal failures (including a too-slow process of diversification away from copper, a high rate of external borrowing, and protectionist policies) exacerbated Zambia's poor performance.

Since the 1990s the government has initiated structural reforms and liberalisation policies, including privatisation of state-owned enterprises (incl. the copper mining sector in 2000), price control elimination, liberalisation of exchange rates and interest rates. This transition towards a market economy led to an initial contraction of Gross Domestic Product (GDP) from 1991 to 1995 (0.6% p.a.), followed by modest growth during the 1996-2000 period (1.4% p.a.) and higher growth during 2000-2003 (4% p.a.) (International Monetary Fund (IMF), 2004). Growth in recent years was largely driven by the agriculture, manufacturing and trade sectors, reflecting Zambia's attempts to diversify away from copper. These economic reforms took place in parallel with significant political progress, starting in the 1990s with the emergence of a multi-party system and the rise of opposition parties in 2001.

Despite the economic and political developments of the last 15 years, economic and social indicators remain low in Zambia. In 2003, poverty rate remains high at 73% and life expectancy is 37 years compared to 49 years in 1970-75 (World Bank, 2004) Zambia is ranked 163rd out of 175 in the 2003 United Nations Development Programme (UNDP) Human Development Index UNDP (2003). In terms of macro-economic variables, the inflation rate remained above 20% during the 2000s and foreign debt is more than twice the country's GDP. Zambia's key challenges are poverty reduction, fighting Human Immunodeficiency Virus (HIV) (20% of adult population), poor governance and its high debt level (World Bank, 2004b).

3.2 Description of the economy

Zambia's economy is dependent mainly on services (51% of GDP), followed by industry (41% of GDP, of which manufacturing accounts for 11.3%) and agriculture (19.3%) (World Bank, 2004). In terms of sub-sectors, Zambia's economic composition has changed significantly since independence and throughout the 1990s.

- Mining's share of national output dropped from 50% in the 1960s to 20% in the early 1990s and then to about 8% in 2003 (IMF 2004).
- In 2003, the largest sectors in Zambia were agriculture, manufacturing and trade, accounting together for 45% of GDP (IMF 2004).
- Growth in mining and agriculture also had positive spill-over effects on the manufacturing sector from the mid-1990s, particularly in agro-processing (agro-related industries account for 84% of manufacturing value added), textiles, leather, and furniture.
- Despite the relative drop in mining, this sector has been a key driver of growth in Zambia's economy since 2001. This is largely a result of the privatisation of the mining sector in 2000, leading to increased efficiency and production, especially in copper and cobalt which account for 60% of exports (World Bank, 2004).
- Other key drivers of growth include trade, construction and tourism. Wholesale and retail trade benefited mainly from the structural reforms in the economy, while increased investment and revival of the mining sector boosted construction. Infrastructure improvements and the upgrading of Livingstone airport are expected to help boost the tourism sector.

3.3 Assessment of Zambia's business environment

In its PSD Reform Programme Report (Government of Zambia (GOZ), 2004), the GOZ identifies two particular areas of weaknesses related to PSD:

1) An *investment climate that is not conducive to business growth*: "Zambia suffers from a poor investment climate. A high degree of instability in the macroeconomic framework (double-digit inflation, high interest rates) is combined with excessive regulations - whose implementation is often unpredictable - poor infrastructure (particularly in transport and telecommunications), a weak civil service and a lack of skilled manpower".

2) A *weak private sector*: "Formal enterprises are few and relatively small, exporters are rare and the informal sector is one of the largest in Sub-Saharan Africa".

The report also elaborates on key obstacles to the development of the country's private sector that are mentioned in the PSD Reform Programme, summarised below:

3.3.1 Stability and Security

1. Macroeconomic policy uncertainty.
2. Long delays in dispute settlements.
3. Limited availability of land for commercial/industrial use.
4. Corruption.
5. Need to further enhance public/private dialogue.

3.3.2 Regulation and Taxation

1. Contradictions between the Investment Act and related legislation.
2. Complex and bureaucratic tax administration system.
3. Cumbersome customs administration.
4. Bureaucratic immigration procedures.
5. Slow land development approvals.
6. Complex and time-consuming company registration and licensing procedures.
7. Weakness of public agencies serving the private sector.
8. Complex tourism licensing procedure.
9. Cumbersome and costly environmental impact assessment process.
10. Stop/start approach to Export Processing Zones (EPZ) legislation.
11. Lack of preferred procurement policy for local Small and Medium Enterprises (SMEs).
12. Limited migration from informal to formal sector.

3.3.3 Finance and Infrastructure

1. High cost of capital / private sector crowded out of debt market by Government.
2. Difficulty for SMEs to access finance.
3. Lack of credit culture.
4. Weak Corporate Governance.
5. Poor quality of telecommunication services.
6. High cost of telecommunication.
7. Lack of reliable and cost-effective power supply.
8. Lack of investment and growth in provision of water supply and sanitation services; and in solid waste management.
9. High transport costs due to limited development of road infrastructure.
10. Inadequate regulatory environment to support Government's decision to encourage private participation in infrastructure.
11. Inadequate accommodation due to lack of investments in housing.
12. Lack of industrial infrastructure for export-oriented production.
13. Lack of serviced stands.

3.3.4 Workers and Labour Markets

1. Restrictive labour laws related to retirement and retrenchment.
2. Lack of HIV/AIDS workplace policy guidelines for the public/private sector.

GOZ's assessment of business constraints in Zambia corresponds to the assessments carried out by other donors and institutions. For example, the Global Competitiveness Reports, which expresses the views of business leaders in every country, lists access to finance, inflation and corruption as the three key obstacles to doing business in Zambia. See also Zambia Snapshot (Annex 7).

3.4 Government overall policy and PSD policy

In its Poverty Reduction Strategy Paper (PRSP) 2002-2004, Zambia sees the revival of its economy (and associated job creation and state tax revenues), as key to reducing poverty. Key focus areas include:

- Diversification of Zambia's economy, and in particular:
  - enhanced agricultural productivity through:
    - creation of conditions enhancing long-term innovative improvements in productivity of agricultural resources;
    - strengthening of credit markets for financing new investments;
    - improvement of marketing infrastructure to boost sales;
    - infrastructure development (especially rural roads);
    - export-oriented growth in key products of comparative advantage (coffee, cotton, groundnuts, flowers, paprika).
  - other growth sectors (especially mining, manufacturing and tourism):
    - in mining, the strategy focuses on preventing premature closure of existing mines;
    - in tourism, national interventions include rehabilitation of roads in tourist areas, rehabilitation of museums, tourist marketing, and human resource development. Zonal developments include intense development work in identified tourist areas to make them attractive to tourist investment;
    - in industry, the focus is on choosing winners or industries that have the best chances of export success.

- For growth to occur in the key sectors identified above, certain basics need to be in place:
  - transport infrastructure: functioning rail and road transport are key;
  - rehabilitation of electrical energy infrastructure;
  - PRSP-linked focus on social sector activities with a view to enhancing their service delivery effectiveness;
  - governance:
    - at economic level, appropriate priorities for spending public resources and improving government's ability to implement programmes;
    - at political level, separation of powers, legislative development, upholding of the rule of law, improving oversight, and stamping out corruption.

3.5 EU support to Zambia

EU co-operation with the Republic of Zambia is funded through the European Development Fund (EDF) and other financing instruments including certain budget lines (particularly European Community Humanitarian Aid Department (ECHO), SYSMIN and FLEX). This evaluation covers two programming periods, corresponding to the 8th and 9th EDF.

At bilateral level, support through the **8th EDF** amounts to €138m, and together with Structural Adjustment Fund (SAF) and SYSMIN packages represents a total aid of over €300m. Out of the €138m, the resources were allocated predominantly to the productive sectors (54%). Other allocations were to the social sectors (24%), macro-economic management and policy formulation (15%) and non-focal interventions (7%).

Three key PSD programmes under the 8th EDF are:

- **The Mining Sector Diversification Programme (EU-MSDP)**, whose objectives are "to increase export earnings through economic diversification, to generate employment opportunities, and to contribute to poverty alleviation".
- **The Private Sector Development Programme (EU-PSDP)** that "can be used to build an expanded programme of measures that will assist the further development of the market economy".
- The **Export Development Programme (EU-EDP)**, whose objective "was to further improve the performance of the non-traditional export sector. It operated for five years from June 1994 to June 1999. Then the Enhanced Exporter Support Mechanism (EESM) was launched and a second phase (EDP II 2001-2005) was launched in 2001 with similar objectives".

Other programmes aimed at improving the competitiveness of the business sector include the Micro Credit Delivery for Empowerment of the Poor; Structural Adjustment and SYSMIN Support programme; Regional Harmonisation of Customs and Trade Statistics Systems; and the Urban Markets Development programme.

Under the **9th EDF**, EC's assistance to Zambia amounts to €351m. This is divided into two envelopes: envelope A (€240m) covering macroeconomic support, sector policies and programmes in support of the focal and non-focal sectors, and envelope B (€111m), designed to cover unforeseen needs such as emergency assistance.

The two focal sectors of intervention are transport and capacity building. In terms of contributing to the development of the private sector, the following are the Commission's justification for choosing these sectors:

- Transport (€90m): Roads are of crucial importance for accessing local and regional markets and for transportation of agricultural inputs and produce between the market place and individual farmers. Note that transport is not an expected result that is part of the EU PSD strategy.
- Institutional development and capacity building (€40m):
  - up-grading of institutional and manpower conditions in the public sector is urgently needed as part of the government's strategy to improve the market environment for the private sector and the incentive for economic growth;
  - the government must improve its capacity to adapt to the role of the private sector as a partner, and in particular its response to the private sector's presentation of its interests to government.

Under the 9th EDF, an important non-focal sector of intervention for considered by the Country Strategy Paper (CSP) to have an impact on PSD is macroeconomic stabilization. Note that this area is not part of EU PSD strategy.

In terms of PSD, it was concluded that the private sector plays a key role in the Zambian economy, particularly in terms of employment generation and tax revenue for the government. In terms of areas of interventions, the Commission shifted its strategy away from direct interventions (the "micro" level) towards targeting the "meso" and "macro" levels, including:

- assistance to government in providing an improved environment for business activities,
- improvement of infrastructure, mainly in the road system,
- provision of loans and capital.

According to the CSP, the Commission's shift from the micro to the meso and macro levels does not necessarily suggest a shift in the Commission's understanding of the main constraints to PSD, but rather is the result of:

- an absence of adequate sector policy for key growth sectors (agriculture and tourism);
- the dominant role given by other donors to private enterprise for the development of these sectors;
- the expertise of the Commission in the chosen focal sectors.

At regional level Zambia participates in 11 regional programmes funded by the EDF totalling €77m in commitments. Additionally, Zambia has or had access to "all-country" programmes such as Europe-ACP Business Assistance Scheme (EBAS) (10 programmes between 2000 and 2003), DIAGNOS and Pro-Invest and to support from the Centre for the Development of the Enterprise (CDE).

3.6 Other donors interventions to support PSD

This is a brief summary of donor PSD interventions in Zambia, based on Zambia's PSD Reform Programme.

3.6.1 The World Bank Group

The World Bank's current Country Assistance Strategy (CAS) emphasises economic growth and diversification, and specifically identifies tourism, agribusiness and gemstones as potential growth sectors. Current interventions that focus specifically on private sector development include:

- support for Economic Expansion and Diversification (SEED),
- enterprise Development Project (EDP),
- IFC's KCM SME Suppliers' Development Programme (KSSDP).

3.6.2 Department for International Development (DFID)

DFID's past and ongoing support to PSD-related activities under DFID's previous Country Assistance Plan (CAP) has focused primarily on micro-level interventions. These are scheduled to end shortly, and include portfolio financing and capacity building support for microfinance institutions. Under the current CAP (2003-07), DFID plans to increase support to PSD significantly at macro level with the objective of 'improving the enabling environment for pro-poor private sector growth, particularly in agriculture'. Interventions that have already been implemented in support of this CAP objective include: support to the Zambian Business Forum (ZBF), fast-track support to Ministry of Commerce, Trade Industry (MCTI), and support to Zambian International Business Advisory Council (ZIBAC).

3.6.3 United Nations Development Programme (UNDP)

Past support to private-sector-related activities has included: support to the privatisation process, support to the Zambian Investment Centre, and support to the Lusaka Stock Exchange. UNDP does not currently support the private sector directly, although may consider doing so again in the future if the Government continues to demonstrate commitment to economic development.

3.6.4 United States Agency for International Development (USAID)

USAID's economic growth programme under its previous Country Strategic Plan 1998-2004, the strategic objective of which was to 'Increase Rural Incomes of Selected Groups', has focused on effective dialogue with and support to Government of the Republic of Zambia (GRZ) to improve the overall economic policy environment, reduce barriers to trade, and promote investment with an emphasis on agriculture. It has also built up public and private sector capacity for policy dialogue, analysis, conceptualisation and formulation. USAID efforts have also enhanced business skills and fostered market linkages to optimise rural incomes by generating opportunities along the chain between and among producers, suppliers, processors and consumers.

USAID's Private Sector Development strategy, under USAID's new Country Strategic Plan (2003-10), continues to focus on the agricultural and natural resources sectors.

3.6.5 Swedish International Development Agency (SIDA)

SIDA'S support to PSD under its Country Strategy for Development Co-operation in Zambia for 2003-7 has focused, and will continue to focus, on three main pillars of intervention, all of which aim to 'Make Markets Work for the Poor' and contribute to the achievement of priorities set out in GOZ's PRSP, namely:

- enabling Environment,
- financial Sector Development,
- public-private participation.

3.6.6 The Royal Netherlands Embassy

The Royal Netherlands Embassy's support in Zambia is currently evolving from a focus on rural development to greater focus on economic and private sector development, with interventions increasingly providing support at macro-level. Current PSD funding under the Embassy's Development Cooperation Agreement for the period 2003-8 includes support for:

- Agricultural Consultative Forum.
- Agricultural Research Trust (GART).
- Livestock Development Trust (LDT).
- Zambia National Farmers' Union.
- NRDC/ZEGA Training Trust.

3.6.7 Norwegian Agency for Development Cooperation (NORAD)

NORAD's support to private sector development focuses on interventions in the agricultural and tourism sectors.

3.6.8 International Fund for Agricultural Development (IFAD)

IFAD's strategy for Zambia prioritises support for agricultural market linkages and rural finance.

3.6.9 Development Corporation of Ireland (DCI)

DCI's support to Zambia focuses primarily on social development in the education, water and sanitation, and health and HIV/AIDS sectors.

3.6.10 Danish International Development Agency (DANIDA)

Danida's current support in Zambia focuses on interventions in education, health, infrastructure (e.g. roads), good governance, water and sanitation, agriculture, and the environment.

3.6.11 German Technical Corporation (GTZ)

GTZ's direct support to the private sector focuses on providing technical assistance and vocational training to the informal sector through the 'STEP-IN' programme, and the provision of an advisory service for private business.

3.6.12 Department for International Development Cooperation (FINNIDA)

FINNIDA's support is guided by the PRSP and primarily focuses on social sectors such as health and education, and on natural resource management such as provision of support to GOZ's Forestry Department.

4. Findings

This section presents key findings for each of the Evaluation Questions relevant at country level (questions 2 to 9). Findings have been synthesised at criteria level based on a more detailed matrix (presented in Annex 6) where information is presented at indicator level.

EQ 2 – Overall design of the strategy

Is the Commission of the European Communities (CEC) PSD strategy in terms of "expected results" well designed to ensure the realisation of the purpose of strengthening the business sector with a view to contribute to the overall objectives of the EC external policy?

A. To what extent is each area of intervention ("expected results") relevant in terms of contribution to the purpose?

B. Is its success dependent on certain conditions (another expected result or some other 'external' factor)? If yes, which ones? Have they been identified in CEC PSD strategy documents?

C. Is the set of fields of actions comprehensive (are some essential fields missing (for example, role of champions)?

D. Is it well structured:

- **i) Are there potential complementarities and synergies between expected results and have they been identified?**
- **ii) Are there possible contradictions between fields and have they been identified?**
- **iii) Should there be a prioritisation?**

2B.1 Conditions to reach the expected results exist

The following table present the assumptions made at different levels (overall objectives and / or purpose) for four of the PSD programmes in Zambia. These assumptions can be considered as "conditions" needed to the achievement of the objectives. It can be noted that assumptions mainly refer to the commitment of the government to the sector, to economic growth, and to macroeconomic stabilization.

Programme	Level	Assumption
Export Development programme (EDP)	Programme purpose: Increase output and exports in selected export-led sub-sectors.	Macroeconomic environment does not deteriorate.
Private sector development programme (PSDP)	Overall objective: To contribute to a strong and responsive private sector and increased employment generation, in accordance with the aims of the Government's Policy Framework Paper 1995-1998 and with the strategy of the 8th EDF.	GRZ remains committed to private sector development and provides the necessary legislative and fiscal environment.
	Programme purpose: To improve the performance of private micro, small and medium enterprises in targeted economic sectors.	It is possible to differentiate programme effects from externalities.

Mining Sector Diversification programme (MSDP)	Overall Objective: Poverty Reduction.	*None*
	Programme purpose: The sustainable development of the non-traditional mining sector (NTMS).	Economic growth through consistent implementation of structural adjustment.
Capacity Building for Private Sector Development Programme (CB-PSDP)	Overall objective: To strengthen the institutional capacities of the Zambian public and private sectors to manage the economy and promote privates sector led development.	*None*
	Purpose: To build capacities for public-private dialogue as a basis for improving the policy and institutional environment for private sector development.	Government maintains its commitment to economic recovery through private sector led growth. Government continues the process of reform of the public sector.

2D.1 There is potential complementarities and synergies between expected results

Complementarity and synergies can be found between the objective of reinforcing Business Associations and the provision of Business Development Services (BDS) services and support to micro-enterprises. In the PSDP for example, the support for micro-enterprises and the provision of BDS to SMEs (Windows 1 and 3) was achieved through intermediary associations, thereby reinforcing the latter. Similarly in the EDP, BDS was provided through Professional Associations, thereby reinforcing the latter.

It is worth noting however that while the provision of BDS through intermediary organizations meets the expected result of reinforcing intermediary organisation, it only partially meet the result of creating a local BDS market, given that intermediary organisation do not aim at selling BDS after the end of the intervention.

2D.2 Prioritisation of areas of intervention (expected results) leads to a better realisation of the purpose

The 8th and 9th EDF mention that interventions in several key areas such as macro-economic stability, institutional capacity and transport are conditions for the developing the private sector. The CSP 2001-2007 states explicitly for example that “for all forms of private sector development, considerable improvement in the availability of economic infrastructures and human resources are urgently required.” But these documents do not explicitly state that a prioritisation in these areas will lead to a better realisation of the purpose of creating a more competitive business sector in Zambia. Donors also do not seem to focus on one priority area of intervention (for example, UNDP focus in institutional capacity while the GTZ focuses on direct technical assistance to the government), which suggest that donors do not necessarily identify one priority area of intervention.

EQ 3 – Relevance of PSD strategy in a given country

For a given country,

A. Does the selection of the areas of intervention correspond to the CEC PSD strategy?

B. Does the selection of the areas of intervention correspond to clearly identified priority needs of this country to increase the competitiveness of the business sector with the view to contribute to the overall objectives of the EC external policy?

3A.1 The areas of intervention (expect results) in Zambia correspond to the areas proposed in the EC PSD strategy

The selected areas of intervention (expected results) in the 8th and 9th EDF for Zambia generally correspond to the Commission's PSD strategy as formulated in the Commission's Communication strategy for PSD (2003) and EC Guidelines for EC Support for PSD (2003):

PSD programme	Expected Result (as per Intervention Logic)
Private Sector Development Programme (PSDP)	▪ Enterprises' management and organization improved. ▪ Financial markets are reinforced and their capacity to finance investment is increased. ▪ Capacity of intermediary organizations is enhanced. ▪ More effective non-financial services. ▪ Development of micro-enterprises.
Export Development Programme (EDP)	▪ Capacity of intermediary organizations is enhanced. ▪ More effective non-financial services.
Mining Sector Diversification Programme (MSDP)	▪ Enterprises' management and organization improved. ▪ More effective non-financial services.
Capacity Building for Private Sector Development Programme (CB-PSDP)	▪ Macro-economic, legal and regulatory framework more conductive to PSD.

In the 9th EDF, the CSP states that transport (the other focal area of intervention in Zambia) has an important impact on PSD, a view that is shared by most of the interviewees. However, the role of transport - and more in general, of infrastructure – in private sector development in third countries is not developed in EC PSD strategy documents.

3B.1 The selected areas of intervention (expect results) correspond to clearly identified needs of Zambia in terms of PSD

Overall, literature and interviewees confirm that the selected areas of intervention under the 8th EDF correspond to clearly identified needs of Zambia's PSD. This was particularly true for Business Development Services and Access to finance. The Global Competitiveness report mentions access to finance as key obstacles to do business in Zambia in the World (World Economic Forum, 2004). The GOZ PSD Reform Programme (2004) mentions for example the limited access to finance, macroeconomic instability and lack of certain aspects of business management skills, as some of the enduring obstacle for PSD growth.

The Commission's PSD strategy under the 8th EDF is also in line with Zambia national policies 1995-1998 regarding the attainment of macroeconomic stability, liberalisation of the economy (privatisation, facilitation of production, encouragement of improved productivity and competitiveness, reduction of import dependency, and increase in tradition and non-traditional exports) (GOZ, 1995).

In the 9th EDF, the Commission's focus on the Institutional Development and Capacity Building, is in line with generally recognised needs of Zambia in terms of PSD (as confirmed by literature e.g. World Bank reports and the Global Competitiveness Report and interviewees). Some interviewees however raised doubts regarding the relevance of focusing on institutional support only, as opposed to a more balanced allocation between macro and micro level intervention. The main reason being certain mistrust on the capacity of the government to improve its performance in spite of the support to be received from the EC. This is reflected on the view that the effects of donors' support to the government are rarely felt by the private sector and that companies can very well survive and grow despite a weak public sector performance. Further, the shift from micro to macro level is perceived by some interviewees as a result of changes in the EC approach rather reflecting identified needs of the sector in Zambia.

Regarding national policies and priorities for the private sector, the CSP 2002-2007 states that "of all constraints the most significant seem to be the absence of political commitment to the sector, and weakness of public and private sector institutions to formulate and implement policy" and that therefore the task of defining and designing appropriate responses is especially challenging. As a consequence, if the PSD strategy proposed under the 9th EDF corresponds to the broad mid-term objectives of the government, it cannot correspond to national priorities or policies for the sector given that these are inexistent. The response strategy proposed, however, is one to encourage the government to elaborate and own such policies.

EQ 4.1 – Effectiveness - Business environment

To what extend did EC interventions make the institutional, macro-economic and legal and regulatory framework more conducive to PSD?
41.1 EC support to the institutional setting has contributed to the development of the business sector
No EC support in Zambia aimed at this expected result under the **8th EDF**. Under the **9th EDF**, the second focal sector is Institutional Development and Capacity Building. Under this sector, the second component will "address the need to develop capacities for public-private dialogue as a basis for building a policy and institutional environment to promote private sector-led economic growth, particularly in the areas of investment, export promotion and trade". At the time of the mission (February 2005), the programme had not yet started but the financing proposal was in the process of approval. It was stated in the CSP 2000 that "in the absence of clear Government policy the task of defining and designing appropriate responses is especially challenging." However, in these five years the government and the private sector have taken a number of initiatives among which the PSD Reform Programme, a policy agenda to develop the private sector. It is likely that the CB-PSDP programme will need to adapt to the new context, otherwise it may end up not being in line with the progress on the government's side, which may therefore impact the programmes effectiveness.
41.2 EC support to macroeconomic stabilization has contributed to the development of the business sector
It is expected that macroeconomic support given to the GOZ, although not considered as a PSD intervention as such, will contribute to the reduction of the government's internal debt and as a consequence that it will entail a reduction of interest rates. So far the effect is not significant although interest rates have started to decrease. So far little effect has been noticed. The 2003 Joint Annual Report (European Commission, 2003), states that "'the achievement of macroeconomic stability is seriously hampered by the difficulties with the budget. In 2003 the Government succeeded to sustain economic growth, curb the inflation rate and keep a smooth depreciation of the exchange rate. However, as already mentioned, fiscal imbalances could compromise macroeconomic stability and, ultimately, economic growth and poverty reduction. The Report also states that "'the success of macroeconomic objectives, as well as the reduction of poverty will depend on how well the Government balances its expenditures in the light of competing demands from different sectors and scarce resources. The lack of a Poverty Reduction and Growth Facility (PRGF) programme with the IMF in the second half of 2003 led to the withholding of programme support by some donors and failure to reach the Highly Indebted Poor Country (HIPC) completion point."
41.3 EC support has achieved the removal of legal and regulatory barriers to the development of the business sector
The MSDP, which has one component that is focused on assuring effective and fair mining regulations and taxation policy, is not completed until 2007 and so cannot be assessed in terms of effectiveness; there also exists no evidence to suggest the likely effectiveness of this programme.

EQ 4.2 – Effectiveness - Reinforcing financial markets

To what extend did EC interventions reinforce financial markets?
42.1 The appropriate framework for supplying well-developed and efficient financial services for SME is reinforced
Overall, programmes aiming at improving access to credit for MEs or SMEs were focused on directly facilitating access to credit to beneficiary firms rather than on contributing to improve the way in which local financial markets work in view to facilitate access to credit in a durable manner. Even within that narrower objective, effectiveness was limited. One window of **PSDP** aimed at improving access to finance through the actual credit line of the programme itself, and not through a reinforcement of the Zambian banking sector's capacity to provide more access to finance after the end of the intervention. The financing Agreement (FA) states that this "is a temporary financial support to be removed as soon as the formal financial system is able to provide investment finance on its own resources." This suggests that from its inception, this window of PSDP was not designed to be effective in the reinforcement of the financial sector after the completion of the programme. Further the **PSDP** final evaluation report states that the most influential factor in determining the lack of success of the Apex Financing Facility stems from flaws in the design and methodology of the window. In terms of improved access to credits during the life of the PSDP programme, the final evaluation reports and interviews confirm that increased access to finance has been limited. Reasons include that only a few companies received loans in the first place; and because of the high default rate, many who did borrow will find it more difficult to borrow in future, because they now have poor credit histories. **MSDP**, which involves the provision of capital and equipment for small and medium-sized enterprises, also does not fully correspond with the expected results of reinforcing a financial market. While this programme will only be completed in 2007, it can already be stated in advance that given its objectives, it will be limited in reinforcement of the financial sector after the completion of the programme. The **EDP** programme had a component through which a revolving fund was provided to three intermediary organisations with the aim of facilitating credit to access member companies. In two cases, default rates were so high than at the end of the programme the fund had almost disappeared. Only in one case repayment rates were correct.

EQ 4.3 – Effectiveness - Intermediate organisations (IO)

A. To what extend did EC interventions help IO to increase their capacity to conduct a policy dialogue with the government; **B. To what extend did EC interventions help IO to improve the quality or quantity of the services provided to and used by its members?**
43A.1 Intermediate organizations have successfully promoted the interests of the private sector as a result of EC support
The **PSDP** programme stated as one of its objectives to "enhance the capacity of advocacy organisations to conduct a fruitful policy dialogue with the government", which corresponds to one of the expected results in the EU PSD strategy. However, no activity was actually foreseen or carried out aiming at that objective. The **MSDP** has one component to strengthen existing or new small-scale mining associations through formal and on-the-job training and with short-term expertise. "The support would allow these private associations fully to play their role as a communication channel with the government, and as promoters, co-ordinators and self-regulators of the sector". So far there is no evidence to suggest the likely effectiveness of this programme.
43B.1 Intermediate organizations provide more and better services to their members as a result of EC support
Despite the lack of quantitative targets in the logframe, several indicators assessed by the final evaluation report together provide strong evidence that the capacity building has to a high degree been effective. The final evaluation report show four types of impact indicators (detailed in Annex 6) which together provide strong evidence that indeed the capacity building has to a high degree been effective. The final evaluation report concludes that in view of the weakness of most of these organisations, this is to be considered a very good result.

EQ 4.4 – Effectiveness - Investment promotion and b-to-b cooperation

To what extend did EC interventions increase trade, investment and general b-to-b cooperation?
44.1 EU interventions increased trade, investment or general b-to-b cooperation
The financing agreement for **PSDP** included a component dealing with investment and partnership promotion. The overall objective of the window was to attract foreign investment to Zambian businesses through joint venture partnering and improved access to foreign technology, markets and capital from South Africa and EU countries. According to the PSDP final evaluation report, "due to the short period that the facility has been operational it is quite difficult to measure impact that could be directly attributable to the activities under Window 5. Support to Zambia Investment Centre (ZIC) clearly was useful as it contributed to ZIC's efforts to realise its mandate to attract foreign investment to Zambia. The quality of promotional material on Zambia produced and disseminated has lead to a number of enquiries on investment prospects in Zambia. The promotional visits by ZIC to investment and trade exhibitions have also resulted in a number of enquiries and contacts between companies in Zambia and those in EU countries and RSA". Further, according to the interviews carried out by the evaluation team, most companies who benefited from the Commission's programmes (**PSDP** or **EDP**) aimed at establishing partnerships during trade-fairs claim that the impacts were large for their companies. On the other hand, according to the PSDP final evaluation report "delays in obtaining approval from National Authorizing Officer (NAO)/EU were cited by ZIC as having contributed to the slow and frustrating pace of progress of activities under this facility. We also noted that there were delays by ZIC in seeking approval for activities to be undertaken resulting in about 22,000 Euros disbursed by EU for the first programme being time barred as it was not utilised by the deadline of 31st March 2004".

EQ 4.5 – Effectiveness - BDS

To what extend did EC interventions aiming to provide non-financial services create a competitive business development services markets?
45.1 EU interventions aiming to provide non-financial services create a competitive business development services markets
Given that most BDS-related programmes (PSDP, EDP, and MSDP) only partially corresponds to the expected results of BDS, in that they aimed at providing direct non-financial assistance to companies rather the creating a local BDS market, the impact on the latter was from the start bounded to be limited. In that regard, BDS-related programmes have not incorporated the lessons learn and new orientations as proposed by *"BDS for Small Enterprises: Guiding principles for donor intervention"*, to which the EC subscribes. Within their narrower objectives, EC's programmes were effective and had a positive impact on beneficiary companies. Indicators include increased turnover, investment, employment and exports. These results must however be put into context given the limited number companies targeted under the programme in relation to the total numbers of companies in Zambia. Moreover, several interviewees noted that there were some missed opportunities to lift companies/industries to become truly competitive nationally and internationally. For example EDP I and II were configured in such a way that beneficiaries of EDP I could not be selected in EDP II. Many people involved in the programme think that it would have been more advisable to focus on a selected number of companies and help them achieve higher level of competitivity. This raises the following question: to what extend more focus on a selected numbers of beneficiaries (e.g. the creation of winners with potential spill-over benefits on the whole industry) would have had more impact than spreading these services over a wide number of companies in different industries. Two additional issues should be considered when measuring effectiveness: attribution and cannibalization effects. To what extent were results a consequence of the programme? According to beneficiaries and the management of the programme, a significant share of the improved performance can indeed be attributed to the support provided by the PSDP. The evaluation report also indicates that even if only half of the effects can be attributed to the support provided, the result would still be impressive. In terms of cannibalization, the question is to what extend the performance of beneficiary companies was made at the expense of other Zambian companies. Interviews confirmed that the cannibalization effect was minimal. The principal reason given was that Zambia is a growing economy with no bottlenecks on the supply-side so that any growth of one company or industry is a net-benefit to the economy as a whole. In terms of reinforcement of local BDS market, most interviewees felt there was no particular increase in use of local BDS. While some companies feel their experience with EC non-financial assistance stimulated their demand for local BDS market, many other feel that demand for BDS was always present, but that the problem has always been on the supply-side: lack of quality services (not only lower than international standards but also than neighbouring countries like South Africa and Zimbabwe) at an affordable price (see 5.6).

EQ 4.6 – Effectiveness - Development of micro-enterprises

To what extent did EC interventions help develop micro-enterprises?
46.1 EU interventions have contributed to the development of micro-enterprises
Window 1 of **PSDP** aimed at providing business development services to micro-enterprises (MEs) with the purpose to improve their financial performance. According to the **PSDP** final evaluation report, this window has been effective in reaching its stated objectives. The impact study shows that in a period of on average 1½ years after the BDS event, the enterprises report a positive impact directly attributable to the programme. This includes a 42% average increase of turnover in real prices, an increase of employment with at least one extra employee for 50% of the MEs, and 48% of the MEs entered new markets.

EQ 5 - Sustainability

To what extent are the effects (expected results) of the interventions likely to continue at the end of the EC support?
5.1 The effects of EC PSD strategy in Zambia is likely to be long-lasting
The **CSP 1996-2000** defines assumptions only at the level of the overall cooperation strategy. It indicates that the viability of the Community's aid strategy in Zambia is dependent "on the maintenance and development of the current democratic system, the guarantee of human rights, the rule of the law, and freedom of speech, to which the present government is firmly committed." As mention in 3B1.2, the **CSP 2002-2007** presents in its Annex 9 an analysis of the main challenges faced in terms of institutional development and capacity building and more in particular of the aspects related to the private sector. It is stated there that Zambia can move towards full economic recovery and "to do so, the process of market reforms need to be intensified and obstacles removed at the macro, meso and micro levels. Overall, a more supportive policy and institutional environment is required to encourage further development of the private sector." Yet, it is also explained that "*of all constraints the most significant seem to be the absence of political commitment to the sector, and weakness of public and privates sector institutions to formulate and implement policy*." Overall, risks have not materialized and on the contrary, the government has move forward regarding policies towards the private sector and has formulated a Private Sector Reform Programme in dialogue with private sector representatives and, to a lesser extent, the donor community. The challenge now being to be able to articulate donor funded programmes that are already on going or well advanced in their programming process with the new government orientations.
5.2 Institutional, macroeconomic, legal and regulatory improvement is not disappearing / has not disappeared after EC intervention
As mentioned above in 5.1.2, "the achievement of macroeconomic stability is seriously hampered by the difficulties with the budget (…) fiscal imbalances could compromise macroeconomic stability and, ultimately, economic growth and poverty reduction". Further, the Joint Annual Report 2003 indicates that "the private sector continues to suffer from the macro-economic situation with high inflation and high interest rates, which has rendered the access to affordable capital virtually impossible. The government's economic policy aims at creating an enabling environment for private sector led growth". Although it was not a PSD intervention, it is worth to notice that the CSP 2002-2007 states that the capacity building provided under the 8th EDF to the Ministry of Finance and Economic Development has not been sustainable, according to an evaluation study. The evaluation showed that individual short term consultants could not introduce the required change in the system and solve a long-term capacity problem".
5.3 Reinforcement of financial markets is long-lasting
Overall, programmes aiming at improving access to credit for MEs or SMEs were focused on directly facilitating access to credit to beneficiary firms and not on contributing to improve the way in which local financial markets work in view to facilitate access to credit in a durable manner. This is explicitly stated in the FA of the **PSDP**, which indicates that the financial service window "is a temporary financial support to be removed as soon as the formal financial system is able to provide investment finance on its own resources." The programme does not indicate when or why the formal financial system will be able to provide such services. The PSDP final evaluation report indicates that "no possibilities for sustainability were built into the Apex Financing Facility:

▪ The funds could not revolve, since the decision to remove the revolving nature of the funds was made before any funds could be revolved. ▪ Unsustainable, concessionary interest rates were built into the initial programme design. ▪ Long term management of the inputs is dependent upon continuation of the contract between Grant Thornton (or any alternative), and the PSDP, which ends on October 31st 2004".
5.4 Reinforcement of IO position is not lost after EC intervention finishes
In PSDP, the capacity building component (Window 4) has enhanced the degree the sustainability of BDS for MSMEs. Despite the discontinuation of the funding, the improved leadership and management capacity of the Intermediaries, as well as the edition of Technical Guide for BDS Providers will result in the mobilization of alternative sources. Moreover, the high numbers of participants per intermediary will alleviate the problem of high rotation of leaders.
5.5 Business-to-business cooperation, trade and investment continues to expand after EC intervention
According the PSDP final evaluation report, delays in the commencement of activities has negatively impacted the sustainability of the programme. No explanation on that matter was available. Sustainability of the future will strongly depend on dedicated support from the Government as it is a key player in dissemination of information about Zambia to prospective investors.
5.6 A competitive BDS market continues to function after EC intervention has finished
A competitive BDS marker is unlikely to function after EC intervention. This is explained both by a demand and a supply-side problem. On the demand side, the current economic climate and discussions with some of the intermediaries assisted lead the PSDP final evaluation report to conclude that a significant number of SMEs will still require subsidised BDS services and would not be able to fund the full cost of BDS interventions. On the supply-side, the evaluation report concludes that capacity has not yet been built in a local institution that could continue to provide the kind of intervention that the PSDP programme was designed to provide. Companies interviewed confirmed that the problem is rather more on the supply-side, given that many companies who really want BDS purchase it from overseas. It should be noticed that as for programmes aiming at facilitating access to financial services, the focus was more on the direct provision of services rather than to contributing to create the conditions for a well-functioning services market, as proposed by the *BDS for Small Enterprises: Guiding principles for donor intervention* to which the EC subscribes.
5.7 Micro-enterprises continue to develop
At the programme level, it can be concluded that no sustainability is ensured. The programme was designed using a project approach rather than an institutional approach, and the reason for doing this were that no single existing institution could be identified that was mandated and equipped to carry out the wide scope of activities envisaged for PSDP. The report concludes that it would have been desirable that a long term strategy would have been worked out to ensure that sustainability could eventually be achieved, together with an exit strategy for the donor.

EQ 6 – Efficiency

To what extent have the organisational set-up or management systems and processes contributed or hindered the efficiency of the EC interventions to support private sector development? Four aspects are of particular interest to our evaluation:

A. The deconcentration process and the support given by HQ

B. The preference given in some regions to all-country programmes

C. The preference given in some regions to promote local expertise instead of using international support

D. Other organisational set-up or management systems and processes

6A.1 The deconcentration has contributed to the efficiency of the EC interventions

The deconcentration process may affect – positively or negatively – different aspects of EC interventions. Although most interviewees believed that it was to early to assess the effects of deconcentration, several issues were raised:

- Regarding speed of decision making process, it was believed that, at least in its early stage, the deconcentration did not lead to an acceleration of the decision making process but even slowed it down. Among the reasons explaining this initial situation the following were proposed: lack of clarity regarding who was responsible of what; heavier workload transferred from headquarters to Delegation without having the necessary resources; people were afraid of making mistakes. An additional concern was the risk of reproducing at the Delegation the defaults of a 'mini bureaucracy'.
- Regarding workload at the Delegation, it has indeed increased but it is also true that new staff has been engaged. The question was whether the new staff had the necessary qualification to face the new responsibilities and, if not, if relevant training and support from headquarters is available.
- Regarding support from headquarters, the main point was that lesson learning and sharing experience between different countries / regions has been limited in the past and that deconcentration – coupled with the high of rotation of personnel - may worsen the situation. Support from headquarters is therefore considered to be a key element to avoid this risk. It is considered that there is not enough support from headquarters in terms of project identification, design and implementation.

6B.1 The use of "all-country" programmes has contributed to the efficiency of the EC interventions

Zambia has access to "all-country" programmes and some of the firms interviewed had received support through the CDE and EBAS. However, there is very little knowledge of these programmes in the country both among potential beneficiaries and at the Delegation.

6C.1 The use of local expertise has contributed to the efficiency of the EC interventions

There has not been a systematic use of local expertise partly due to the lack of capacity in Zambia. Although an interesting example is to be taken from the management of the **PSDP**. Indeed, it comes from interviews that the management team played a key role to ensure the successful implementation of the programme and, according to the programme manager, the value added of local experts in the management team was significant given their knowledge of the sector.

6D.1 The organisational set-up and management system has contributed to an efficiency implementation of the programme

This criterion and its corresponding indicators were defined after the pilot mission in Zambia. Therefore, the information collected does not necessarily correspond to the indicators proposed below. The evaluation team collected the following information:

- EDF procedures were considered too slow and heavy by stakeholders, producing an administrative burden and hampering the effectiveness of interventions. Some sources declared their strong preference to work with other donor agencies.
- Procedures within the programmes were also considered as too slow and heavy by some beneficiary firms while other firms considered that procedures were simple.
- Many firms considered that there was a lack of sufficient information on what a program can offer. For instance, regarding PSDP, firms were aware of the existence of one window but not of the other ones. Further, some firms considered that the information on the existence of the programme was also too limited.

Lack of clarity in terms of eligibility and selection. It was not clear for firms who were eligible to the programme and how the decision was taken once the application was presented.

EQ 7 – Coherence (within EU action)

A. To what extent does the <u>EC PSD policy in general</u> take into account other EU strategies and policies?

B. To what extent does the <u>EC PSD support strategy within a country</u> strategy take into account:

i) The support given to other sectors within the same country strategy?
ii) Other EU strategies and policies

C. To what extent do national or regional <u>EC PSD programmes within a country</u> take into account:

i) Other PSD programmes within the same country
ii) The support given to other sectors within the same country
iii) Other EU strategies and policies

7B.1 The EC PSD support strategy within a country takes into account other EC interventions

EC support to Zambia through the **9th EDF** is focused on the transport sector and on institutional development and capacity building. The CSP 2002-2007 acknowledges that the two focal sectors reflect "the strategic importance of improved infrastructure – availability of road network as well as of human and organizational capacities – for private sector driven economic growth and poverty reduction." However, the emphasis is more on how **transport** can unlock economic growth and develop the private sector. Among the factors that justify the choice of transport as first focal sector of EC support to Zambia, it is mentioned that "in the PRSP discussions and Road Sector Investment Program (ROADSIP), transport is recognised as crucial for the development of all key sectors" (…) and that "the establishment and maintenance of well-functioning transport system is imperative for the development and integration of markets in all sectors of the Zambian economy". Private sector interviewees confirmed that an improved transport infrastructure will strongly improve the competitiveness of the business sector.

The CSP also describes the importance of **regional trade** for Zambia. Yet, no mention is made of the effects or possible articulation between bilateral and regional interventions.

The CSP states that the "coherence between development co-operation policy and other EC policies (**trade, agriculture, environment**, etc.) relevant for Zambia will be assessed on a permanent basis". However, no evidence of such assessments was found during the mission.

Improvement in coherence between PSD policies EU trade policies was seen by private sector beneficiaries as particularly important as the latter state to have been affected by other EU policies (e.g. the impact of EU phyto-sanitary regulations).

7C.1 National or regional EC PSD programmes within a country take into account other EC interventions

PSD programme documents rarely refer to other EC PSD programmes in the same country, let alone analyse possible complementarities, synergies conflicts or overlaps. Documentation and interviews identify no apparent incoherence in programme implementation but also do not mention any explicit attempts at maximising synergies or minimizing overlaps between PSD programmes. In the case of EDP and PSDP for example, there has been little attempts in ensuring that target companies do not benefit simultaneously from both programmes. Such coordination is apparently left for programme managers.

EQ 8 – Coordination (with other donors)

To what extend is there coordination between donors, both at central and at country level?
8.2 The EC actively participates to multi-donor coordination process at country level
In the PSD sector, donor coordination has traditionally been weak and mainly consisting of donors informing the others about its own activities. However, the realization of several programmes overlapping, especially at the micro level, has encouraged the donor community to establish more formal mechanisms of coordination. The overlap of micro-level PSD programmes funded by donor agencies is illustrated in the PSD Reform Programme report which lists 21 donor-funded programmes aiming at improving the limited capacity of the Zambian private sector (see the list in Annex 6). Recent developments on the private sector have further encouraged donor coordination. In particular, the Zambia Business Forum in late 2004 and the update of the government's Private Sector Development Reform Programme have acted as platforms of discussion between the government, the private sector and the donor community. The Private Sector Development Reform Programme report describes different donor interventions in PSD and proposes linkages between these interventions (some are already being implemented, others are at the preparation stage) and the programme proposed. Further, the donor community has been invited by the government to participate to the Domestic Business Council as member of the Steering Committee and thus donors have started to meet in order to coordinate their positions regarding government's PSD Reform Programme. However, so far there are not many examples of distribution of tasks among donors involved in PSD support and only three PSD-related programmes (out of a sample of some 23 programmes) have been identified by the team as being funded jointly by more than one donor agency. None of them were funded by the EC.

EQ 9 – Cross-cutting issues (CCI)

Do the EC PSD interventions show concern for cross cutting issues such as promoting women led enterprises, ensuring acceptable working conditions notably for women, protecting the environment and promoting better governance practices?
9.2 CCI are taken into account in the PSD strategy and by programmes in Zambia
Although the CSP 2001-2007 mentions that the EC co-operation policy establishes that "systematic account shall be taken in mainstreaming into all areas of co-operation the following thematic or cross-cutting themes: genders issues, environmental issues and institutional development and capacity building", there is no mention of such issues in the support strategy to Zambia or of how these CCI will or can be mainstreamed in the proposed sectors of intervention. As shown in indicators 9.2.2 to 9.2.4, CCI are not included in PSD programmes. On the contrary, the CSP refers to the government approach to some cross-cuttings issues. For instance, the government has published in 1999 a white paper concerning **democracy, human rights and good governance** (National Capacity Building Programme for Good Governance). The GOZ also presented a National **Gender** Policy in 2000, the vision of this policy is "to achieve full participation of women and men in the development process at all levels, in order to ensure sustainable development and attainment of equality and equity between sexes". Finally, the government has a National **Environment** Action Plan that has made Environmental Impact Assessments obligatory in most development activities. At the programme level, the Mining Sector Development Programme and that the gender issue will be closely monitored throughout the project. But the logical framework provides no indicators for monitoring gender issues. It does however contain monitoring indicators for good governance. In the EDP, one component of the project aims at promoting the employment of young women but no indicators were provided for in the logical framework to monitor women employment.
9.3 A CCI is treated through a specific project or programme in the frame of the PSD support in Zambia rather than as an horizontal issue
No example available.

5. Conclusions

5.1 Relevance and Design

The areas of intervention (expected results) chosen to support PSD in Zambia correspond to the areas proposed in the EC PSD strategy (See 3A.1).

The programmes implemented address some important constraints affecting the country's private sector (See 3B.1). Yet,

- EC support to PSD in Zambia was programmed, particularly under the 9th EDF, in spite of the fact that – according to the CSP 2002-2007 - "of all constraints the most significant seem to be the absence of political commitment to the sector, and weakness of public and private sector institutions to formulate and implement policy". Therefore, the proposed approach was a gradual, iterative and flexible one to design a capacity building programme. By the time of the mission (February 2005) the programme (CB-PSD) had not yet started.

- On the other hand, since the 9th EDF programming, the government and the private sector have taken a number of initiatives among which the PSD Reform Programme, a policy agenda to develop the private sector.

- Therefore, it is likely that the CB-PSD programme will need to be adapted to the new policy context. Otherwise it may end up not being in line with the progress on the government's side, which may therefore impact the programme's relevancy.

While the PSD programmes under the 8th EDF were mainly focused at the micro level (EDP, PSDP, MDSP), the 9th EDF programme (CB-PSD) is mainly focused at the macro/institutional level. Some stakeholder doubt about the relevance of focusing on institutional support. (See 3B.1.1)

- The main reason is certain mistrust on the capacity of the government to improve its performance in spite of the support to be received from the EC.

- Further, the shift from micro to macro level is perceived by some stakeholders as a result of changes in the EC approach rather reflecting identified needs of the sector in Zambia.

5.2 Effectiveness

EC programmes to support PSD usually attained expected outputs but were designed in a way that most often they could not attaint sufficient outreach. Lessons from the "BDS for Small Enterprises: Guiding principles for donor intervention", to which the EC subscribes, were not taken into consideration:

- In financial- and non-financial services to companies, the programme's key objective is the provision of these services during the life of the programme, rather than the reinforcement of local providers of these services. Further, this implies that the programme's objectives only partially correspond to the EC PSD strategy as presented in the COM(2003) 267 and the Guidelines to PSD support (See 42.1, 45.1).

- Some programmes aim at a wide scope of beneficiaries, thereby missing opportunities to achieve higher impacts in a selected few. In the provision of non-financial services, more selectivity, i.e. the creation of winners with potential spill-over benefits on the whole industry, could have had more impact than spreading these services over a wide number of companies in different industries (See 42.1).

5.3 Sustainability

Factors ensuring sustainability were not built into some programmes, reflecting a focus on outputs during the programme life rather than sustained impacts. Nevertheless, this statement should be qualified according to the type of programme:

- This applies particularly to programmes dealing with financial- and non-financial services for enterprises. In such cases, as mentioned for effectiveness, lessons from the "BDS for Small Enterprises: Guiding principles for donor intervention" were not taken into consideration (See 5.3, 5.6, 5.7).

- On the other hand, programmes or activities that involved reinforcement of institutional and human capacity are more likely to be long-lasting. The reinforcement of IO position through capacity building has enhanced the degree of sustainability of the services provided by these organizations to their members (See 5.5).

5.4 Coherence

Coherence with other EC interventions can be largely improved. Bilateral and regional cooperation could be reinforced by better exploiting complementarities and synergies. In particular:

- Transport is the first focal sector and at the same time considered one of the main constraints faced by the private sector in Zambia. However, potential synergies are not sufficiently exploited (See 7B.1.1).

- The EC provides macroeconomic support and it is expected that this will contribute to the reduction of the government's internal debt and as a consequence to a reduction of interest rates; one of the main constraints to private sector development. Potential synergies are not exploited either (See 41.2.2).

- The EC also provides support to Zambia through its regional cooperation programme (COMESA). Further, the CSP also describes the importance of regional trade for Zambia. Yet, no mention is made of the effects or possible articulation between bilateral and regional interventions. For instance, no mention of the customs harmonization programme is made by the PSD strategy or programmes (See 7B.1.1).

Coherence within PSD support could also be improved (See 7C.1).

- Documentation and interviews identify no apparent incoherence in programme implementation but also do not mention any explicit attempts at maximising synergies or minimizing overlaps between PSD programmes. In the case of EDP and PSDP for example, there has been little attempts in ensuring that target companies do not benefit simultaneously from both programmes.

5.5 Coordination

Donor coordination has traditionally been weak in the PSD sector and mainly consisting of donors informing the others about its own activities. The realization of several programmes overlapping, especially at the micro level, has encouraged the donor community to establish more formal mechanisms of coordination. The overlap of micro-level PSD programmes funded by donor agencies is illustrated in the PSD Reform Programme report which lists 21 donor-funded programmes aiming at improving the limited capacity of the Zambian private sector (See 8.2).

5.6 Cross-cutting Issues

In the CSP 2002-2007, there is no mention of crosscutting issues and how they will or can be mainstreamed in the proposed sectors of intervention. In some programme documents cross cutting issues are mentioned (it is the case of two of the programmes) but none of the programmes actually incorporate these issues in their implementation (See 9.2).

ANNEXES

Annex 1 - People interviewed

Delegation / PMU / Technical assistance

Organisation / Institution	Name	Title
DEC – Zambia	Jenny Correia-Nunes	Counsellor – Head of Section Private Sector, Food Security
DEC – Zambia	Jans Kristensen	Third Secretary - Regional Co-operation
DEC – Zambia	Chilambwe Lwao	Programme Officer – Private Sector
Project Management Unit (PMU) – PSDP	Chris Sealy	Program Manager
PMU – TDP	Mike Brennan	Program Manager
Ministry of Finance and National Planning – NAO Office	Thomas Krimmel	Team Leader – EC Support

Donors

Organisation / Institution	Name	Title
SIDA	Kristina Kuhnel	Counsellor
DfID	Su Barton	Counsellor
USAID	D. Griffiths	Economic Growth Team Leader
World Bank	David Satola	Senior Counsel

Local Authorities

Organisation / Institution	Name	Title
Ministry of Finance and National Planning – NAO Office	Benny Chundo	
Ministry of Finance and National Planning – NAO Office	Temwani Chihana	Administration & Financial Management Advisor
Ministry of Commerce, Trade and Industry	Dipak Patel	Minister
Ministry of Commerce, Trade and Industry	Gerald Tembo	Director Department of Domestic Trade and Commerce

Beneficiaries

Organisation / Institution	Name	Title
Agridev	Rudy van Gent	Managing Director
Bimzi	Mr Mande	
Bimzi	Ms Wright	
Cheetah Zambia Ltd	Mark Terken	Managing Director Manager Marketing & Development
Forest Fruits Ltd	Daniel Ball	Managing Director
Grant Thornton Associates	Edward Mupeso	Senior Consultant
Grant Thornton Associates	Hakainde Hichilema	Chief Executive and Representative of the Business Forum
Kabulima Organic Farmer's Association	Trevor Watson	Committee Member
Melcome Industries Ltd	Liju K. Varghese	General Manager
Mukambi Safari Lodge	Edjan van der Heide	
Polymer Mouldings	Mr Gohill	
Zambia Sugar	Mr Lovemo	
Zambia Coffee Grower's Association (ZCGA)	Charles Siddle	
ZCGA	Joseph Taguma	General Manager

Annex 2 - Documents consulted

1. Private sector Development Documents

European Commission (1996), The European Commission Co-operation Partnership, A Presentation of the Cooperation Strategy 1996-2000.

European Commission (1998), COM (1998)667 – A European Community Strategy for Private Sector development in ACP countries.

European Commission (2003) Guidelines for EC Support to Private Sector Development.

European Commission (2003), COM (2003)267 - EC Co-operation with Third Countries: The Commission's approach to future support for the development of the Business sector.

European Commission (2003), EU Economic and Commercial Counsellors' 2003 Report.

2. Country Documents

European Commission - Zambia (1996) Country Strategy Paper and Indicative Programme 1996-2000.

European Commission - Zambia (2001) Country Strategy Paper and Indicative Programme 2001-2007.

European Commission (2002), Co-operation between the EC and the Republic of Zambia Joint Annual Report 2002.

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Government of Zambia (2004), PSD Reform Programme Report.

IMF (2004), Zambia: Selected Issues and Statistical Appendix.

UNDP (2003), Human Development Index.

World Bank (2004), Zambia Country Assessment Strategy.

World Bank (2004a), Zambia at a glance.

World Bank (2004b), Zambia Country Assessment Evaluation.

World Bank (2004c), Snapshot of business environment Zambia.

Zambian Government (1995), "Policy Framework Paper 1995-1998".

3. Project documents

Private Sector Development Programme (8 ACP ZA 3):

- Project Synopsis.
- Financing Agreement (2003).
- Financing Agreement (1998).
- Technical and Administrative provision for implementation (1998).
- Monitoring report (2003).
- Monitoring report (2000).
- Implementation schedule (2002).
- Logical framework.
- PSD Final project completion report (2004).

Micro credit delivery for the empowerment of the poor (7 ACP ZA 84):

- Project Synopsis.
- Financing Agreement (1996).
- Technical and administrative provision for implementation (1996).

SWARP Spinning Mills II. (7 ACP ZA 67):

- Project details.

Export Development programme II (8 ACP ZA 28):

- Project Synopsis.
- Financing Agreement (1999).
- Technical and administrative provision for implementation (1999).
- Monitoring report (2004).
- Logical framework.

Lumwana study (8 ACP ZA 53):

- Project details.

Mining Sector Diversification Programme (8 ACP ZA 36):

- Project Synopsis.
- Financing Agreement (2000).
- Technical and administrative provision for implementation (2000).
- Logical framework.

Structural Adjustment and Sysmin Support Programme (8 ACP ZA 36):

- Project Synopsis.
- Financing Agreement (2000).
- Technical and administrative provision for implementation (2000).
- Logical framework.

Regional Harmonisation of Customs and Trade Statistics Systems (8 ACP ROR 001):

- Financing Agreement (1999).
- Technical and administrative provision for implementation (1999).
- Logical Framework (1999).
- Monitoring report (2004).

Urban Market Development Programme:

- Financing Agreement (2003).
- Technical and administrative provision for implementation (2003).

Annex 3 - Map of the country

Source: CIA World Factbook.

Annex 4 - List of projects / programmes

Project number	Project title	Planned (million €)	Source of financing	DAC Code description
8 ACP ZA 3	Private sector development programme	8.79	EDF 08	Privatisation
8 ACP ZA 28	Export Development Programme Ph. II (EDP II)	6.50	EDF 08	
8 ACP ZA 36	Mining sector Diversification Programme	30.00	EDF 08	Industrial Development
8.ACP.ZA 37,38,39,40,41, 42,43 & 44	Structural Adjustment and Sysmin Support programme	109.00	EDF 08	
8.ACP.ROR 001	Regional Harmonisation of customs and Trade Statistics Systems	12.6	EDF 08	Trade
8.ACP.ZA 59	Urban Markets Development programme	16.5	EDF 08	
7 ACP ZA 84	Micro credit delivery for empowerment of the poor	1.51	EDF 07	Informal / Semi-Formal Financial Institutions
7 ACP ZA 67	SWARP Spinning Mills II	6.00	EDF 07	Textiles, Leather And Substitutes
8 ACP ZA 53	Lumwana study	7.00	EDF 08	Industrial Development

Annex 5 – Programme sheets

Programme No 1
Private Sector Development programme

1. Project identification data

Title	Private Sector Development Programme
Number	8.ACP.ZA 3
Source of financing	
Financing decision	
Financing agreement	
Start date	10/11/1999
Planned end-date	31/10/2004
Total Budget	EUR 8.785.000,00
EC Budget (committed)	EUR 8.785.000,00
EC Budget contracted as of 30/04/2003	EUR 7.591.690,00
Disbursements as of 30/04/2003	EUR 5.225.850,00
Beneficiary	MEs, SMEs, Intermediary organisations
Operator (if different from Beneficiary)	

2. Budget

Budget Item	€	%
1. Non financial Support to MEs / Infrastructure Support (Window 1)	1.310.000	15%
2. Financial Support (credit line) to SMEs Window 2	2.100.000	24%
3. Non-Financial Support to SMEs (Window 3)	2.690.000	31%
4. Capacity Building of Intermediaries (Window 4)	885.000	10%
5. Foreign Investment Promotion	250.000	3%
6. Management of the Programme	1.000.000	11%
7. Mid-term Review / Evaluation	100.000	1%
8. Contingencies	200.000	2%
9. External Monitoring and Financial Audit	250.000	3%
Total	**8.785.000**	**100%**

Note: This does not include TESF (budget of EUR 2.000.000).

3 Global objectives

- To contribute to a strong and responsive private sector and increased employment creation, in accordance with the aims of the Government's Policy Framework Paper 1995-1998 and with the strategy of the 8th EDF.
- To improve the performance of private micro, small and medium enterprises in targeted economic sectors.

4 Specific objectives

- To achieve improved performance and expansion of private enterprises in Zambia, using differentiated support approaches for the Micro-enterprises (MEs) sector and for the Small and Medium Enterprises (SMEs) sector that will lead to increased employment and business opportunities.
- To strengthen providers of non-financial services to MEs and SMEs.
- To enhance the capacity of advocacy organisations to conduct a fruitful policy dialogue with the government.

5 Activities

1. **Non-Financial Support to Micro-Enterprises (Window 1):** Support to MEs through a non-financial facility administered directly by the Project Implementation Unit (PIU) and delivered by intermediary service providers throughout Zambia. This support also includes a fund for small infrastructural improvements to establish better trading conditions.

2. **Financial Support to SMEs (Window 2)**: Support to SMEs through an Apex line of credit managed by Grant Thornton Associates and administered by five commercial banks.

3. **Non-Financial Support to SMEs (Window 3)**: Provision of technical assistance to SMEs who are interested in restructuring their businesses, incorporate new technology, and enter new markets. The assistance is managed by the Centre for Development and Enterprise (CDE), previously called the Centre for Development of Industry (CDI).

4. **Capacity Building of Intermediaries (Window 4**): Institutional capacity building and support for non-financial intermediary or service organisations to MEs and SMEs.

5. **Securing Foreign Investment (Window 5)**: Foreign investment promotion through a Memorandum of Understanding and implemented by the Zambian Investment Centre.

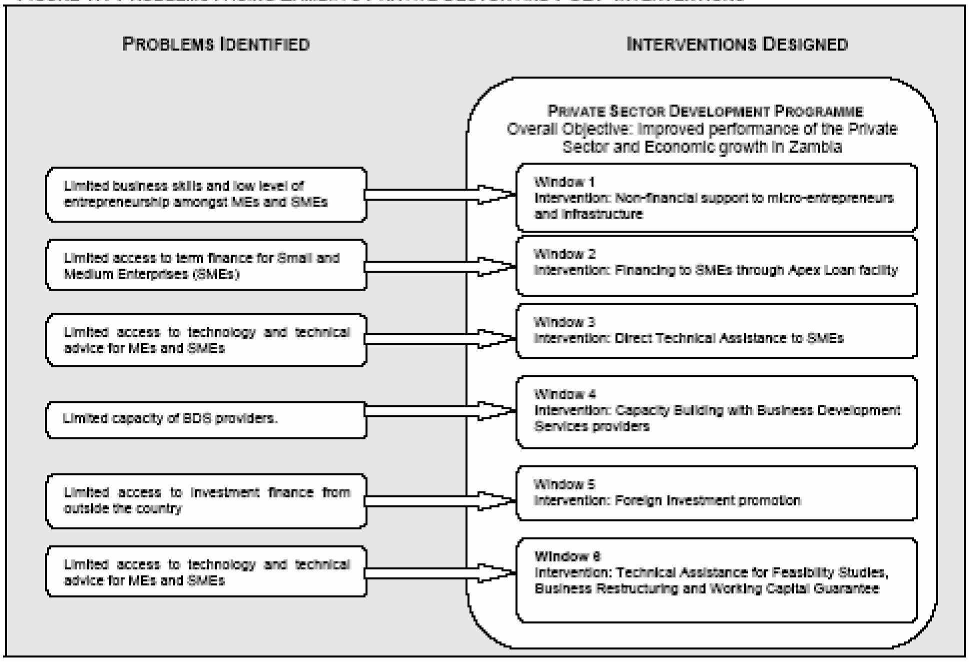
6. **Support to Trade and Enterprise (Window 5)**: The Trade and Enterprise Support Facility has four subcomponents:
   - feasibility studies;
   - working capital guarantees;
   - business re-engineering;

- listings on the Lusaka Stock Exchange. Grant Thornton manages the counter-value funds of the TESF and reports to a sub-committee of the PSDP Steering Committee.

The project's activities, therefore, cluster around three main focus areas of ME and SME support:

- enterprise development,
- institutional capacity building,
- foreign investment promotion.

FIGURE 1.1 PROBLEMS FACING ZAMBIA'S PRIVATE SECTOR AND PSDP INTERVENTIONS



6. Results

The revised 'overall' project log frame identifies 10 results:

- expansion of ME capacities;
- an improvement in the capabilities of the intermediaries (including government-funded institutions);
- an increased awareness among the people of Zambia of the opportunities in MEs;
- improved infrastructure facilities for MEs operations;
- the removal of (regulatory) barriers that obstruct the development of MEs, especially at local and district level;
- new SMEs. Rehabilitated SMEs, SME production capacity expanded;
- the term loan component of the portfolios of financial institutions increases;
- SMEs have improved access to foreign technology and markets and compete more effectively in foreign markets;

- improved access to foreign capital, particularly from South Africa and the EU;
- improved government policy response to the private sector voice.

7. Impacts

Window 1: Non Financial Support to Micro Enterprises

PDSP has demonstrated that BDS (mainly training) to MEs effectively impacts business growth and product diversification. The impact study shows that in a period of on average 1½ years after the BDS event, the enterprises report:

- A 73% average ***increase of turnover*** in current prices, which is estimated at ***42%*** in real prices. This would amount to an annual real growth of 20%, which is very high for MEs.
- An ***increase of employment*** with at least one extra employee for 50% of the MEs.
- 48% of the MEs entered ***new markets***.

How did the BDS result in business growth? MEs provided the following answers:

- 10% reported to have introduced new products,
- 43% adopted new business management and financial management practices,
- 20% developed and used business plans.

These changes can directly be related to the BDS provided. It is also quite plausible that these changes indeed contributed to a large extent to the business growth data quoted above. Even if only half of it can be attributed to the BDS events, the result would still be impressive.

It is concluded that PDSP has facilitated very effective BDS interventions for micro-enterprises.

Window 2: Financial Support to SMEs

On a more localised level, Window 2's purpose was *'to improve the access to working capital and term finance for small and medium enterprises'* as measured through SMEs reporting reduced barriers to credit provision & access. Other than for the few who received loans, the provision and access has not improved. Also, because of the high rate of default, most of those who did borrow will find it more difficult to borrow in future, because they now have poor credit histories.

Window 3: Non financial support to SMEs

Support to SMEs through window 3 has been effective generally. This is particularly so for the tourism sector. Window 3 was particularly effective in supporting SMEs in the tourism sector through the Tourism Council, to sell Zambia as a tourist destination through attendance at tourism promotional fairs. The tourism marketing and promotional activities supported by PSDP have benefited more players in the sector than those SMEs directly supported to attend tourism promotion fairs and exhibitions.

By far the greatest improvement that appears to have been effected by window 3 is improvement in the ability of SMEs to access markets and attract more customers and improvement in productivity at the entity level.

The impact study of June 2004 revealed the following general results for window 3:

- investment increased by an average of 8% in targeted SMEs,
- turnover increased by an average of 30.5% in targeted SMEs,
- employment increased by an average of 8.5 % in targeted enterprises.

Exports increased by an average of 36.9% for targeted companies. The 2001 logical framework set the expected result as '.SMEs in the programme develops profitable trading relationships with EU/SADC markets.

Causality between recorded results of the impact assessment and interventions through window 3 for targeted companies is rather difficult to establish as there was no control group of SMEs established as a reference point.

Window 4: Capacity Building with Service Providers to Small, Medium and Micro Enterprises

Four different impact indicators can be used to assess effectiveness:

a. 64 % of the members of intermediaries report improvement of their services; this is a sign that Intermediaries have become more responsive to member's needs. This was one of the purposes (and sometimes the explicit strategy) of capacity building efforts.
b. The membership of all Intermediaries increased by 22%; this is likely to be largely a result of the above finding (a) and can consequently be linked to capacity building.
c. It is interesting to note that the specific improvement reported refers partly to PDSP supported activities, and party to activities undertaken by the Intermediary on their own account. This indicated that the capacity building was effective.

84% of the Intermediaries reported improvement of their services (self assessment). This is an expression of 'satisfaction' with the capacity building received from PSDP.

The four types of impact indicators together provide strong evidence that indeed the capacity building has to a high degree been effective. The perception of the Intermediaries is clearly more optimistic (84%) than the assessment of the members (64%), but that is to be expected. If the latter is taken as the more reliable indicator, it can be concluded that 2/3rd of all capacity building has resulted in substantive improvement in services. In view of the weakness of most of these organisations, this is to be considered a very good result.

Window 5: Foreign Investment Promotion to Zambian Businesses

- Due to the short period that the facility has been operational it is quite difficult to measure impact that could be directly attributable to the activities under Window 5. Support to ZIC clearly was useful as it contributed to ZIC's efforts to realise its mandate to attract foreign investment to Zambia.

- The quality of promotional material on Zambia produced and disseminated has lead to a number of enquiries on investment prospects in Zambia.
- The promotional visits by ZIC to investment and trade exhibitions have also resulted in a number of enquiries and contacts between companies in Zambia and those in EU countries and Republic of South Africa (RSA).

Window 6: Trade Enterprise Support Facility

Impacts were satisfactory for feasibility studies, credit guarantee and business re-engineering components, but indeterminate for the Lusaka Stock Exchange (LuSE) component.

8. Problems encountered

Window 2: Financial support to SMEs

The most influential factor in determining the lack of success of the Apex Financing Facility stems from flaws in the design and methodology of the Window.

Window 3: Non Financial Support to SMEs

- The project did not develop a formal impact monitoring mechanism to track changes/progress of beneficiaries' operations. A 'mini' impact assessment of beneficiaries was conducted in 2002 for those interventions/projects that had been completed by 31st December 2001. The assessment yielded only 16 responses. Monitoring of the impact of support on individual enterprises was not formalised.

- Following changes in the BDS paradigm in 2001 requiring entrepreneurs to pay the full cost of Business Development Services, CDE did not make a deliberate attempt to raise the promoters' cost contribution ratio above 1/3. This continued to create the impression as noted in the PSDP Impact Assessment Report for window three of the perception that '…EU will always be there for subsidising activities…'.

- All project applications had to be vetted and cleared by CDE headquarters. This contributed to some administrative delays particularly in the initial phase of the programme.

Window 4: Capacity building with service providers to Small, Medium and Micro Enterprises

- The level and trend in cost sharing was not part of the MIS. It was decided on ad hoc basis.
- It is important to maintain a clear distinction, conceptually as well as strategically, between Intermediaries and BDS providers.

- Synergy between the windows 4 and 1, as well as 4 and 3, was less strong than one would have expected. There was no strategy it seems to maximise the synergy because the demand led approach took precedence.

Window 5: Foreign investment promotion to Zambian Business

Delays in obtaining approval from NAO/EU were cited by ZIC as having contributed to the slow and frustrating pace of progress of activities under this facility. We also noted that there were delays by ZIC in seeking approval for activities to be undertaken resulting in about 22,000 Euros disbursed by EU for the first programme being time barred as it was not utilised by the deadline of 31st March 2004.

Window 6: Trade Enterprise support facility

Impacts were satisfactory for feasibility studies, credit guarantee and business re-engineering components, but indeterminate for the LuSE component.

Programme No 2
Export Development programme (EDP II)

1. Project identification data

Title	Export Development Program (EDP II)
Number	8.ACP.ZA 28
Source of financing	
Financing decision	10885/1 (1) PFI of 21/12/1992
Financing agreement	FED/ZA/05017/002
Start date	01/06/2001
Planned end-date	31/05/2005 (but likely: 31/12/2007)
Total Budget	EUR 6.500.000,00
EC Budget (committed)	EUR 6.500.000,00
EC Budget contracted as of 02/06/2004	EUR 3,318,354
Disbursements as of 02/06/2004	EUR 2,446,849
Beneficiary	Companies
Operator (if different from Beneficiary)	

2. Budget

Budget Item	€	%
1. Export Financing Facility	2.000.000	30,77
2. Product Marketing Assistance	850.000	13,08
3. EDP II Secretariat	200.000	3,08
4. Short term Technical Assistance	2.450.000	37,69
5. International Promotion of Zambian NTEs	250.000	3,85
6. Mid Term and final evaluations	100.000	1,54
7. External Financial audit	50.000	0,77
8. Contingencies	600.000	9,23
Total	**6.500.000**	**100,00**

3. Global objectives

- The overall objective of this programme is to contribute to the GDP growth, poverty alleviation and employment in Zambia.
- The project concept is to achieve an increased value, volume and competitiveness within the non traditional export sector.

4. Specific objectives

The purpose of EDP II is to increase output, exports and productivity in selected export-led sub-sectors.

5. Activities

1. **Export Financing Facility**
   Financial support will be provided through the Export Financing Facility (EFF), a short-term credit line, acting like a Revolving fund, whereby the participating Producer Associations (PAs) have access to short-term finance, on behalf of their members for production and / or seasonal inputs, minor capital items and pre- and post-shipment finance.

2. **Technical Assistance:**
   - the programme will provide long-term technical assistance for the coordination, management and monitoring functions;
   - short –term technical assistance to the PAs will be delivered on request by each PA through the Annual Work Programme;
   - it will benefit new targeted PAs and groups of companies;
   - the short-term technical assistance will focus on the improvement of production and marketing cycles, research and market development, extension and training procedures, other specialised requirements of the Pas.

3. **International Promotion of Zambian Non-Traditional Exports (NTEs)**
   Finance of the promotion of Zambian NTEs through selected activities:
   - cover of participation costs in international trade fairs and conventions,
   - preparation and dissemination of promotional literature,
   - development of internet-based information and marketing system.

6. Results

The main results are:

- accessibility to credit by additional NTEs sub-sectors enhanced;
- management, organisational and technical capacities of the targeted Pas, their members and groups of companies strengthened;
- competitiveness of producers strengthened;
- greater awareness of Zambian NTEs in the major exports markets.

7. Impacts

EDP was seen as rather successful, especially to lift companies from stage 1 to 5. Several missed opportunities however were identified: companies that benefited from EDP and who were on the right track, but than aid was pulled back. These companies will survive, but much more could have been done with them. It was less successful however in lifting the companies from stage 5 to 10.

- The experience of the ZGCA association confirms the above: PSDP; and
- EDP helped ZGCA to:
    - improve the quality of its products,
    - finance Buying the necessary inputs for coffee growing,
    - ➔ without Financial support, many coffee growers would have not survived.

The impact is measurable: change from 1995 to 2003 includes:

- output more than tripled (from 2000 to 7000 m2);
- increased exports from 0% to 5% of turnover;
- increased productivity from 1.8m2 / hectare to 3m2 / hectare;
- report: These results were achieved despite depressed international coffee prices (resulting from Brazil supply boom).

Most of the impact can be attributed to PSDP and EDP.

EC programmes are effective in reaching the purpose (making companies more competitive), but not sufficiently. As a result of lack of forward lookingness or flexibility, EC beneficiaries cannot become truly competitive champions. Instead, EC interventions are good for lifting companies or giving them a one-off boost, but generally stop there.

ZGCA does not feel EDP went far enough to become truly competitive in the international coffee market: EDP helped ZCGA and its members grow initially by responding to critical needs improving product quality, improving productivity). But to truly grow, ZCGA must take steps to penetrate of specialized market e.g. Japan and USA; ZCGA's members must further improve on key areas, including a. Promoting their "image" (requiring marketing) b. Improving product quality c. Long-term finance d. Helping growing beans towards a finished product.

These activities could have been carried out under EDP II, but the Terms of Reference of EDP II stated that aside from few exceptions, EDPII must target new companies / associations (i.e. no companies / associations that benefited from EDP I).

8. Problems encountered

EDP programme was effective in reaching the purpose (making companies more competitive), but not sufficiently. As a result of lack of forward lookingness or flexibility, EC beneficiaries cannot become truly competitive champions. Instead, EC interventions are good for lifting companies or giving them a one-off boost, but generally stop there.

EC is not always equipped to deal with dynamism of private sector For EDP II, a study was carried to choose promising sector. But by 2003, when program was launched, market realities have changed.

Programme No 3
Mining Sector Diversification programme

1. Project identification data

Title	Lumwana Study
Number	8.ACP.ZA 36
Source of financing	
Financing decision	
Financing agreement	6308/ZA
Start date	08/11/2001
Planned end-date	30/11/2007
Total Budget	EUR 30.000.000,00
EC Budget (committed)	EUR 30.000.000,00
EC Budget contracted as of	n.a.
Disbursements as of	n.a.
Beneficiary	
Operator (if different from Beneficiary)	

2. Budget

Budget Item	€	%
1. Mining Facility	18,000,000	60
2. Service contracts (long and short-term, incl. equipment for long-term experts)	6,505,000	22
3. Annual work Programme costs (incl. training and office equipment)	3,890,000	13
4. Monitoring/Mid-term reviews/Evaluation	167,000	0
5. Contingencies approx. 5%	1,438,000	5
Total	**30,000,000**	**100,00**

3. Global objectives

- To increase export earnings through economic diversification.
- To generate employment opportunities.
- Contribute to poverty alleviation.

4. Specific objectives

To improve utilisation of natural resources in the non-traditional mining sector through the miners' and processors' improved ability to produce, market and sell an improved quality product.

5. Activities

1. **Mining sector credit facility:**
   Facilitate access to adequate capital and equipment for SMEs in the non-traditional mining sector (incl. downstream processing and marketing).

2. **Business assist scheme component:**
   - improve the level of business management (training courses);
   - raising the level of mining and processing skills (investigation into optimal technology use, training courses on basic mining and processing skills, dissemination of mine safety regulations, training on environmental issues;
   - assurance of fair returns to miners for their products (valuation expert made available to raise marketing and negotiating skills of small-scale miners; investigation into ways of branding Zambia small-scale mining; Associations disseminating marking information to producers; organization of gemstones exhibitions;
   - raising the added valued component of mining products (demand-led courses for miners and processors in several processes of the gemstone value chain; added-value strategy study).

3. **Institutional and infrastructure strengthening component:**
   - strengthening the mining associations (formal and on-the-job training and with short-term expertise) to fully play their role as a communication channel and as promoters of the sector;
   - make adequate geological data readily available to small-scale miner and prospector (entering small-scale geological data into a national database);
   - assuring effective and fair mining regulations and taxation policy (adaptation of mining regulations);
   - improving road access in the mining areas (technical advice and financial support for the priority roads through annual work programmes).

6. Results

- Adequate geological data readily available to the small-scale miner and prospector.
- Small-scale miners and processors better able to manage their business.
- Small-scale miners equipped with adequate mining, safety, valuation and processing skills.
- Improved access to adequate capital and equipment for small-scale miners and processors.
- Small-scale miners and processors obtain a fair market price for their products.
- Added-value created for gemstones, dimension stones and other products.
- Several strong well-managed mining associations involved in development of the sector.
- Effective and fair mining regulations and taxation policy in place.
- Road accesses in the mining areas improved.

7. Impacts

(Source: Mining Sector Diversification Programme (8ACPZA036) Mid – Term Review / Evaluation.)

The MSDP has made an impact on the Small Scale Miners in Zambia:

- The organisation created at Exploration House, provides a focus for small-scale, non-traditional mining activities in Zambia. It is accessible and provides an active link to the mining industry. In many ways, it provides a greater focus on the Small Mines Sector than the Ministry of Mines and Mineral Development (MMMD).
- The Mining Sector Credit Fund (MSCF) has had little impact, other than to create frustration amongst the founding and key stakeholders. The MSDP has made great efforts to deliver access to finance in the small mines sector, including a proposed small-scale lending facility.
- The training programmes have been extensive, but have received mixed reviews. Overall, they are delivering a knowledge base to the small-scale miners, but there have been criticisms of the theoretical aspects of the contents. Support of the providers, e.g. University of Zambia School of Mines, will assist long-term stability of the programme.
- The Regional Advisor and Technical Advisor schemes have been well received and are in general effective. The Lusaka-centred nature of the operation has been criticised, but the advisors frequently travel to the regions.
- Marketing and value addition initiatives have resulted in greater awareness of markets and the products, but these have attracted criticism, some reflecting personal jealousy, some relating to fundamental problems, e.g. the problem of supply. There is a balance required between production, grading and value addition on the ground with penetration of international markets where quantity, quality and consistency are paramount. In terms of increase in export income, it is difficult to make judgement. In recent years, exports have increased and then declined but overall, there seems to have been a steady increase. Unfortunately, data collection and statistics used by Government make it impossible to measure the short-term impact of the MSDP programme.

8. Problems encountered

(Source: Mining Sector Diversification Programme (8ACPZA036) Mid – Term Review / Evaluation.)

- The MSDP programme, as it stands, is failing to meet the originally defined needs of the Small Mines Sector in Zambia, principally because access to the programme's key component, MSCF, has proved beyond the reach of the majority of small scale miners for whom the programme was originally intended.
- The MSDP has little control over the funding process, but it is the failure of the MSCF by which they are judged.
- In the areas where the MSDP has control, the PMU has made progress, especially in the delivery of training and technical assistance.
- In the area of Institutional and Infrastructure Strengthening, significant results have been achieved in the development of Mining Associations.

- The intervention in the MMMD has been slow and road construction is shelved, pending discussions on the re-allocation of the funds to support the Small Scale Miner (SSM).
- Delays in project implementation are frequently the consequence of complex decision-making procedures that have hampered the start-up of activities.

Programme No 4
Structural Adjustment and Sysmin Support programme

1. Project identification data

Title	Structural Adjustment and Sysmin Support programme
Number	8.ACP.ZA 37,38,39,40,41,42,43,44
Source of financing	
Financing decision	
Financing agreement	ZA / 200 / 006
Start date	08/11/2001
Planned end-date	30/11/2007
Total Budget	EUR 109.620.000,00
EC Budget (committed)	EUR 109.620.000,00
EC Budget contracted as of 02/06/2004	n.a.
Disbursements as of 02/06/2004	n.a.
Beneficiary	
Operator (if different from Beneficiary)	

2. Budget

Budget Item	€	%
1. 8 ACP ZA 37	20,200,000	18%
2. 8 ACP ZA 38	19,500,000	18%
3. 8 ACP ZA 39	3,030,000	3%
4. 8 ACP ZA 40	2,920,000	3%
5. 8 ACP ZA 41	2,020,000	2%
6. 8 ACP ZA 42	1,950,000	2%
7. 8 ACP ZA 43	10,000,000	9%
8. 8 ACP ZA 44	50,000,000	46%
Total	**109,620,000**	**100%**

3. Global objectives

- Assist the GRZ to implement its economic reform programme.
- Provide rapid support to the Government enabling it to settle the accumulated trade creditors to Zambia Consolidated Copper Mines (ZCCM) and thus avoiding a potential collapse in the mining supporting industry (SYSMIN).
- Facilitate increases in the level and quality of social sector and economic sector expenditures by supporting the restructuring of the Government budget through domestic debt reduction. (SAF).

4. Specific objectives

SAF: Focus on two priority areas for domestic debt reduction:

- government expenditure arrears,
- ZCCM debts.

SYSMIN: To enable GRZ to:

- settle ZCCM's trade creditors and to comply with its obligations toward the mining community ;
- assist ZCCM to clean up its balance sheet and continue operations toward a final stage to privatisation.

5. Activities

n.a.

6. Results

SYSMIN:

- All selected trade creditors will be fully settled through a combination of funding provided under the proposed programme, GRZ and possible other donor financing.
- Foreign exchange resources and Zambia's balance pf payment will automatically benefit as soon as funds are transferred into the special account in Bank of Zambia (BoZ), which is expected to be in November – December 2000.

7. Impacts

n.a.

8. Problems encountered

n.a.

Programme No 5
Regional Harmonisation of Customs and Trade Statistics Systems

Note: this only refers to Phase II of the programme (not Phase I from 1994 to 1998)

1. Project identification data

Title	Regional harmonisation of customs and trade statistic systems
Number	8.ACP.ROR 001
Source of financing	
Financing decision	
Financing agreement	REG/7332/000
Start date	15/05/2000
Planned end-date	31/12/2003
Total Budget	EUR 12,600,000 (but monitoring report says 13,598,975)
EC Budget (committed)	EUR 12,600,000
EC Budget contracted as of 02/06/2004	n.a.
Disbursements as of 02/06/2004	8,589,367
Beneficiary	
Operator (if different from Beneficiary)	

2. Budget

Budget Item	€	%
1. LT experts (6 pers/years)	2,816,000	22%
2. ST experts (11 pers/years)	5,044,300	49%
3. Equipment	1,402,500	11%
4. Other average wholesale price (AWP) costs	2,746,000	22%
5. Miscellaneous 5%	591,200	5%
Total	**12,600,000**	**100%**

3. Global objectives

To advance regional integration in the Common Market for Eastern & Southern Africa (COMESA) region through the facilitation of trade.

4. Specific objectives

To establish an integrated and effective customs and external trade statistics system (e.g. Automated System for Customs Data (ASYCUDA) system, Eurotrace, COMESA-CD and COMESA Common Statistical Rules).

Note: For Phase I of the programme, the objectives were mainly to:

- install directly or provide assistance to install computerised custom systems (Asycuda) and trade data systems (Eurotrace) at the national and regional level ;
- design procedures to harmonise customs and statistical practices in the region ;
- provide training to national and regional beneficiaries.

5. Activities

- Support to the implementation of harmonised procedures in statistics and customs.
- Upgrading the existing systems.
- Preparation of the common tariff nomenclature.
- Design and implementation of service level agreement.
- Design of appropriate information processing and dissemination mechanism.
- Technical activities covering the installation or upgrade of Asycuda and Eurotrace and the installation of electronic data transmission systems among customs, national statistics office and COMESA.
- Training of customs and statistical staff (incl. trainers on Asycuda and Eurotrace).
- Best-practice customs procedures.
- Use of harmonised customs and statistics documents.
- Data publication techniques.

6. Results

- Harmonisation and improving of national customs practices.
- Strengthening capacity at the national and regional levels for producing high quality trade statistics.
- Improving links between customs and departments and Non-State Organizations (NSOs).
- Establishing a regional trade information system used by the COMESA business community and other private and public stakeholders.

7. Impacts

n.a.

8. Problems encountered

n.a.

Programme No 6
Urban Markets Development Programme

1. Identification data

Title	Urban Markets Development Programme
Number	8 ACP ZA 59
Source of financing	
Financing decision	
Financing agreement	ZA / 7011/002
Start date	
Planned end-date	
Total Budget	EUR 16,500,000
EC Budget (committed)	EUR 16,500,000
EC Budget contracted as of	n.a.
Disbursements as of	n.a.
Beneficiary	
Operator (if different from Beneficiary)	

2. Budget

Budget Item	€	%
1. Technical Assistance	1,600,000	10%
2. Works: Lusaka, Kitwe & Ndola (11 sites)	9,760,000	59%
3. Design and supervision of works	1,620,000	10%
4. Annual Work Programmes	1,850,000	11%
5. Evaluation and Audit	170,000	1%
6. Contingencies (10%)	1,500,000	9%
Total	**16,500,000**	**100%**

3. Global objectives

The overall objective of the project is the recovery of significant urban and suburban areas for economic growth with the creation of income producing activities and new jobs. The improvement of the quality of life of the population concerned, especially women given their significance in the informal trading sector, is also expected.

4. Specific objectives

To provide improved and rationalised markets working under a new legislative framework that allows for a sustainable commercial system in a clean and healthy environment.

5. Activities

- Engaging consultants and contractors to design and rehabilitate markets.
- Recruiting technical Assistance to support the Department of Infrastructure Support Services (DISS) and City Council to:
  - set up management and maintenance systems for the running of the markets,
  - carry out capacity building and training of officials and marketers,
  - set up credit schemes for marketers.

6. Results

- Licensed vendors trading appropriate commercial stalls in improved market.
- Improvement of sanitary and health conditions.
- Upgrading the refuse collection and cleaning.
- Creation of income-producing activities and new jobs (esp. for women who are traditionally involved in the sale of foodstuffs in markets).
- Spreading of the culture of selling and buying in designated public areas.

7. Impacts

n.a.

8. Problems encountered

n.a.

Programme No 7
Micro credit delivery for empowerment of the poor

1. Project identification data

Title	Micro credit delivery for the empowerment of the poor
Number	7.ACP.ZA 84
Source of financing	
Financing decision	05/06/1996
Financing agreement	
Start date	n.a.
Planned end-date	26/03/2003
Total Budget	EUR 1,507,881.32
EC Budget (committed)	EUR 1,507,881.32
EC Budget contracted	EUR 1,507,881.32
Disbursements	n.a.
Beneficiary	
Operator (if different from Beneficiary)	

2. Budget

Budget Item	€	%
1. Technical assistance		
A. Advisor (three years)	430,000	26%
B. Backstopping / monitoring consultant	95,000	6%
C. Short-term consultancies	85,000	5%
D. Evaluation	20,000	1%
E. Training of trainers	110,000	7%
2. Equipment		
A. 2 vehicles, computers, office equipment	90,000	5%
3. Trust Funds		
A. Trust Loan Fund	550,000	33%
B. Trust Capital Fund	200,000	12%
C. Contingency 5%	79,000	5%
Total	**1,659,000**	**100%**

3. Global objectives

Poverty alleviation, through promotion of income generating activities and credit delivery for empowerment of the poor through non governmental organisations and institutions.

Programme No 8
SWARP Spinning Mills

1. Project identification data

Title	SWARP SPINNING MILLS
Number	7.ACP.ZA 67
Source of financing	
Financing decision	09/05/1995
Financing agreement	
Start date	n.a.
Planned end-date	20/01/2000
Total Budget	EUR 6.000.000,00
EC Budget (committed)	EUR 6.000.000,00
EC Budget contracted	EUR 6.000.000,00
Disbursements	n.a.
Beneficiary	
Operator (if different from Beneficiary)	

Programme No 9
Lumwana Study

1. Project identification data

Title	Lumwana Study
Number	8.ACP.ZA 53
Source of financing	
Financing decision	10885/1 (1) PFI of 21/12/1992
Financing agreement	FED/ZA/05017/002
Start date	22/05/2001
Planned end-date	31/12/2001
Total Budget	EUR 7.000.000,00
EC Budget (committed)	EUR 7.000.000,00
EC Budget contracted as of 02/06/2004	n.a.
Disbursements as of 02/06/2004	n.a.
Beneficiary	
Operator (if different from Beneficiary)	

Annex 6 - Evaluation Questions Grid

EQ 2 - Overall design of the strategy

Is the EU PSD strategy in terms of "expected results" well designed to ensure the realisation of the purpose of strengthening the business sector with a view to contribute to the overall objectives of the EU external policy?

A. To what extent is each area of intervention ("expected results") relevant in terms of contribution to the purpose?

B. Is its success dependent on certain conditions (another expected result or some other 'external' factor)? If yes, which ones? Have they been identified in EU PSD strategy documents?

C. Is the set of fields of actions comprehensive (are some essential fields missing (for example, role of champions)?

D. Is it well structured:
- **i) Are there potential complementarities and synergies between expected results and have they been identified?**
- **ii) Are there possible contradictions between fields and have they been identified?**
- **iii) Should there be a prioritisation?**

2B.1 Conditions to reach the expected results exist

2B.1.3 Country missions provide examples from such conditions

At the level of the overall cooperation strategy, the CSP 1996-2000 (**8th EDF**) indicates that the viability of the Community's aid strategy in Zambia is dependent "on the maintenance and development of the current democratic system, the guarantee of human rights, the rule of the law, and freedom of speech, to which the present government is firmly committed".

The **9th EDF** Strategy Paper states that the upgrading of institutional and manpower conditions in the public sector are needed as part of the Government's strategy to improve the market environment for the private sector and encourage economic growth. Moreover, the absence of a policy framework for private sector interventions results, according to an evaluation of the sector, in donor efforts being spread with limited impact. Further, it indicates that targeting the transport sector (the other focal sector) is crucial for the development of a competitive business sector. More specifically, with respect to PSD, it states that "Roads are of crucial importance for access to local/regional markets and to social services, and that "Roads are vital for the integration of peripheral parts of the country and for the transportation of agricultural inputs and produce between the market places and individual farmers".

At the level of PSD programmes, the following table presents some of the main assumptions stated, according to the logical framework of each programme:

Programme	Level	Assumption
Export Development programme (EDP)	Programme purpose: Increase output and exports in selected export-led sub-sectors.	Macroeconomic environment does not deteriorate.
Private sector development programme	Overall objective: To contribute to a strong and responsive private sector and increased employment	GRZ remains committed to private sector development and provides the necessary

(PSDP)	generation, in accordance with the aims of the Government's Policy Framework Paper 1995-1998 and with the strategy of the 8th EDF.	legislative and fiscal environment.
	Programme purpose: To improve the performance of private micro, small and medium enterprises in targeted economic sectors.	It is possible to differentiate programme effects from externalities.
Mining Sector Diversification programme (MSDP)	Overall Objective: Poverty Reduction.	*None*
	Programme purpose: The sustainable development of the non-traditional mining sector (NTMS).	Economic growth through consistent implementation of structural adjustment.
Capacity Building for Private Sector Development Programme (CB-PSDP)	Overall objective: To strengthen the institutional capacities of the Zambian public and private sectors to manage the economy and promote privates sector led development.	*None*
	Purpose: To build capacities for public-private dialogue as a basis for improving the policy and institutional environment for private sector development.	Government maintains its commitment to economic recovery through private sector led growth. Government continues the process of reform of the public sector.

A rapid response time from the Commission to adjust to a dynamic private sector can also be considered as another key condition for the success of PSD support. According to some sources, the Commission is not well set-up to deal with the realities of the private sector, particularly because the lag between planning and implementation is too long compared to changing market conditions (see particularly 41.1).

2D.1 There are potential complementarities and synergies between expected results

2D.1.3 Country missions provide examples of such complementarities

Complementarity and synergies can be found between the objective of reinforcing Business Associations and the provision of BDS services and support to micro-enterprises. In the PSDP for example, the support for micro-enterprises and the provision of BDS to SMEs (Windows 1 and 3) was achieved through intermediary associations, thereby reinforcing the latter. Similarly in the EDP, BDS was provided through Professional Associations, thereby reinforcing the latter.

It is worth noting however that while the provision of BDS through intermediary organizations meets the expected result of reinforcing intermediary organisation, it only partially meet the result of creating a local BDS market, given that intermediary organisation do not aim at selling BDS after the end of the intervention.

2D.2 Prioritisation of areas of intervention (expected results) leads to a better realisation of the purpose

2D.2.3 Country missions provide examples of such issue

The 8th and 9th EDF mention that interventions in several key areas such as macro-economic stability, institutional capacity and transport are conditions for the developing the private sector. The CSP 2001-2007 states explicitly for example that "for all forms of private sector development, considerable improvement in the availability of economic infrastructures and human resources are urgently required." But these documents do not explicitly state that a prioritisation in these areas will lead to a better realisation of the purpose of creating a more competitive business sector in Zambia. Donors also do not seem to focus on one priority area of intervention (for example, UNDP focus in institutional capacity while the GTZ focuses on direct technical assistance to the government), which suggest that donors do not necessarily identify one priority area of intervention.

Several interviews confirm this conclusion. One Chief Technical Advisor mentions that the Commission's PSD strategy under the 9th EDF to move towards the macro and meso level does respond to key needs of the country but should not suggest that intervention at the micro-level should stop. With regards to the Commission's intervention on transport in the 9th EDF, most beneficiaries do recognize the importance of an adequate infrastructure for the competitiveness of Zambia's business sector but the latter does not suggest that businesses cannot reach a certain level of competitiveness without improvements in the existing infrastructure of the country. Rather, it confirms the position that the purpose of creating a competitive business sector can be *better* realised when all key conditions are met.

EQ 3 – Relevance of PSD strategy in a given country

For a given country,

A. Does the selection of the areas of intervention correspond to the EU PSD strategy?

B. Does the selection of the areas of intervention correspond to clearly identified priority needs of this country to increase the competitiveness of the business sector with the view to contribute to the overall objectives of the EU external policy?

3A.1 The areas of intervention (expect results) in Zambia correspond to the areas proposed in the EC PSD strategy

3A.1.1 Correspondence between the areas of intervention (expect results) in Zambia and the EC PSD strategy

As demonstrated in the box below, the selected areas of intervention (expected results) under the 8th and 9th EDF for Zambia largely correspond to the EC PSD strategy as formulated in the EC Communication strategy for PSD (2003) and EC Guidelines for EC Support for PSD (2003).

PSD programme	Expected Result (as per Intervention Logic)
Private Sector Development Programme (PSDP)	▪ Enterprises' management and organization improved. ▪ Financial markets are reinforced and their capacity to finance investment is increased. ▪ Capacity of intermediary organizations is enhanced. ▪ More effective non-financial services. ▪ Development of micro-enterprises.
Export Development Programme (EDP)	▪ Capacity of intermediary organizations is enhanced. ▪ More effective non-financial services.
Mining Sector Diversification Programme (MSDP)	▪ Enterprises' management and organization improved. ▪ More effective non-financial services.
Capacity Building for Private Sector Development Programme (CB-PSDP)	▪ Macro-economic, legal and regulatory framework more conductive to PSD.

In the 9th EDF, the CSP states that transport (the other focal area of intervention in Zambia) has an important impact on PSD, a view that is shared by most of the interviewees. However, the role of transport - and more in general, of infrastructure – in private sector development in third countries is not developed in EC PSD strategy documents.

3B.1 The selected areas of intervention (expect results) correspond to clearly identified needs of Zambia in terms of PSD

3B.1.1 Correspondence between selected areas of intervention (expect results) and clearly identified priority needs of Zambia in terms of PSD

Overall, interviewees found that the selected areas of intervention under the **8th EDF** (particularly access to finance and BDS) were relevant to Zambia's PSD priority needs:

- **BDS**: Overall, BDS programmes respond to key needs of beneficiary companies. Particular key strengths of these interventions include a demand-driven approach combined with flexibility to adjust the beneficiary's initial requests after consultant's examination of company needs. The GOZ's PSD Reform Programme (2004) mentions for example the limited knowledge of new export-market opportunities as one of the enduring obstacles for PSD growth.
- **Access to finance**: Growth of Zambian companies depends on a strong capital market. In the

absence of a strong capital market (only 20 companies are listed in the stock exchange), EC support in financial services is very important. In the Global Competitiveness Report, Access to financing was mentioned as the most problematic factors for doing business in Zambia (World Economic Forum, 2004).

Under the **9th EDF**, EC's focus on the Institutional Development and Capacity Building is in line with generally recognised needs of Zambia in terms of PSD. The World Bank for example recognizes its importance in the CAS 2004: "Zambia needs to improve the effectiveness of its public service to reduce poverty, and to create a conducive environment for private sector investment and growth. This will require a qualified and motivated civil service, a structure of public service and institutional set up that is well aligned with front line service delivery, improved policy coordination and implementation, and an appropriately paced, gradual decentralization of services consistent with capacity building local governments." In the Global Competitiveness Report, corruption and inefficient bureaucracy were mentioned as the 6th and 13th and inflation as the 2nd out of 14th, respectively) most problematic factors for doing business in Zambia (World Economic Forum, 2004). Moreover, the GOZ PSD Reform Programme Report, the GOZ identifies several weaknesses related to the public service as constituting a key obstacle to PSD (see Question 3.C).

Some of the interviewees and participants to the focus group, however, question the relevance of EC focusing on institutional support only. The main reason being certain mistrust on the capacity of the government to improve its performance in spite of the support to be received from the EC. This is reflected on the view that the effects of donors' support to the government are rarely felt by the private sector and that companies can very well survive and grow despite a weak public sector performance.

Further, the shift from micro to macro level is perceived by some interviewees as a result of changes in the EC approach rather reflecting identified needs of the sector in Zambia. Some stakeholders suggested also that it is important for the Commission to intervene at all (micro, meso, macro) levels rather than just at one level. Given that such strategy may disperse resources, it was further suggested focusing on all three levels but on a single sector/industry. Some interviewees said that intervention in one area only may still be relevant if other key needs of the country are tackled by other donors (see question 8 – coordination).

Several beneficiaries felt that some issues were not targeted by PSD interventions. Examples include a generally underdeveloped work force, particularly in the service industry. Other key needs mentioned by the GOZ include poor quality of telecommunication services, restrictive labour laws, lack of credible and internationally recognised certification standards, etc. The World Bank (CAS, 2002) mentions macroeconomic stabilization, human capital and key constraints. Interviewees also mentioned the need for micro-level intervention such as non-financial services. The Commission justified its choice of these areas of interventions based, among other reasons, on its comparative expertise. The CSP 2001-2007 states that one of the reasons for intervening in institutional development and capacity building is that "the EC has considerable experience in capacity building gained from previous successful interventions".

On the contrary, support to the transport sector in Zambia, although not considered as part of the support to PSD, was seen as relevant by most interviewees due to the high cost of doing business because of inadequate infrastructure. In the Global Competitiveness Report, inadequate infrastructure was mentioned as the 6th (out of 14th) most problematic factors for doing business in Zambia (World Economic Forum, 2004). The GOZ's PSD Reform Programme Report also identifies infrastructure as constituting a key obstacle to PSD (see Question 3.C).

3B.1.2 Correspondence between PSD strategy in the country and national priorities or policies

In its Annex 9, the **CSP 2002-2007** presents an analysis of the main challenges faced in terms of institutional development and capacity building and more in particular of the aspects related to the private sector. It is stated there that Zambia can move towards full economic recovery and "to do so, the process of market reforms need to be intensified and obstacles removed at the macro, meso and micro levels. Overall, a more supportive policy and institutional environment is required to encourage further development of the private sector." Yet, it is also explained that "of all constraints the most significant seem to be the absence of political commitment to the sector, and weakness of public and privates sector institutions to formulate and implement policy." Therefore, that the task of defining and designing appropriate responses is especially challenging. The proposed approach is thus a gradual, iterative and flexible one, avoiding supply driven interventions, building ownership and commitment. It also proposes to commission a concept paper and detailed needs assessment as a basis for programme design.

In summary, if the PSD strategy proposed under the 9th EDF corresponds to the broad mid-term objectives of the government, it cannot correspond to national priorities or policies for the sector given that these are inexistent. The response strategy proposed, however, is one to encourage the government to elaborate and own such policies.

Community PSD aid under the **8th EDF** focused on the productive sectors. In terms of PSD, focus was in particular on financial and non-financial cross-sectoral support to business enterprise, complemented by assistance in macroeconomic management and policy formulation (in particular the establishment of enabling environment for economic growth and political stability and the maintenance of macroeconomic stability). These areas were in line with broad Zambian national policies regarding the attainment of macroeconomic stability, liberalisation of the economy (privatisation, facilitation of production, encouragement of improved productivity and competitiveness, reduction of import dependency, and increase in tradition and non-traditional exports).

EQ 4.1 - Effectiveness - Business environment

To what extend did EU interventions make the institutional, macro-economic and legal and regulatory framework more conducive to PSD?	
41.1	EC support to the institutional setting has contributed to the development of the business sector
41.1.1	*The objective of the programme corresponds to the expected result proposed by the EU PSD strategy*
No EC support in Zambia aimed at this expected result under the **8th EDF**. Under the **9th EDF**, the second focal sector is Institutional Development and Capacity Building. Under this sector, the second component will "address the need to develop capacities for public-private dialogue as a basis for building a policy and institutional environment to promote private sector-led economic growth, particularly in the areas of investment, export promotion and trade". This objective broadly corresponds to one of the expected results of the CEC PSD strategy.	
41.1.2	*Evidence that the improved institutional capacity due to EU support has produced a framework that is more conducive to PSD*
The programme has not yet started (see below).	
41.1.3	*Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme*
The CB-PSDP was programmed under the 9th EDF and proposed on the CSP 2000-2007. At the time of the mission (February 2005), the programme had not yet started but the financing proposal was in the process of approval. It was stated in the CSP 2000 that "in the absence of clear Government policy the task of defining and designing appropriate responses is especially challenging." However, in these five years the government and the private sector have taken a number of initiatives among which the PSD Reform Programme, a policy agenda to develop the private sector. It is likely that the CB-PSDP programme will need to adapt to the new context, otherwise it may end up not being in line with the progress on the government's side, which may therefore impact the programmes effectiveness.	
41.2	EC support to macroeconomic stabilization has contributed to the development of the business sector
41.2.1	*The objective of the programme corresponds to the expected result proposed by the EU PSD strategy*
Although not considered as part of the EU PSD strategy, the "Structural Adjustment and SYSMIN Support Programme" aimed at: ▪ Providing support to the Government enabling it to settle the accumulated trade creditors in the mining industry to ZCCM and thus avoiding a potential collapse in the mining supporting industry (SYSMIN). ▪ Facilitating increases in the level and quality of social sector and economic sector expenditures by supporting the restructuring of the Government budget through domestic debt reduction. These programs are in line with the objective of macro-economic stabilization objectives in the EU PSD Strategy.	
41.2.2	*Evidence that the improved macroeconomic situation due to EU support has produced a framework that is more conducive to PSD*
It is expected that macroeconomic support given to the GOZ will contribute to the reduction of the government's internal debt and as a consequence that it will entail a reduction of interest rates. So far the effect is not significant although interest rates have started to decrease.	

41.2.3	*Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme*
The 2003 Joint Annual Report (European Commission, 2003), states that "'the achievement of macroeconomic stability is seriously hampered by the difficulties with the budget. In 2003 the Government succeeded to sustain economic growth, curb the inflation rate and keep a smooth depreciation of the exchange rate. However, as already mentioned, fiscal imbalances could compromise macroeconomic stability and, ultimately, economic growth and poverty reduction. The Report also states that "'the success of macroeconomic objectives, as well as the reduction of poverty will depend on how well the Government balances its expenditures in the light of competing demands from different sectors and scarce resources. The lack of a PRGF programme with the IMF in the second half of 2003 led to the withholding of programme support by some donors and failure to reach the HIPC completion point".	
41.3	EC support has achieved the removal of legal and regulatory barriers to the development of the business sector
41.3.1	*The objective of the programme corresponds to the expected result proposed by the EU PSD strategy*
The **MSDP** has one component aiming at institutional and infrastructure strengthening and one activity devoted to assuring effective and fair mining regulations and taxation policy.	
41.3.2	*Evidence that the removal of legal and regulatory barriers due to EU support has produced a framework that is more conducive to PSD*
The **MSDP** is not completed and the team has collected no evidence on the likely effectiveness of the component aiming at institutional and infrastructure strengthening.	
41.3.3	*Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme*
The programme is not completed until 2007 and there is no evidence so far about internal or external factors that have enhanced or hampered the production of expected results or the achievement of objectives.	

EQ 4.2 - Effectiveness - Reinforcing financial markets

To what extend did EU interventions reinforce financial markets?
42.1 The appropriate framework for supplying well-developed and efficient financial services for SME is reinforced
42.1.1 The objective of the programme corresponds to the expected result proposed by the EU PSD strategy
The specific purpose of the **PSDP** financial services window was 'to improve the access to working capital and term finance for small and medium enterprises'. This programme aimed at improving access to finance through the actual credit line itself and not through reinforcing the capacities of the Zambian banking sector to provide more access to finance after the end of the programme. As a result, it only partly corresponds to EU PSD strategy. One component of the **MSDP** involves the provision of capital and equipment for small and medium-sized enterprises. While this is in line with EU objective of providing access to finance to the private sector, is does not fully corresponds with the expected results of reinforcing a financial market as it does not encourage or take any measure to facilitate access to credit from the supply-side.
42.1.2 The sustainability of the programme (i.e. its effects) are explicitly ensured from the first stage of the programme
The FA agreement of **PSDP** states that the financial service window "is a temporary financial support to be removed as soon as the formal financial system is able to provide investment finance on its own resources." This suggests awareness of the problem of replicability for this type of programme. However, programme documents do not suggest any measure or activity in order to support 'the formal financial system to provide investment on its own'. The FA of the **MSDP** identifies "factors ensuring sustainability" and how the programme aims at tackling these factors. Areas include: Policy support, appropriate technology, environmental protection, socio-cultural aspects and women in development, institutional management capacity, financial and economic analysis.
42.1.3 Result indicators originally foreseen in project documents and evidence that these indicators were followed up
According to the **PSDP** final evaluation report[1]: "The specific purpose of the PSDP financial services window was 'to improve the access to working capital and term finance for small and medium enterprises'. This was largely measured through SMEs reporting reduced barriers to credit provision and access. The PSD final evaluation report stated that except for the few who received loans, the provision and access has not improved. Also, because of the high rate of default, most of those who did borrow will find it more difficult to borrow in future, because they now have poor credit histories". In addition, the evaluation report states that "The purpose behind the establishment of the Apex Facility was that it should improve access to working capital and term finance for SMEs through reduced barriers to credit provision and access for SMEs. Aside from the facility being a component of support within PSDP itself, it is valid to question whether the indicator points to this purpose having been met. Has there been evidence of reduced barriers? Insofar as the 26 loanees have received funding when they might not otherwise have received such funding, then one can conclude that the barriers for those 26 loanees have, indeed, been reduced. However, if the purpose was either to reduce barriers generally within the sector, or to provide a demonstration which would encourage Private Finance Initiative (PFIs) to use their own funds in future, then the conclusion becomes unsafe. In the case of those loans managed by Cavmont Capital Bank, Cavmont has utilised its own funds entirely, but has also agreed that it will take the full interest receipts, whilst also shouldering the full risk. Apex funds are deposited in a savings account with

[1] Ecodes (2004) End of Programme evaluation private sector Development Programme (PSDP)

them, and interest earned on that account is provided to Grant Thornton as a form of Treasury Management. In other cases, the impression gained is that there has been no policy change by the PFIs concerning their future lending activities as a result of this programme. All PFIs were already lending to the sector, but not in sufficient quantities to meet demand. The determinants as to whether they will do so in the future more than in the past is a function of macroeconomic issues than as a result of the impact of this programme".

These conclusions were confirmed by interviews: according to the beneficiaries interviewed, the availability of capital and especially its costs, those two crucial constraints in the Zambian context, did not improve. The Minister of Commerce, Trade and Industry confirms that access to finance remains a large problem: supply of finance may have increased, but its interest rates are still too high.

MSDP, which involves the provision of capital and equipment for small and medium-sized enterprises, also does not fully correspond with the expected results of reinforcing a financial market. The programme will only be completed in 2007, but given its design, it will be limited in reinforcement of the financial sector after the completion of the programme.

42.1.4 Other result indicators, such as: Ratio of credits demands to credits approvals (lower); Number of credits financed mobilizing private savings (higher); Cost to create a collateral (lower); Time for the credit approval procedure (shorter); Evidence of local financial institutions suffering distortions from EC programmes (in particular direct support to companies)

No other indicators available.

42.1.5 Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme

According to the **PSDP** final evaluation report[2], the most influential factor in determining the lack of success of the Apex Financing Facility stems from flaws in the design and methodology of the window.

- Arising from the conclusions of the initial FACET report on the needs of the private sector, it was considered that any support to the private sector had to be backed by financial support to SMEs. The argument, which is valid, is that in providing training, capacity building and other support to SMEs, it is important that such support should eventually move the SME towards eliminating an additional major constraint for business development - obtaining financing for implementing their plans.
- It was envisaged that support for microfinance was to be covered by a sister project (Support to the Micro Bankers Trust) also funded under EDF. However, that project finished at about the same time as PSDP began, and a synergy between the two could not therefore be established. Thus, microfinance could not be successfully linked into the PSDP, leaving a gap in financing for the micro-enterprises supported under Window 1.
- The validity of the Apex Financing Facility under Window 2, therefore, was contingent upon that facility linking into developments under other windows in PSDP, and in the funds being used to finance SMEs being supported under those windows. In most cases, this did not happen. The management of Window 3, which should have been the primary source for SMEs which required financing from Window 2, rested with the Centre for the Development of Enterprise (CDE) working within the Programme Implementation Unit (PIU). The management of Window 2 rested with Grant Thornton, and, on a sub-contracted basis with the PFIs, all of which developed only tenuous and distant links with the rest of the programme. The only links were through brief, monthly meetings between Grant Thornton and PSDP, which was insufficient to create synergy. Only 1 recipient of a loan under the Apex Facility also received support from Window 3 (it is now in default), and that support from Window 3 was not completed. Another recipient of a loan also applied for support from Window 3, but that application for support was unsuccessful, even though a loan was approved (the loanee is now in default). Many recipients of support from Window 3 did not require funding, either

[2] Ecodes (2004) End of Programme evaluation private sector Development Programme (PSDP).

because they had funding from alternative sources, or they wished to take their loans in foreign currency, or they required financial support beyond the maximum available.

- Windows 2 and 3 were not linked sufficiently to allow one to support the other. This probably arose as a result of the separation in management responsibilities between the windows. Had the management of Window 2 (the Apex Financing Facility) remained attached to the PIU, or within it, there is every reason to believe that the Apex Facility would have been more closely utilised by recipients of capacity building support. Accordingly, the Apex Facility became detached from other operations in PSDP, and much of its validity is consequently questionable".

The **EDP** programme had a component through which a revolving fund was provided to three intermediary organisations with the aim of facilitating credit to access member companies. In two cases, default rates were so high than at the end of the programme the fund had almost disappeared. Only in one case repayment rates were correct. Surprisingly enough, it was this later case that was the most 'problematic': At the end of the programme, the fund could not remain as a revolving fund in the hands of the association; the EC could not taken it back either; therefore, a way to 'use' the fund had to be found.

EQ 4.3 – Effectiveness - Intermediate organisations (IO)

A. To what extend did EC interventions help IO to increase their capacity to conduct a policy dialogue with the government; **B. To what extend did EC interventions help IO to improve the quality or quantity of the services provided to and used by its members?**
43A.1 Intermediate organizations have successfully promoted the interests of the private sector as a result of EC support
43A.1.1 The objective of the programme corresponds to the expected result proposed by the CEC PSD strategy
The **PSDP** programme stated as one of its objectives to "enhance the capacity of advocacy organisations to conduct a fruitful policy dialogue with the government", which corresponds to one of the expected results in the EU PSD strategy. The **MSDP** has one component to strengthen existing or new small-scale mining associations through formal and on-the-job training and with short-term expertise. "The support would allow these private associations fully to play their role as a communication channel with the government, and as promoters, co-ordinators and self-regulators of the sector".
43A.1.2 Result indicators originally foreseen in project documents and evidence that these indicators were followed up
Although the **PSDP** programme stated as one of its objectives to "enhance the capacity of advocacy organisations to conduct a fruitful policy dialogue with the government", no activity was actually foreseen or carried out aiming at that objective. The **MSDP** is not completed until 2007 and there is so far no evidence to suggest the likely effectiveness of this programme.
43A.1.3 Other result indicators, such as: Evidence of involvement of IO (particularly if supported by the EC) in policy orientation meetings; Example of policies that directly respond to the demands of the IO (particularly if those were supported by the EC); IO supported cover a significant part of local enterprises
No other indicators available.
43A.1.4 Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme
The **MSDP** programme is not completed until 2007 and there is no evidence so far about internal or external factors that have enhanced or hampered the production of expected results or the achievement of objectives.
43B.1 Intermediate organizations provide more and better services to their members as a result of EC support
43B.1.1 The objective of the programme corresponds to the expected results proposed by the EU PSD strategy
Window 4 of the **PSDP** deals with capacity building of BDS intermediary organisations for both MEs and SMEs, and as such corresponds to the expected results proposed by the EU PSD strategy.
43B.1.2 Result indicators originally foreseen in project documents and evidence that these indicators were followed up
According to the final evaluation report[3], the logframe for that window completely lacks quantitative targets at output level, as well as at result level. The only target quoted (50 % increase in services of 20

[3] Ecodes (2004) End of Programme evaluation private sector Development Programme (PSDP).

intermediaries) cannot be measured due to lack of base line data. The only other figure provided is the total budget. Thus the evaluation has to rely to a large extent on its assessment of what could 'reasonably be expected'.

43B.1.3 Other result indicators, such as: Evolution of the number of services provided by IO (particularly if those were supported by the EC) (increased); Evolution of the number of companies benefiting from these services ; Evolution of membership in these IO; Level of satisfaction of firms using services provided by IO; IO supported cover a significant part of local enterprises

According to the PSDP final evaluation report[4], "four different impact indicators can be used to assess effectiveness:

d. 64 % of the members of Intermediaries report improvement of their services; this is a sign that Intermediaries have become more responsive to member's needs. This was one of the purposes (and sometimes the explicit strategy) of capacity building efforts.
e. The membership of all Intermediaries increased by 22%; this is likely to be largely a result of the above finding (a) and can consequently be linked to capacity building.
f. It is interesting to note that the specific improvement reported refers partly to PDSP supported activities, and party to activities undertaken by the Intermediary on their own account. This indicated that the capacity building was effective.
g. 84% of the Intermediaries reported improvement of their services (self assessment). This is an expression of 'satisfaction' with the capacity building received from PSDP.

The group of members under a. above, were asked in which area most improvement of service had taken place:

- 47% answered: "*In training*" (this is a result mainly of Window 1 activities).
- 17% answered: "*Assistance in creating market linkages*" (resulting from Window 1 and Window 4 combined).
- 17% answered: "*Business Information*" (this is done by the intermediaries on their own strength, after capacity building under Window 4).
- 7 % answered: "*Business exposure*" (Window 4 supported business trips to other provinces).
- 13% answered: "*Access to loans*" (some Intermediaries facilitated access for members that had received business training, through an agreement with a ministry of Finance and Investment (MFI).

The four types of impact indicators together provide strong evidence that indeed the capacity building has to a high degree been effective. The perception of the Intermediaries is clearly more optimistic (84%) than the assessment of the members (64%), but that is to be expected. If the latter is taken as the more reliable indicator, it can be concluded that two third of all capacity building has resulted in substantive improvement in services. In view of the weakness of most of these organisations, this is to be considered a very good result."

43B.1.4 Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme

4 *ibid*

According to the PSDP final evaluation report[5]:

- the level and trend in cost sharing was not part of the MIS. It was decided on ad hoc basis;
- it is important to maintain a clear distinction, conceptually as well as strategically, between Intermediaries and BDS providers;
- synergy between the Windows 4 and 1, as well as 4 and 3, was less strong than one would have expected. There was no strategy it seems to maximise the synergy because the demand led approach took precedence.

5 *ibid*

EQ 4.4 – Effectiveness - Investment promotion and b-to-b cooperation

To what extend did EU interventions increase trade, investment and general b-to-b cooperation?
44.1 EU interventions increased trade, investment or general b-to-b cooperation
44.1.1 The objective of the programme corresponds to the expected result proposed by the EU PSD strategy
The financing agreement for PSDP included a component dealing with investment and partnership promotion. The overall objective of the window was to attract foreign investment to Zambian businesses through joint venture partnering and improved access to foreign technology, markets and capital from South Africa and EU countries. As such, this window's objectives correspond to the expected result proposed by the PSD strategy.
44.1.2 Result indicators originally foreseen in project documents and evidence that these indicators were followed up
According to the PSDP final evaluation report[6], "due to the short period that the facility has been operational it is quite difficult to measure impact that could be directly attributable to the activities under Window 5. Support to ZIC clearly was useful as it contributed to ZIC's efforts to realise its mandate to attract foreign investment to Zambia. The quality of promotional material on Zambia produced and disseminated has lead to a number of enquiries on investment prospects in Zambia. The promotional visits by ZIC to investment and trade exhibitions have also resulted in a number of enquiries and contacts between companies in Zambia and those in EU countries and RSA."
44.1.3 Other result indicators, such as: Number of signed agreements (following an EC funded action) (increase); Evidence of investment from European firms in local business following agreements signed; Evidence of increased exports from firms having participated to an EC-supported activity; Enterprises having participated to the activities cover a significant part of the target population of beneficiaries; Evidence of other forms of benefits following agreements signed
Most companies, who benefited from the Commission's programmes aimed at establishing partnerships during trade-fairs, claimed that the impacts were large for their companies. One example includes a beneficiary under the Export Development Programme, whose output (mainly export) grew from 2000 to 7000 m2 partly as result of EC-funded activities, in particular being able to attend trade-fairs.
44.1.4 Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme
According to the PSDP final evaluation report[7] "delays in obtaining approval from NAO/EU were cited by ZIC as having contributed to the slow and frustrating pace of progress of activities under this facility. We also noted that there were delays by ZIC in seeking approval for activities to be undertaken resulting in about 22,000 Euros disbursed by EU for the first programme being time barred as it was not utilised by the deadline of 31st March 2004".

[6] *ibid*

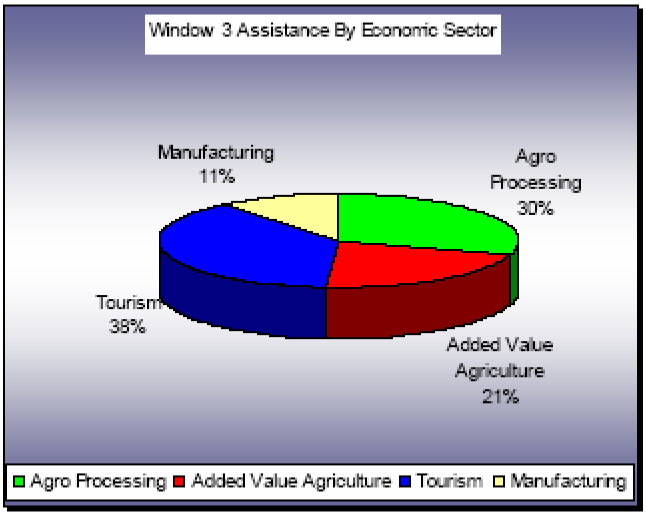
[7] *ibid*

EQ 4.5 – Effectiveness - BDS

To what extend did EU interventions aiming to provide non-financial services create a competitive business development services markets?
45.1 EU interventions aiming to provide non-financial services create a competitive business development services markets
45.1.1 The objective of the programme corresponds to the expected result proposed by the EU PSD strategy
Window 3 of the **PSDP** aimed at the provision of technical assistance to SMEs who are interested in restructuring their businesses, incorporate new technology, and enter new markets. The assistance is managed by the Centre for Development and Enterprise (CDE), previously called the Centre for Development of Industry (CDI). Window 3 thus aimed at providing direct technical assistance to the private sector rather than create a competitive business development service markets. As such, the objective of this component is only partially in line with the expected results proposed by the PSD. **EDP** aimed at providing direct technical assistance to the private sector rather than create a competitive business development service markets. As such, the objective of this programme is only partially in line with the expected results proposed by the PSD. The **MSDP** includes a "Business Assist Scheme" component, which includes activities aimed at improving the level of business management, raising the level of mining and processing skills and raising the added value component of mining products. MSDP thus aims at providing BDS to the mining sector rather than create a competitive business development service markets. As such, the objective of this programme is only partially in line with the expected results proposed by the PSD.
45.1.2 The objective and overall design of the programme corresponds to the Blue Book on BDS programmes ("BDS for Small Enterprises: Guiding principles for donor intervention")
The main limitation of **PSDP**, **EDP** and **MSDP** in terms of correspondence with the Blue Book on BDS is that these programmes focused only on the provision of services, disregarding the supply side. For instance they did not attempt to build local BDS capacity. As a consequence, the coverage of the programmes was limited (the problem of *outreach*). For the **PSDP**, the non-financial support component (Windows 1 and 3) covered (i) 6,496 micro entrepreneurs, i.e. between 2,700 and 6,490 micro-enterprises and (ii) 115 SMEs. When compared to total number of micro-enterprises and SMEs (see table below), the coverage of PSDP is 0.5% for micro-enterprises and 0.1% for SMEs. This small coverage of PSDP in relation to the economy as a whole was confirmed by interviews."
45.1.3 Result indicators originally foreseen in project documents and evidence that these indicators were followed up
According to the **PSDP** final evaluation report[8], In Window 3, 120 SMEs and 6 intermediary member based associations representing several SMEs were assisted against a target of 150 enterprises. Targeted SMEs reported increased performance, productivity, access to markets and levels of employment. Overall increases were reported as follows: employment (8%), turnover (30.5%), investment (8%), exports (36.9%). The following graph shows the distribution by economic sector of the support provided by the PSDP and the table shows the distribution of economic sectors by size of enterprise.

[8] *ibid*

Distribution of SME non-financial support assistance by economic sector



Structure of the Zambian Private Sector

Sector	Large (> 100 employees)	Medium (11-100 employees)	Small (5-10 employees)	Micro (< 5 employees)
Agriculture	750	4200	60,000	800,000
Mining	8	9		
Manufacturing	101	897		
Electricity, Gas and Water	4	2		
Trade and hotels	29	643		
Construction	19	107	19,000	600,000
Transport, storage and communication	20	160		
Finance	42	235		
Community social and personal services	44	331		
Total	**1,017**	**6,584**	**79,000**	**1,400,000**

Source: ZAMBIA PSD Reform Program

According to interviewees, **EDP** was seen as rather successful, especially to help companies rise from the first stages of development. Several missed opportunities however were identified: some companies that benefited from EDP felt that were on the right track and able to continue progressing but aid from the programme was no longer available. Interviewees confirmed that beneficiaries can survive without further support but that continued aid was much welcome by companies to reach higher stages of development. It is important to notice that, in certain situations, individual companies or industries reaching higher stages of development can benefit a whole sector (for instance, when a certain industry from a country receives international recognition). This also raises the question of to what extend more focus on a selected number of beneficiaries (e.g. the creation of winners with potential spill-over benefits on the whole industry) would have had more impact than spreading these services over a wide number of companies in different industries.

The experience of the Zambia Coffee Grower's (ZGCA) association confirms the above. PSDP and EDP helped ZGCA to improve the quality of its products and financing the purchase of necessary inputs for coffee growing. The impact is measurable and change from 1995 to 2003, despite depressed international coffee prices, include:

- output more than tripled (from 2000 to 7000 m2);
- increased exports from 0% to 5% of turnover;
- increased productivity from 1.8m2/hectare to 3m2/hectare.

Currently, ZGCA members cannot receive further support from the EC (beneficiaries from EDP I cannot receive support in EDP II) which means that coffee companies in Zambia have now difficulties to continue increasing internationally competitiveness.

The **MSDP** is not completed until 2007 and so cannot be assessed in terms of effectiveness; there also exists no evidence to suggest the likely effectiveness of this programme.

45.1.4 The internal monitoring system corresponds to the one proposed by the Blue Book on BDS programmes (« BDS Performance Measurement Framework »)

Given that PSDP Window 1 and 3 and EDP did not aim directly at building local BDS capacity, its monitoring indicators do not incorporate Blue Book indicators related to monitoring the building up of local BDS.

45.1.5 Other result indicators, such as:

- *Number of SME acquiring BDS in general (to measure BDS market expansion).*
- *Number of SME acquiring BDS from the programme (to measure BDS market expansion).*
- *Evolution of the number of local consulting firms in the market (to measure BDS supply).*
- *% of potential SME acquiring BDS (to measure market penetration).*
- *Number and % of SE customers purchasing BDS who represent targeted populations (to measure outreach).*
- *Percent of customers reporting high satisfaction with a business development service (to measure impact).*
- *Repeat customers: % of all customers who purchase at least twice (to measure impact).*
- *Percentage of customers who applied the business service to their business, as defined by the program. (E.g.: percent who accessed new markets, developed new products, improved management practices, started keeping formal accounts, reduced costs, etc.) (to measure impact).*
- *Change in estimated gross profit, profit level, employment, exports from before and after receiving the service (to measure impact).*
- *Of the businesses that improved their estimated gross profits, what percent attribute the change to the BDS? (to measure impact).*
- *BDS supplier profitability and profitability of particular BDS Service (to measure sustainability).*
- *Simplified cost-benefit assessment comparing total, cumulative program costs to aggregate program benefits (to measure sustainability).*
- *Total program cost per customer served and total program cost per supplier assisted (to measure sustainability).*

According to the **PSDP** final evaluation report, "while overall EC interventions can be considered as effective, not all effects were always quantifiable. Some companies could identify with the above figures, some could not. Instead, they claimed that the effectiveness of the programmes could be measured in things such as increased confidence level of their staff."

Two additional issues should be considered when measuring effectiveness: attribution and cannibalization effects. To what extent were results a consequence of the programme? According to beneficiaries and the management of the programme, a significant share of the improved performance can indeed be attributed to the support provided by the PSDP. The evaluation report also indicates that even if only half of the effects can be attributed to the support provided, the result would still be impressive. In terms of cannibalization, the question is to what extend the performance of beneficiary companies was made at the expense of other Zambian companies. Interviews confirmed that the cannibalization effect was minimal. The principal reason given was that Zambia is a growing economy with no bottlenecks on the supply-side so that any growth of one company or industry is a net-benefit to the economy as a whole.

PSDP often targeted industry winners, which raises a question of whether the impact would have been larger if smaller companies would have been targeted. According to some beneficiaries, even if PSDP benefited mostly industry winners, there were spill-over effects on the rests of the sector since these industry winners will lift the sector.

In terms of increase in the use of local BDS, there is insufficient data illustrating the evolution of local consulting firms, although beneficiaries that were interviewed did not notice any increase in local consulting firms. There is also little data available on the evolution of the number of firms making use of non-subsidised consulting services. Beneficiaries claim that their use of EC-funded BDS generally increased their willingness to use non-subsidized BDS services. But the fact that their demand is so limited was mainly explained by a supply problem: lack of quality services at an affordable price. The quality of local supply of services is considered not only to be below international standards but also below the levels of neighbouring countries like South Africa and Zimbabwe.

45.1.6 Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme

EDP and **MSDP**: no evidence available.

Regarding the **PSDP**, several factors were at play. According to the **PSDP** final evaluation report, "the project did not develop a formal impact monitoring mechanism to track changes/progress of beneficiaries' operations. A 'mini' impact assessment of beneficiaries was conducted in 2002 for those interventions/projects that had been completed by 31st December 2001. The assessment yielded only 16 responses. Monitoring of the impact of support on individual enterprises was not formalised.

Following changes in the BDS paradigm in 2001 requiring entrepreneurs to pay the full cost of Business Development Services, CDE did not make a deliberate attempt to raise the promoters' cost contribution ratio above 1/3. This continued to create the impression as noted in the PSDP Impact Assessment Report for Window 3 of the perception that '…EU will always be there for subsidising activities…'

All project applications had to be vetted and cleared by CDE headquarters. This contributed to some administrative delays particularly in the initial phase of the programme."

From interviews, important factors that enhanced the implementation of the **PSDP** were:

- Right management team, with a strong component of local experts.
- Adequate management structure aimed at working towards clearly defined objectives.
- Trust relation built between the management team and beneficiaries.
- Pragmatic and flexible approach.
- Close follow up of beneficiaries.
- Independent PMU.

While among the factors that hampered the implementation of the programme were mentioned:

- Discrepancy between a fast-moving private sector and the rigidity of EC procedures.
- Insufficient sharing from success and failures within and across countries.

Two other important issues discussed for the different programmes were:

- The adequacy of having a strategy to build on potential champions within a given sector.
- Support from the programmes (PSDP and EDP) was too limited to maximize impacts.

45.1.7 Unsubsidized local BDS is not crowed-out by a subsidized supply of services: There are no complaints about "unfair competition" from unsubsidized suppliers of services, there are no clients that use to use unsubsidized consulting that are now using subsidized consulting

The team did not collect evidence on this issue.

EQ 4.6 – Effectiveness - Development of micro-enterprises

To what extent did EU interventions help develop micro-enterprises?
46.1 EU interventions have contributed to the development of micro-enterprises
46.1.1 The objective of the programme corresponds to the expected result proposed by the CEC PSD strategy
Window 1 of **PSDP** aimed at providing business development services to micro-enterprises (MEs) with the purpose to improve their financial performance. As such it can be considered in line with the objectives proposed by the CEC PSD strategy.
46.1.2 Result indicators originally foreseen in project documents and evidence that these indicators were followed up
Regarding Window 1 of the **PSDP,** the final evaluation report indicates[9] that "PDSP has demonstrated that BDS (mainly training) to MEs effectively impacts business growth and product diversification. The impact study shows that in a period of on average 1½ years after the BDS event, the enterprises report: ▪ a 73% average ***increase of turnover*** in current prices, which is estimated at ***42%*** in real prices. This would amount to an annual real growth of 20%, which is very high for MEs; ▪ an ***increase of employment*** with at least one extra employee for 50% of the MEs; ▪ 48% of the MEs entered ***new markets.*** How did the BDS result in business growth? MEs provided the following answers: ▪ 10% reported to have introduced new products, ▪ 43% adopted new business management and financial management practices, ▪ 20% developed and used business plans. As for BDS to SMEs, the question is to what extent these changes can be attributed to the programme. The final evaluation report concludes that also in this case it is quite plausible that the programme indeed contributed to a large extent to the business growth data quoted above and that even if only half of it can be attributed to the BDS events, the result would still be impressive.
46.1.3 Other result indicators, such as: Evolution of the number of micro-enterprises ; Evolution of turnover; Evolution of profit level; Evolution of employment level
See above.
46.1.4 Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme
No evidence available.

9 Ecodes (2004) End of Programme evaluation private sector Development Programme (PSDP).

EQ 5 - Sustainability

To what extent are the effects (expected results) of the interventions likely to continue at the end of the EC support?
5.1 The effects of EC PSD strategy in Zambia is likely be long-lasting
5.1.1 Risks and assumptions that can affect the achievement of the PSD strategy have been identified
The **CSP 1996-2000** defines assumptions only at the level of the overall cooperation strategy. It indicates that the viability of the Community's aid strategy in Zambia is dependent "on the maintenance and development of the current democratic system, the guarantee of human rights, the rule of the law, and freedom of speech, to which the present government is firmly committed." As mention in 3B1.2, the **CSP 2002-2007** presents in its Annex 9 an analysis of the main challenges faced in terms of institutional development and capacity building and more in particular of the aspects related to the private sector. It is stated there that Zambia can move towards full economic recovery and "to do so, the process of market reforms need to be intensified and obstacles removed at the macro, meso and micro levels. Overall, a more supportive policy and institutional environment is required to encourage further development of the private sector." Yet, it is also explained that "*of all constraints the most significant seem to be the absence of political commitment to the sector, and weakness of public and privates sector institutions to formulate and implement policy*." Therefore, that the task of defining and designing appropriate responses is especially challenging. The proposed approach is thus a gradual, iterative and flexible one, avoiding supply driven interventions, building ownership and commitment. It also proposes to commission a concept paper and detailed needs assessment as a basis for programme design.
5.1.2 Actions have been taken if risks have materialized or assumptions have not been verified
Overall, risks have not materialized and on the contrary, the government has move forward regarding policies towards the private sector and has formulated a Private Sector Reform Programme in dialogue with provate sector representatives and, to a lesser extent, the donor community. The challenge now being to be able to articulate donor funded programmes that are already on going or well advanced in their programming process with the new government orientations. Regarding overall economic policies, the Joint Annual Report 2003 notes that "the government has continued with the previous policies of liberalisation of the economy. The target is poverty alleviation through extension and consolidation of growth and diversification within the economy, assisting expansion of the productive basis through support to business creation and increasing the scope for employment opportunities within the private sector." At the same time it indicates that "the achievement of macroeconomic stability is seriously hampered by the difficulties with the budget (…) fiscal imbalances could compromise macroeconomic stability and, ultimately, economic growth and poverty reduction."
5.2 Institutional, macroeconomic, legal and regulatory improvement is not disappearing / has not disappeared after EC intervention
5.2.1 Evidence that improvement has continue after EU intervention
As mentioned above in 5.1.2, "the achievement of macroeconomic stability is seriously hampered by the difficulties with the budget (…) fiscal imbalances could compromise macroeconomic stability and, ultimately, economic growth and poverty reduction". Further, the Joint Annual Report 2003 indicates that "the private sector continues to suffer from the macro-economic situation with high inflation and high interest rates, which has rendered the access to affordable capital virtually impossible. The government's economic policy aims at creating an enabling environment for private sector led growth." Although it was not a PSD intervention, it is worth to notice that the CSP 2002-2007 states that the capacity building provided under the 8^{th} EDF to the Ministry of Finance and Economic Development has

not been sustainable, according to an evaluation study. The evaluation showed that individual short term consultants could not introduce the required change in the system and solve a long-term capacity problem."
5.3 Reinforcement of financial markets is long-lasting
5.3.1 The number of credits from local banks to the private sector (especially SME and micro-enterprises) continues to increase or at least does not decrease after EC intervention
According to the PSDP final evaluation report[10], "no possibilities for sustainability were built into the Apex Financing Facility. a. The funds could not revolve, since the decision to remove the revolving nature of the funds was made before any funds could be revolved. b. Unsustainable, concessionary interest rates were built into the initial programme design. c. Long term management of the inputs is dependent upon continuation of the contract between Grant Thornton (or any alternative), and the PSDP, which ends on October 31st 2004". Moreover, no component of the programme aimed at ensuring long-term effect of the bank (e.g. training of staff), aside perhaps from the actual practice of the financing facility during the duration of the fund. Evidence from interviewees indicates that the latter has little impact on banks provision of loans in the future. MSDP, financing component: the program is currently undergoing and there is no evidence available as to the likely sustainability of the programme. Interviewees felt the impacts of projects are not always sustainable. In the case of EDP for the ZCGA, once subsidized support is gone, lack of access to finance make it difficult for companies to sustain performance acquired after the intervention: to continue keeping similar productivity (3m2/hectare), ZCGA members need access to finance to buy necessary inputs, which is difficult without EC support. ZGCA fears that productivity will drop in 2005. Regarding the PSDP, the FA agreement states that the financial service window "is a temporary financial support to be removed as soon as the formal financial system is able to provide investment finance on its own resources." This suggests awareness of the problem of replicability for this type of programme. However, programme documents do not suggest any measure or activity in order to support 'the formal financial system to provide investment on its own'.
5.3.2 Repayment rate of loans in EU supported programmes (high enough)
Indicators are not available. However, the EDP programme had a component through which a revolving fund was provided to three intermediary organisations with the aim of facilitating credit to access member companies. In two cases, default rates were so high than at the end of the programme the fund had almost disappeared. Only in one case repayment rates were correct.
5.4 Reinforcement of IO position is not lost after EU intervention finishes
5.4.1 Intermediate organizations continue to successfully promote the interests of the private sector after the end of EC intervention. For example: Evidence of continuous involvement of business sector organizations (particularly if supported by the EC) in policy orientation meetings
PSDP aimed at this expected result but no activity was actually implemented on that matter.
5.4.2 Services provided by intermediate organizations continue to increase or at least do not decrease after EC intervention. For example: Evolution of the supply and use of services provided by intermediate organizations after the end of the intervention; Evolution of the number of companies benefiting from these services; Evolution of membership in these intermediate organization

[10] *Ibid*

A positive experience is to be found in the **PSDP**. According to the final evaluation report[11], "The capacity building component (Window 4) has no doubt enhanced to a degree the sustainability of BDS for MSMEs. Even though through discontinuation of the PSDP funding (Window 1 and 3) will have a negative effect on the number of BDS events organised, the improved leadership and management capacity of the Intermediaries will result in the mobilization of alternative sources. Some Intermediaries have been able to mobilize Government funding; others identified other donor programmes or international non-governmental organizations (NGOs). PSDP has observed that leaders in associations rotate regularly. This phenomenon cannot but have a negative impact on the sustainability of capacity building; at least as far as the leadership training is concerned. On the other hand, the high numbers of participants per intermediary in leadership training suggest that for the time being there may be a 'reservoir' of volunteers to recruit from. The "*Technical Guide for BDS Providers*", has been an excellent initiative to make the Intermediaries less dependent upon donor financing. With this, and with its Project Cycle Management (PCM) workshops, PSDP has made another contribution to the transition of its intermediaries towards a more market oriented BDS sector."
5.5 Business-to-business cooperation, trade and investment continues to expand after EC intervention
According to the PSDP final evaluation report[12], "had the component commenced its planned activities at the time envisaged in 2000 prospects of sustainability of interventions under Window 5 could have been higher. The Zambia Investment Centre will however, still require dedicated support from the Government as it is a key player in dissemination of information about Zambia to prospective investors".
5.5.1 Evolution of the number of mutual agreements
No indicator available.
5.5.2 Evolution of the number of investments following mutual agreements
No indicator available.
5.5.3 Evolution of exports
No indicator available.
5.6 A competitive BDS market continues to function after EU intervention has finished
5.6.1 Demand for non-subsidised BDS continues to increase or at least do not decrease after EC intervention
According to the **PSDP** final evaluation report[13], "direct technical assistance to SMEs in the form adopted by the PSDP Window 3 component is not sustainable on programme level unless the Government or another donor is willing to fund a similar programme. Although on average the SMEs contributed about one third towards the cost of the interventions into their enterprises, the current economic climate and discussions with some of the intermediaries assisted lead us to conclude that a significant number of SMEs will still require subsidised BDS services and would not be able to fund the full cost of BDS interventions." Beneficiaries felt that demand was present and many firms were ready to pay for it, but only for BDS specialised in technical part of business management, which is not available in Zambia.
5.6.2 Local supply of non-subsidised BDS continues to increase or at least do not decrease after EC intervention
In **PSDP**, the financing agreement set conditions for the government to continue funding bodies that were involved in provision of services to the private sector such as small enterprise development board (SEDB) and the Investment Centre. To a large extent Government has been struggling to adequately fund the two

11 *Ibid*
12 *Ibid*
13 *Ibid*

bodies indicated above. Capacity has not yet been built in a local institution that could continue to provide the kind of intervention that the PSDP programme was designed to provide. Beneficiaries felt that the key problem in the sustainability in the use of non-subsidized local BDS firms is the lack of lack of quality local supply. Participants have seen little difference in the last few years in terms of increased numbers of quality BDS. High cost of non-subsidized BDS is a concern for some but several do pay the full cost of BDS (local or foreign) for good quality BDS. Evidence is that many of these companies who demand BDS purchase it from overseas when they can afford to. Note that Window 1 of PSDP (non-financial services to micro-enterprises), the final evaluation report concludes that "however, at the level of intermediaries capacity has been developed to effectively and efficiently implement BDS activities".
5.7 Micro-enterprises continue to develop
5.7.1 The number of micro-enterprises continue to grow after EC intervention
Window 1 of the **PSDP** aimed at supporting micro-enterprises through the provision of business services. According to the final evaluation report, "in the project design a deliberate choice has been made for a project approach, rather than an institutionalised approach. The reasons for doing this were that no single existing institution could be identified that was mandated and equipped to carry out the wide scope of activities envisaged for PSDP. Government institutions were considered less suitable to launch effective private sector interventions, and institutions in the private sector were considered to be too weak. A choice for one institution would have limited the feasible array of programme activities, and would have required a substantial portion of programme funds for capacity building of the institution concerned. The reasoning was in short; "let us first prove that effective private sector development activities can be undertaken – and worry later about sustainability". In view of the relatively difficult environment in which this programme was launched, this choice can be appreciated. It would have been desirable however, that a long term strategy would have been worked out to ensure that sustainability could eventually be achieved, together with an exit strategy for the donor. This can be seen as a weakness in design. Thus at programme level, it must be concluded that no sustainability exists. However, at the level of intermediaries capacity has been developed to effectively and efficiently implement BDS activities."
5.7.2 Micro-enterprises continue to expand after EC intervention
No evidence found.

EQ 6 - Efficiency

To what extent have the organisational set-up or management systems and processes contributed or hindered the efficiency of the EC interventions to support private sector development? Four aspects are of particular interest to our evaluation: **A. The deconcentration process and the support given by HQ** **B. The preference given in some regions to all-country programmes** **C. The preference given in some regions to promote local expertise instead of using international support** **D. Other organisational set-up or management systems and processes**
6A.1 The deconcentration has contributed to the efficiency of the EC interventions
6A.1.1 Speed of decision making during the identification and implementation stages (project preparation, implementation payments)
Most interviewees believed that - at least in its early stage - the deconcentration did not lead to an acceleration of the decision making process but even slowed it down. Among the reasons explaining this initial situation were: lack of clarity regarding who was responsible of what; heavier workload transferred from headquarters to Delegation without having the necessary resources; people were afraid of making mistakes. Although the situation has improved, most interviewees agreed that it was still early to assess whether the decision making process has speeded up. An additional concern was the risk of reproducing at the Delegation the defaults of a 'mini bureaucracy'.
6A.1.2 Workload related to implementation procedures of project managers at the Delegation
According to interviews at the Delegation, workload has definitively increased but it is also true that new staff has been engaged. The question remains whether the new staff has the necessary qualification to face the new responsibilities and, if not, if relevant training and support from headquarters is available.
6A.1.3 The deconcentration has led to a better identification of needs and project design *Note: This item is related to relevance (not to efficiency) and it is asked only to complement information*
Once the Delegation is deconcentrated, officers are closer to the field, may be more apt to assess priority needs and so may be better able to design relevant projects. So far, however, no impact on the quality of design has been observed. The concern was raised that there is not enough support from headquarters in terms of project identification, design and implementation.
6A.1.4 Evidence of sharing experience / lessons learning from other Delegations *Note: This item is related to one of the risks of the deconcentration and not to efficiency.*
According to interviews at the Delegation and with programme managers, lesson learning and sharing experience between different countries / regions has been limited in the past and deconcentration will not improve the situation. Each officer works based on his/her own experience without being able to exploit the Community experience from other countries / regions. The high rate of rotation of personnel also hampers the accumulation of knowledge and experience. In this case too, support from headquarters was considered to be a key element that can improve the effectiveness of European aid.
6B.1 The use of "all-country" programmes has contributed to the efficiency of the EC interventions
6B.1.1 Speed of decision making during the identification and implementation stages (project preparation, implementation payments)
Zambia has access to "all-country" programmes and some of the firms interviewed had received support through the CDE and EBAS. However, there is very little knowledge of these programmes in the country

both among potential beneficiaries and at the Delegation.
6B.1.2 Cost of interventions before and after "all-country" programmes
See 6B.1.1
6B.1.3 Workload related to implementation procedures of project managers at the Delegation
See 6B.1.1
6B.1.4 The use of "all-country" programmes has led to a better identification of needs *Note: This item is related to relevance (not to efficiency) and it is asked only to complement information*
See 6B.1.1
6C.1 The use of local expertise has contributed to the efficiency of the EC interventions
6C.1.1 Speed of decision making during the identification and implementation stages (project preparation, implementation payments)
There has not been a systematic use of local expertise partly due to the lack of capacity in Zambia. Although an interesting example is to be taken from the management of the **PSDP**. Indeed, it comes from interviews that the management team played a key role to ensure the successful implementation of the programme and, according to the programme manager, the value added of local experts in the management team was significant given their knowledge of the sector.
6C.1.2 Cost of interventions before and after deconcentration
See 6C.1.2
6C.1.3 Workload related to implementation procedures of project managers at the Delegation
See 6C.1.2
6D.1 The organisational set-up and management system has contributed to an efficiency implementation of the programme
This criterion and its corresponding indicators were defined after the pilot mission in Zambia. Therefore, the information collected does not necessarily correspond to the indicators proposed below. The evaluation team collected the following information: ▪ EDF procedures were considered too slow and heavy by stakeholders, producing an administrative burden and hampering the effectiveness of interventions. Some sources declared their strong preference to work with other donor agencies. ▪ Procedures within the programmes were also considered as too slow and heavy by some beneficiary firms while other firms considered that procedures were simple. ▪ Many firms considered that there was a lack of sufficient information on what a program can offer. For instance, regarding PSDP, firms were aware of the existence of one window but not of the other ones. Further, some firms considered that the information on the existence of the programme was also too limited. ▪ Lack of clarity in terms of eligibility and selection. It was not clear for firms who were eligible to the programme and how the decision was taken once the application was presented.
6D.1.1 Programme inputs are on time, at planned cost and well managed on a day-to-day basis
6D.1.2 Programme activities are on time, at planned cost and well managed on a day-to-day basis

6D.1.3 Results are being achieved as planned (quality and quantity)
6D.1.4 Existence and use of an internal monitoring system
6D.1.5 The programme has been able to adapt to changing needs or context. For instance, if the assumptions did not hold true, how well did the programme management adapt? How well did it adapt to external factors affecting the programme)
PSDP faced several problems during its first year. The management team was changed and a new work plan was prepared. This action allowed the programme to start afresh over new bases which was appreciated by all stakeholders. During implementation also, the new team had a flexible a dynamic approach to adjust to current situation.

EQ 7 – Coherence (within EU action)

A. To what extent does the <u>EC PSD policy in general</u> take into account other EU strategies and policies?

B. To what extent does the <u>EC PSD support strategy within a country</u> strategy take into account:

i) The support given to other sectors within the same country strategy?
ii) Other EU strategies and policies

C. To what extent do national or regional <u>EC PSD programmes within a country</u> take into account:

i) Other PSD programmes within the same country
ii) The support given to other sectors within the same country
iii) Other EU strategies and policies

7B.1 The <u>EC PSD support strategy within a country</u> takes into account other EU interventions

7B.1.1 Explicit reference to EC support to <u>other sectors in the same country</u> and analysis of possible complementarities, synergies, conflicts or overlaps between PSD and other sector support within the same country

EC support to Zambia through the **9th EDF** is focused on the transport sector, institutional development / capacity building and macroeconomic support. The CSP 2002-2007 acknowledges that the two focal sectors reflect "the strategic importance of improved infrastructure – availability of road network as well as of human and organizational capacities – for private sector driven economic growth and poverty reduction." However, the emphasis is more on how **transport** can unlock economic growth and develop the private sector. For instance, in its assessment of the economical, social and political situation, the CSP 2002-2007 states that the GOZ is "aware of the key role of economic infrastructure for development and intents to direct investment and rehabilitation towards programmes in support of economic growth and poverty reduction". Additionally, , regarding the assessment of the government approach to private sector development, the CSP mentions that "agriculture is expected to be the key sector for future development of the Zambian economy, together with mining and tourism. At present, transport of agricultural inputs and outputs is a major constraint. The condition of rural roads is of key importance to wider agricultural and regional development, especially in trying to bring subsistence or marginally commercial farmers into the cash economy".

The choice of transport as first focal sector of EC support to Zambia is justified among other reasons because:

- "In the PRSP discussions and ROADSIP, transport is recognised as crucial for the development of all key sectors. Furthermore:
  - roads are of crucial importance for access to local/regional markets and to social services;
  - roads are vital for the integration of peripheral parts of the country and for the transportation of agricultural inputs and produce between the market places and individual farmers.
- The establishment and maintenance of well-functioning transport system is imperative for the development and integration of markets in all sectors of the Zambian economy.

The CSP also describes the importance of **regional trade** for Zambia. Yet, no mention is made of the effects or possible articulation between bilateral and regional interventions. For instance, no mention of the customs harmonization programme is made by the PSD strategy or programmes.

7B.1.2	*Evidence that EU support to <u>other sectors in the same country</u> has positively or negatively affected the achievement of the objectives of the PSD support strategy within the country*
Interviewees in the private sector as well as and written sources confirmed the strong link between the transport and the private sector: an improved infrastructure will strongly improve the competitiveness of the business sector. Some give the example that many companies cannot expand their internal and external trade without adequate transportation at an affordable cost.	
7B.1. 3	*Explicit reference to the possible effects of <u>other EU strategies and policies</u> (development or non-development) on the PSD support strategy in a given country*
The CSP states that the "coherence between development co-operation policy and other EC policies (trade, agriculture, environment, etc.) relevant for Zambia will be assessed on a permanent basis. In this context National Indicative Programme (NIP) resources may be used to complement resources from the RIP, budget lines, and trade-specific operations, according to needs and availability of funds. In particular, this may refer to support for efforts by Government departments and Non State Actors to prepare for the Establishment of a coherent trade policy framework, with emphasis on preparing for the EPA and on World Trade Organisation (WTO), and assistance for capacity-building for carrying out negotiations in a regional and multilateral context and in implementing the accompanying trade policy and structural reforms, including fiscal reforms." However, no evidence of such assessments was found during the mission.	
7B.1.4	*Evidence that <u>other EU strategies or policies</u> (development or non-development) have positively or negatively affected the achievement of the objectives of the PSD support strategy within the country*
Enterprises and programme managers confirm that enterprises are indeed affected by other EU policies. This includes complex phyto-sanitary regulations or a lack of equal access to the market. It is important to note that the government has a limited ability to argue its case on international fora.	
7C.1	National or regional <u>EC PSD programmes within a country</u> take into account other EU interventions
7C.1.1	*Programme documents explicitly refer to the <u>other EC PSD programmes in the same country</u> and analyse possible complementarities, synergies conflicts or overlaps*
The analysis of programme documents for the PSDP, EDP and MSDP shows that programmes do not refer to each other.	
7C.1.2	*Evidence that <u>other EC PSD programmes in the same country</u> have positively or negatively affected the achievement of the objectives of the programme*
Documentation and interviews identify no apparent incoherence in programme implementation but also do not mention any explicit attempts at maximising synergies or minimizing overlaps between PSD programmes. In the case of EDP and PSDP for example, there has been little attempts in ensuring that target companies do not benefit simultaneously from both programmes. Such coordination is left to the good sense of programme managers.	
7C.1.3	*Programme documents explicitly refer to EC support to <u>other sectors in the same country</u> and analyses possible complementarities, synergies conflicts or overlaps between the programme and other sector support within the same country*
No programme refers to EC support to other sectors.	

7C.1.4 Evidence that EC support to <u>other sectors in the same country</u> has positively or negatively affected the achievement of the objectives of the programme
No evidence available.
7C.1.5 Programme documents explicitly refer to the possible effects of <u>other EU strategies and policies</u> (development or non-development) on the programme and analyses possible complementarities, synergies conflicts or overlaps
No programme refers to other EC strategies and policies although several sources mention that firms benefiting from EC support to increase their competitiveness face constraints due to EU trade policies.
7C.1.6 Evidence that <u>other EU strategies and policies</u> (development or non-development) have positively or negatively affected the achievement of the objectives of the programme
See 7C.1.5

EQ 8 – Coordination (with other donors)

To what extend is there coordination between donors, both at central and at country level?
8.2 The EU actively participates to multi-donor coordination process at country level
8.2.1 Evidence of participation of the EC to multi-donor coordination meetings at country level
The CSP 1996-2000 states that "close coordination exist between government and donors in Zambia…" Examples of coordination meetings include the Consultative Group (CG) process and the series of quarterly government/donor meetings. Similarly, the CSP 2002-07 mentions the existence of an annual CG meeting as a focal point for Government – donor dialogue, which is followed up at the sector level through working groups, which meet regularly. Regarding PSD sector, donor coordination has traditionally been weak and mainly consisting of donors informing the others about its own activities. However, the realization of several programmes overlapping, especially at the micro level, has encouraged the donor community to establish more formal mechanisms of coordination. The overlap of micro-level PSD programmes funded by donor agencies is illustrated in the PSD Reform Programme report which lists 21 donor-funded programmes aiming at improving the limited capacity of the Zambian private sector. Recent developments on the private sector have further encouraged donor coordination. In particular, the Zambia Business Forum in late 2004 and the update of the government's Private Sector Development Reform Programme have acted as platforms of discussion between the government, the private sector and the donor community. The Private Sector Development Reform Programme report describes different donor interventions in PSD and proposes linkages between these interventions (some are already being implemented, others are at the preparation stage) and the programme proposed. Further, the donor community has been invited by the government to participate to the Domestic Business Council as member of the Steering Committee and thus donors have started to meet in order to coordinate their positions regarding government's PSD Reform Programme.
8.2.2 Evidence of distribution of tasks among the different donors at country level
There are not many examples of distribution of tasks among donors involved in PSD support. As mentioned above, coordination is only recently starting to take a momentum. Two examples that can be mentioned. First, as mentioned above, following the invitation of the government to participate to the Domestic Business Council's Steering Committee, donors have started to meet and most likely, two agencies will be proposed to represent the donor community on the Steering Committee. A second example is the lead of the Integrated Framework which is shared by DFID and SIDA.
8.2.3 Evidence of joint activities or projects between the different donors at country level
The EC does not participate to any joint programme to support private sector development. Regarding other donors, only three PSD-related programmes (out of a sample of some 23 programmes) have been identified by the team as being funded jointly by more than one donor agency. ▪ Financial Services Enabling Environment Project. Funded by DFID and SIDA (£0.5m each). Level: at macro and meso. Duration: First Phase 18 months starting late 2004. Second Phase depending on First Phase. ▪ TA for the Establishment of Rural Electrification Authority (REA) and Rural Electrification Fund (REF). Funded by SIDA in close collaboration with the World Bank (US$ 1.8m). level: macro and meso. Duration: 3 years starting late 2004. ▪ Rural Finance Programme. Funded by IFAD ($10.5m), SIDA ($3.2m), GOZ ($3.1m), financial institutions ($0.4m) and beneficiaries ($0.2m). Level: macro, meso and micro. Duration: 6 years starting in 2005.
8.2.4 Explicit reference to other donor policies or activities in country documents

The CSP 2001 highlights the importance of donor coordination "Donor Coordination and co-operation are necessary since Government has insufficient capacity to take the lead in these respects". It then lists the type of activities undertaken by other donors (including non-EU donors).
It also makes reference to the following: "Among EU Member States, the UK is the most active donor for the private sector, supporting enterprise and export promotion projects trough loans, as well as capacity building. Sweden and Germany assist SME's trough credit and micro-finance initiatives, as well as TA for capacity building. Major non-EU support is provided by the USA."

8.2.5 Explicit reference to other donor policies or activities in programme level documents

See example of the World Bank in 8.2.3.

8.2.6 Examples of complementarities and synergies between programmes funded by the EU and programmes funded by other donors

No evidence available.

8.2.7 Evidence of overlap between PSD programmes of the EU and of other donors at country level

There exist examples of EC projects that overlap with interventions from other donors. These include:

Donor	Project of other donor	EC-funded programme
World Bank	Enterprise Development Project: ▪ Access to finance for SMEs ▪ Access to technical know-how for SMEs	PSDP: ▪ Financial service Support ▪ Non-financial Service support
DFID	Financial Services Enabling Environment Project	PSDP – Financial service Support
SIDA	Financial Sector Development	PSDP – Financial service Support

Zambia's PSD Reform Programme also lists 21 donors' funded programmes all targeting private sector competitiveness in one way or another:

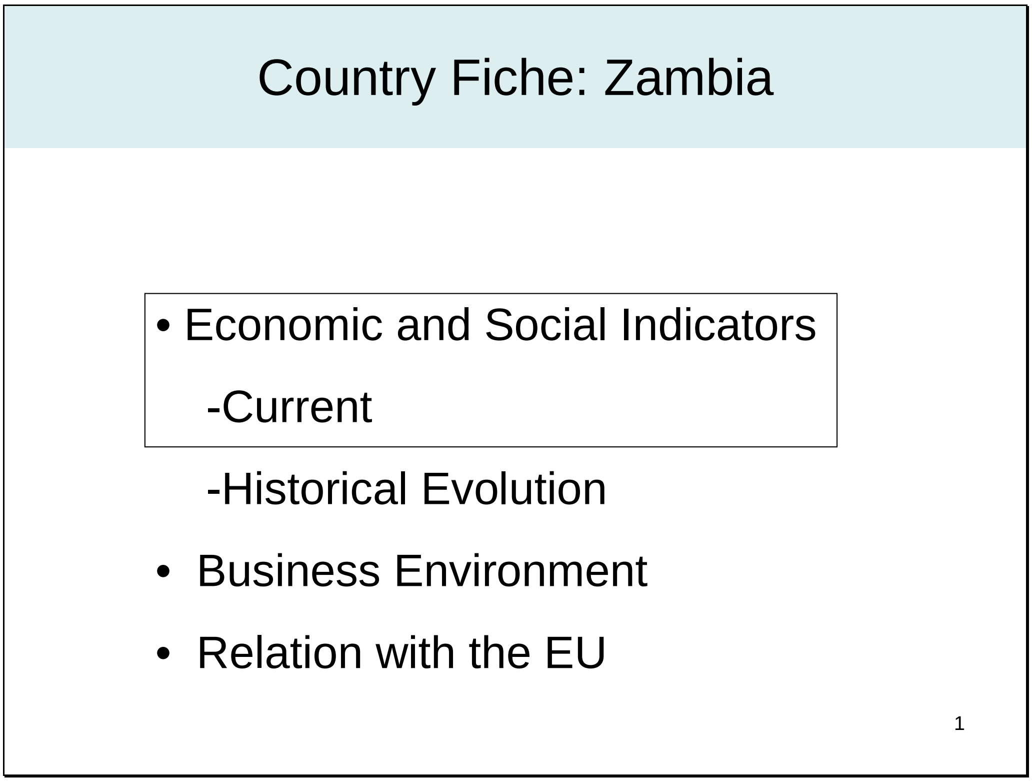
1. Enterprise Development Project (World Bank).
2. Handicraft Cottage Industry/Aid to Artisans (World Bank).
3. Private Sector Development Programme (EU).
4. Business Enhancement Strategy – BEST (Africa Project Development Facility (APDF)).
5. Konkola Copper Mines(KCM SME Suppliers Development Programme (World Bank/KCM).
6. Zambia Agribusiness Technical Assistance Programme (USAID).
7. Competitiveness in Agriculture and Natural Resources (USAID).
8. Integrated Skills Training for Employment Promotion (GTZ).
9. PROCESS (InWEnt).
10. Resource Ingenuity for Small Enterprises - RISE (InWEnt).
11. Support to Farmers Association Project (NORAD).
12. Natural Resources Defense Council/Zambia Export Growers Association (NRDC/ZEGA) Training trust – NZTT (NORAD/Netherlands).
13. PSD Agricultural Sector Support (Netherlands).
14. Copperbelt Urban Livelihood Project (Netherlands).
15. SNV Advisory Services (Netherlands).
16. Small-scale agriculture support (Japan International Cooperation Agency (JICA)).
17. Export Development Programme II (EU).
18. Cooperative League of the United States (CLUSA) (USAID).
19. Livelihood Project in the Northern Province (Ireland).
20. PSD Programme (Danida).
21. Agricultural Sector Support (DFID).

8.2.8 *Evidence of similar programmes with common beneficiaries funded by the EU and another donor*
The team has not been able to find formal evidence of firms benefiting from different donor-funded programmes given the difficulty of collecting beneficiaries' list for each programme. However, from interviews and from the fact that there are at least 20 programmes aiming at providing BDS in Zambia, it is likely that some firms benefit from several programmes. So far, no mechanism has been established to avoid this problem.

EQ 9 - Cross-cutting issues

Do the EU PSD interventions show concern for cross cutting issues such as promoting women led enterprises, ensuring acceptable working conditions notably for women, protecting the environment and promoting better governance practices?
9.2 CCI are taken into account in the PSD strategy and by programmes in Zambia
9.2.1 The CSP explicitly refers to CCI (which ones?)
Although the CSP 2001-2007 mentions that the EC co-operation policy establishes that "systematic account shall be taken in mainstreaming into all areas of co-operation the following thematic or cross-cutting themes: genders issues, environmental issues and institutional development and capacity building", there is no mention of such issues in the support strategy to Zambia or of how these CCI will or can be mainstreamed in the proposed sectors of intervention. As shown in indicators 9.2.2 to 9.2.4, CCI are not included in PSD programmes. On the contrary, the CSP refers to the government approach to some cross-cuttings issues. For instance, the government has published in 1999 a white paper concerning **democracy, human rights and good governance** (National Capacity Building Programme for Good Governance). The GOZ also presented a National **Gender** Policy in 2000, the vision of this policy is "to achieve full participation of women and men in the development process at all levels, in order to ensure sustainable development and attainment of equality and equity between sexes". Finally, the government has a National **Environment** Action Plan that has made Environmental Impact Assessments obligatory in most development activities.
9.2.2 Project/programme documents explicitly refer to CCI (which ones)
Only in two PSD programmes there is some mention of CCI: **EDP**: The FA states that "In the clothing industry, due to the shrinking of the industry, a high number of middle aged tailors have joined clothing factories. The project wants to promote the employment of young women instead. Under the project, participant will have access to credit and technology, which are the usual major constraints for women." **MSDP**: "Gender participation has already been clearly demonstrated by the active role that the Association of Zambian Women in Mining has played in the preparation of the project. The gender issue will be closely monitored throughout the project."
9.2.3 Internal Monitoring system takes into account CCI. For example, for gender the number of women led enterprises monitored, proportion of (micro) credits granted to woman, share of women in the labour force, etc.
Only the **MSDP** refers to CCI in its monitoring system. Target indicators include "40 NTMs with good corporate governance", "10 NTMs with environmental plan", "3 associations have good corporate governance". The **EDP** has no indicators to track women employability of the programme in spite of the aim of "promoting the employment of young women", as stated above in 9.2.2.
9.2.4 Evidence of the effective implementation of cross-cutting issues
No evidence available.
9.3 A CCI is treated through a specific project or programme in the frame of the PSD support in Zambia rather than as an horizontal issue
9.3.1 Examples of projects or programmes that focus on one of the CCI
No example available.

Annex 7 - Country snapshot



Zambia at a Glance

Region: Middle East & North Africa
Income Group: Lower middle income

Demographics / Social (2003)

Population	10m
GNI / Capita	380
Poverty rate	73%
Life expectancy	37 years
Urbanization rate	36%
Literacy rate (age 15+)	80%
Primary enrollment (% of school age)	79%
Adult population (15-49y) affected with HIV	20%

Key economic ratios (2003)

GDP (USD Billions)	$4
Gross domestic investment (% GDP)	16%
Export of goods and services (% GDP)	31%
Import of goods and services (% GDP)	42%
Current account balance (% GDP)	-15%

Structure of the Economy (2003)

Production per sector	
Agriculture (% GDP)	19%
Industry (other) (% GDP)	30%
Manufacturing (% GDP)	11%
Services (% GDP)	51%

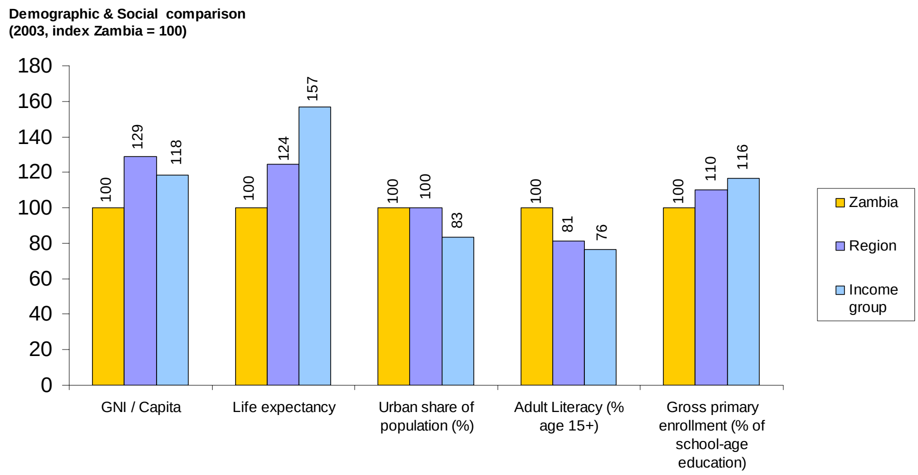
Structure of Trade (2003)

Exports (USD Billions)	1
Copper (% export)	54%
Manufactures (% export)	28%
Cobbalt (% export)	6%
Imports (USD Billions)	2
Capital Goods (% import)	35%
Fuel and energy (% import)	14%
Food (% import)	1%

2

Source: Zambia at a Glance (World Bank, 2004)

Demographic and Social Comparison

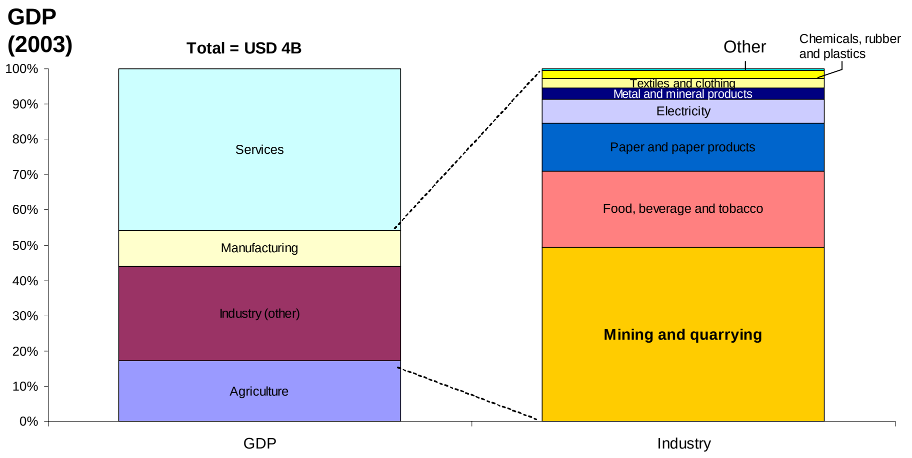


Zambia: (real)	$380	$37 years	36%	80%	79%

3

Source: Zambia at a Glance (World Bank, 2004)

GDP Breakdown 2003



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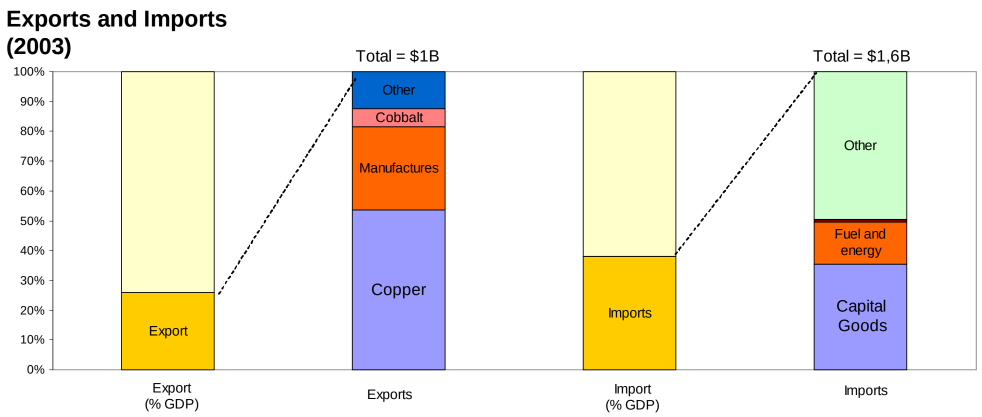
Source: Zambia at a Glance (World Bank, 2004); Zambia: Selected Issues and Statistical Appendix (IMF, 2004)

Structure of Export and Imports



5

Source: Zambia at a Glance (World Bank, 2004)

Country Fiche: Zambia

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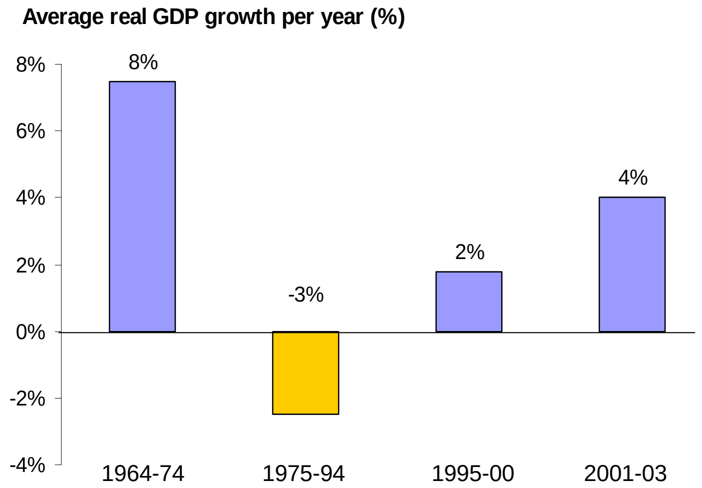
Negative growth from 1975 to 1994, followed by recovery



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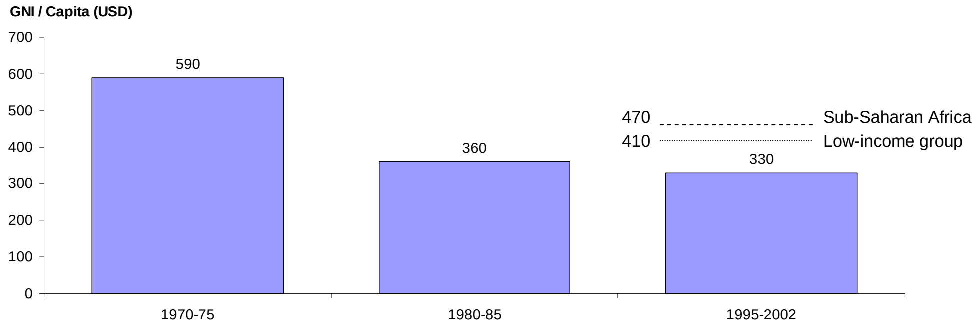
Source: Zambia: Selected Issues and Statistical Appendix (IMF, 2004)

Low Growth has been accompanied by decline in real income



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Source: Zambia Country Assessment Strategy (World Bank, 2004)

Poor economic performance has been caused by External shocks and internal mismanagement

External shocks

- Decline in copper price
- Oil price shock
- Frequence occurrence of drought

Internal Mismanegement

- Lack of diversification away from copper
- High external borrowings without structural reforms
- Exchange rate and trade controls

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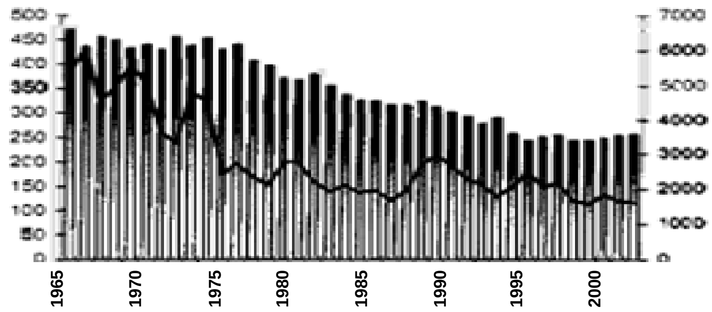
Strong correlation between the price of copper and GDP / capita

External shocks | Internal Mismanegement

Evolution of GDP/capita and copper price



Real GDP per capita ('000 1994 Kwacha)

International price of copper (constant 1990 USD)

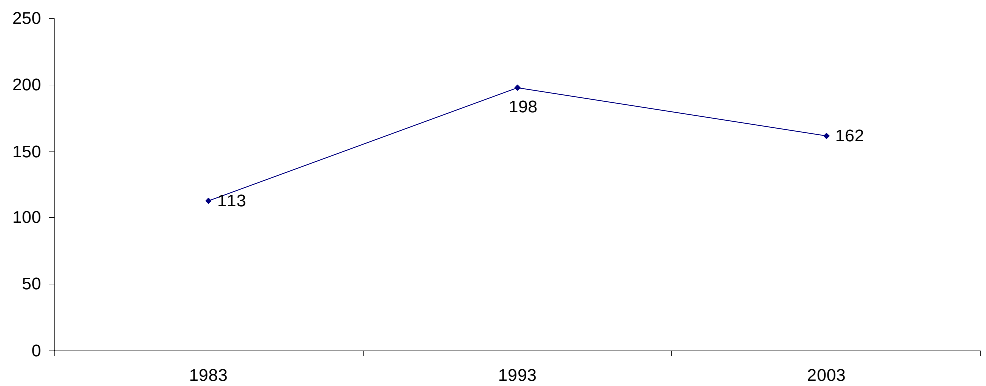
10

Source: Zambia Country Assessment Strategy (World Bank, 2004)

Internal Mismanagement includes high levels of borrowings

External shocks | Internal Mismanegement

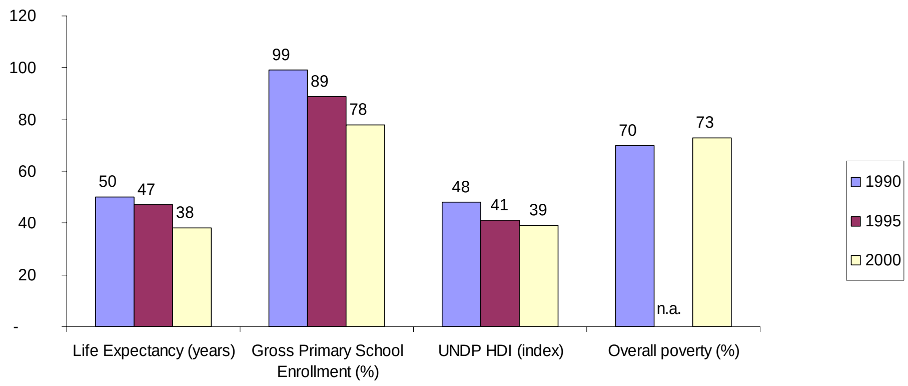
Total debt (% GDP)



11

Source: Zambia at a Glance (World Bank, 2004)

Lack of growth reflected in decline human welfare indicators



Source: Zambia Country Assessment Strategy (World Bank, 2004)

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Since 1990, the new government significantly reformed the economy

- Price control elimination
- Liberalization of exchange rates and interest rates
- Simplification of tariff structure
- Removal of trade quotas
- Privatisation
  - -Copper mining sector
  - -260 other state-owned enteprises

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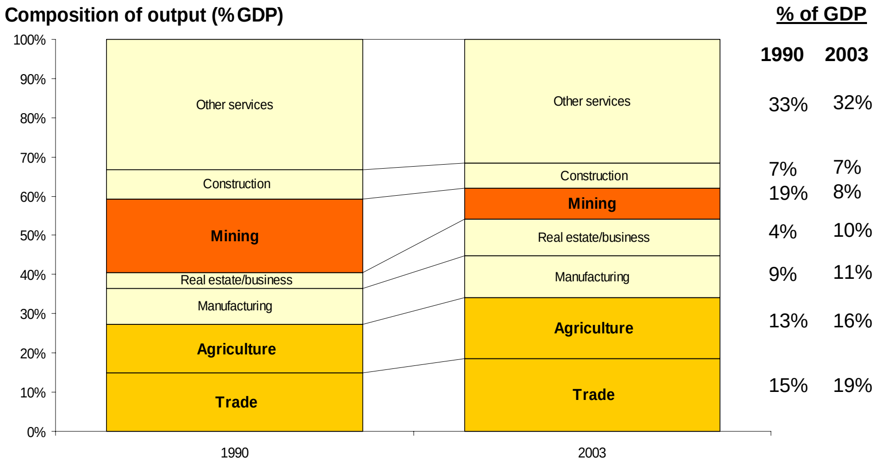
A key change since 1990s is the diversification away from copper



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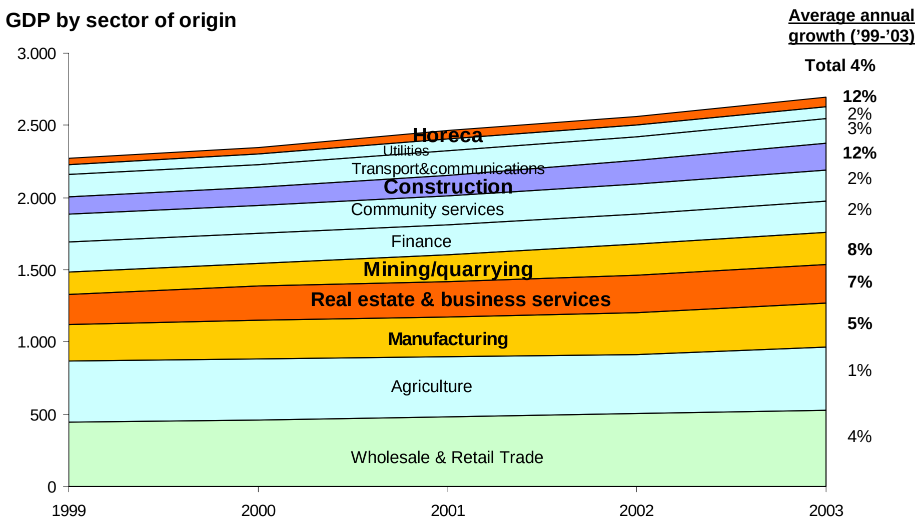
Source: Zambia: Selected Issues and Statistical Appendix (IMF, 2004)

3 key sectors of growth since 1999: Services, Industry & Construction



Note: High growth in agriculture in 2003
Source: Zambia: Selected Issues and Statistical Appendix (IMF, 2004)

2 major constraints for future growth: macro-economic stabilisation and the public sector

Macro-economics Stablisation

- Heavy debt
- Budget deficit > 5% of GDP
- Inflation > 15%
- Real interest rate > 10%

Public Sector

- Weak institutional capacity
- Innefficient public spending

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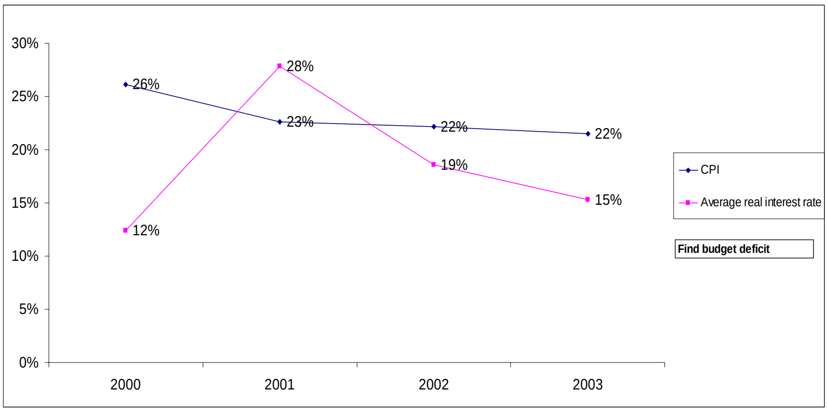
Source: Zambia Country Assessment Strategy (World Bank, 2004)

Unbalanced macro-economic environment is a major constraint for growth



« The level of interest rates obviously hampers expansion of investment and affordable access to credit for working capital, putting the current recovery and diversification away from copper into jeopardy »

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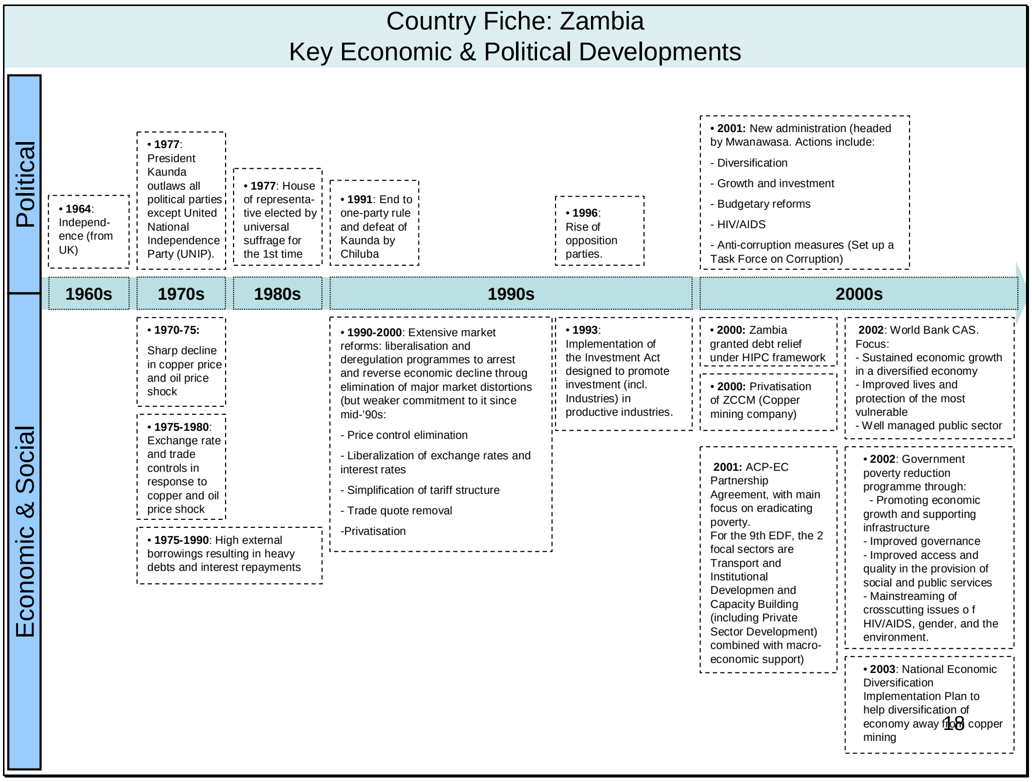
Source: Zambia: Selected Issues and Statistical Appendix (IMF, 2004)

World Bank, 2004



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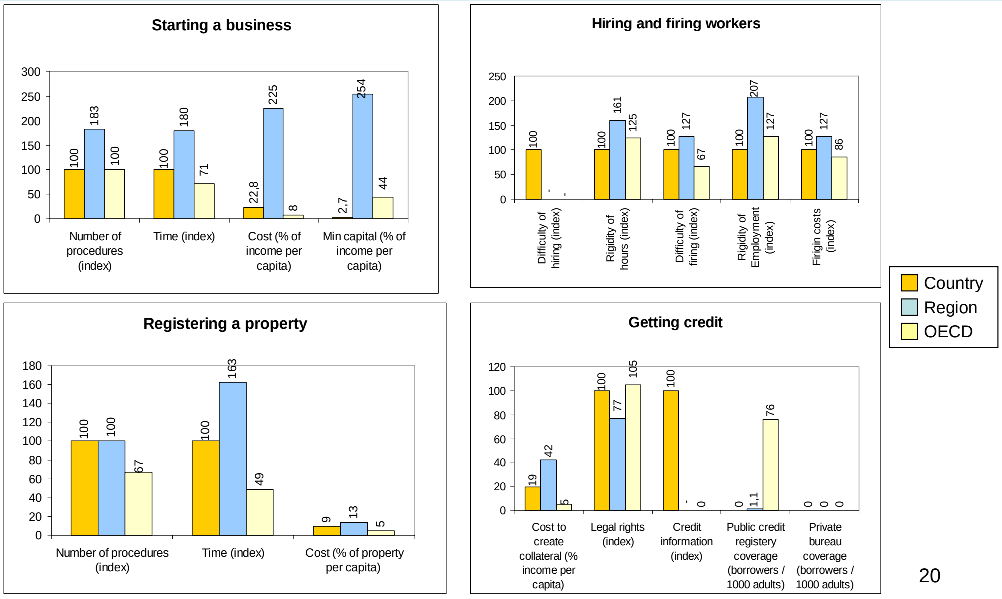
Business Environment: Wolrd Bank perception (1/2)



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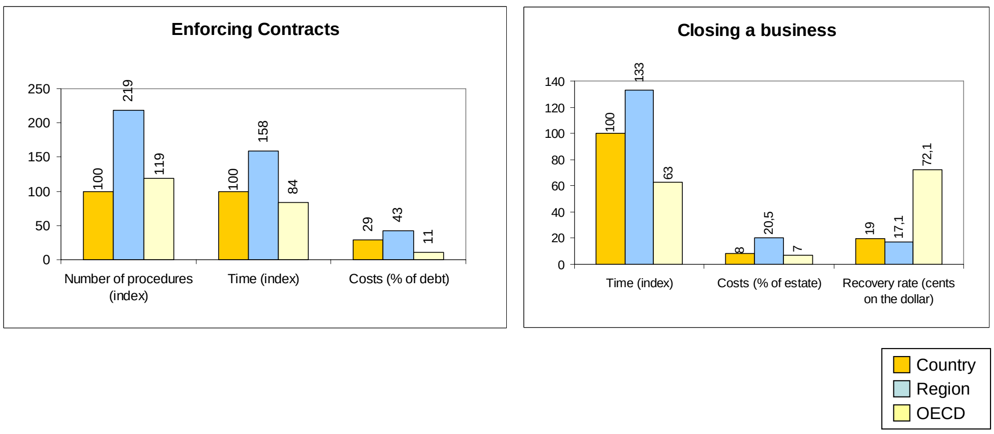
Source: Snapshot Business Environment (World Bank, 2004)

Business Environment: Wolrd Bank perception (2/2)



Business Competitiveness Index Ranking: 78th out of 103 countries

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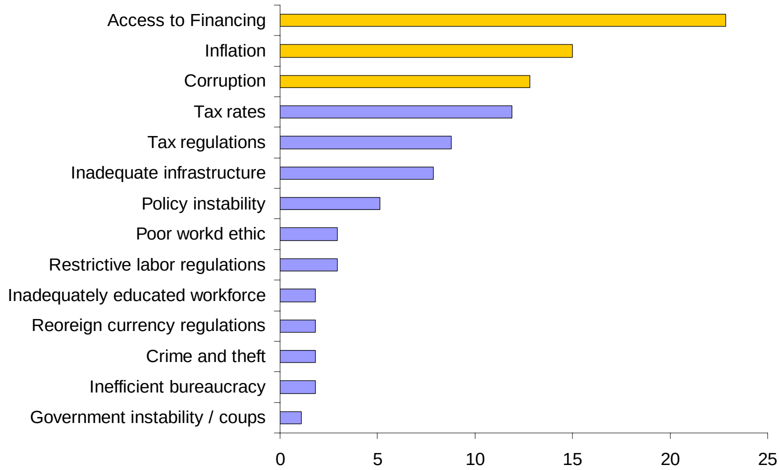
Source: Snapshot Business Environment (World Bank, 2005)

Business leaders see access to finance, inflation and corruption as key obstacles to do business

The most problematic Factors for Doing Business



Note: From a list of 14 factors, respondents were asked to select the five most problematic for doing business in their countries and to rank them from 1 (most problematic) to 5. The bars in the figure show the response weighted according to their rankings.

Source: The Global Competitiveness Report 2004-2005 (World Economic Forum)

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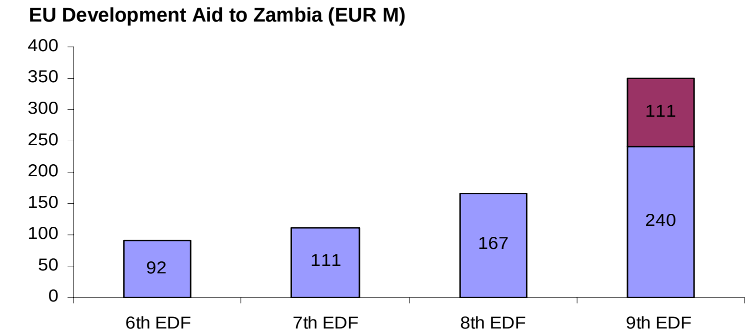
Country Fiche: Zambia



	6th EDF	7th EDF	8th EDF	9th EDF
Committed	89	103	148	
Paid	89	100	73	
Main focus			• Productive sector • Social Sector • Macroeconomic management • Policy formulation	• Capacity building • Transport

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