

August 1998

Evaluation of  
**European Union Aid**  
to African, Caribbean and Pacific Countries

**Field Phase**

Study No.1: **Zimbabwe**



## LIST OF ABBREVIATIONS

<b>ARDA</b>	Agricultural and Rural Development Authority
<b>ASMP</b>	Agricultural Services and Management Project
<b>BWI</b>	Bretton Woods Institutions
<b>CSP</b>	Country Strategy Paper
<b>CZI</b>	Confederation of Zimbabwe Industries
<b>DIF</b>	Department for Domestic and International Finance of the ministry of Finance
<b>DPCA</b>	Development Programme for the Communal Areas in Kariba District
<b>EC</b>	European Commission
<b>EC</b>	European Community (when referring to EU aid managed by the Commission)
<b>EDF</b>	European Development Fund
<b>GoZ</b>	Government of Zimbabwe
<b>HoD</b>	Head of Delegation
<b>IMF</b>	International Monetary Fund
<b>Mecu</b>	Millions of ecu
<b>MEFVP</b>	Mashonaland East Fruit & Vegetable Project
<b>MoA</b>	Ministry of Lands and Agriculture
<b>MPP</b>	Micro-Projects Programme
<b>MS</b>	Member States of the European Union
<b>NAO</b>	National Authorising Officer
<b>NEPC</b>	National Economic Planning Commission
<b>NGO</b>	Non Governmental Organisation
<b>NIP</b>	National Indicative Programme
<b>NPO</b>	National Programme Officer
<b>NPU</b>	National Programme Unit of the MicroProjects Programme
<b>ODA</b>	Official Development Assistance
<b>PER</b>	Public Expenditure Review
<b>PMU</b>	Project Management Unit
<b>PS</b>	Permanent Secretary
<b>PW</b>	Price Waterhouse
<b>SASP</b>	Structural Adjustment Support Programme
<b>SSIP</b>	Small-Scale Irrigation Programme
<b>UDI</b>	Unilateral Declaration of Independence
<b>ZNCC</b>	Zimbabwe National Chamber of Commerce
<b>ZSP</b>	ZimTrade Support Programme

## PREAMBLE

The Evaluation of EU Aid to ACP Countries is part of a general evaluation of EU aid requested by the Development Council in June 1995. The second phase of the study focuses on: (I) policy formulation; (ii) policy dialogue between the EC and individual ACP states; and (iii) aid implementation and management.

The country reports look at policy dialogue and aid implementation in six countries and one region concentrating on 3 sectors of European Community assistance in each country. The present report is on Zimbabwe. The other six reports cover Tanzania, Cameroon, Côte d'Ivoire, Liberia, Jamaica and the East Caribbean. The sectors of concentration for Zimbabwe are structural adjustment, agriculture and trade development.

This study report is based on the findings from a visit of a team of consultants undertaken from February 21 to March 11, 1998. The field- work was preceded by an analysis of available evaluations in the sectors of concentration as well as other available documents on EC Aid to Zimbabwe. The in-country field work was organised around:

- the review of project files;
- interviews with EC Delegation staff;
- interviews with Government officials
- interviews with Member States and donors' representatives;
- interviews with beneficiaries and NGOs;
- wrap-up meeting with Member States; and
- wrap-up meeting with Delegation staff.

The draft report was presented in May 1998 to the Working Group of Heads of Evaluation Services (Development) of the European Union and the Commission.

The evaluation team is grateful for the support of the EC Delegation, and for the collaboration of the Government and representatives of other donors, particularly Member States.

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*Those wishing to obtain copies of the synthesis report or the other case studies should contact the Head of the Evaluation Unit, Common Service Relex of the European Commission.*

## EXECUTIVE SUMMARY

**A. Country Context**

Zimbabwe is a land-locked country with a well diversified economy. Since achieving independence in 1980, Zimbabwe's political system has been dominated by one party, but competing political groupings are active. While opposition parties are small and poorly organised, trade unions are more influential.

Zimbabwe's economy, albeit diversified by Sub-Saharan Africa's standards, is still very much dependent on agriculture. In the first decade after independence, Zimbabwe had a highly regulated command economy with a strong anti-export bias. In 1991, Zimbabwe embarked on a Structural Adjustment Programme supported by the Bretton Woods institutions and other donors. Trade liberalisation and domestic deregulation have made good progress, but difficulties remain in other areas. Fiscal reform and the Social Dimensions of the Adjustment Programme have been disappointing. The role of the State in the economy is still substantial, and political and economic rigidities make the environment open to corruption, which is a growing concern among donors.

Aid inflows, at about 10% of GDP, are important for Zimbabwe, but less so than for other African countries. Net official development assistance in real terms is now at the same level as in the years immediately following independence. Total EU aid, Member States and EC, accounts for two thirds of total aid. EC aid accounts for a quarter of total EU aid. EC aid has grown steadily, with disbursements averaging ecu 70 million a year in the period 1994-1996. The focus of EC aid has shifted over time, from emergency assistance in the early 1980s to rural development from the mid-1980s to the early 1990s, and to structural adjustment and the social sectors (i.e. health and education) thereafter. The second half of the 1990s has also witnessed the beginning of a shift from project to programme aid.

EC aid is managed jointly by the National Authorising Officer (PS Ministry of Finance) and the EC Delegation. The NAO office is part of the Department of Domestic and

International Finance, the unit responsible for co-ordinating all external assistance to Zimbabwe. The unit is very professional but has insufficient capacity. In the case of EU aid, it relies on the assistance of the Delegation's National Programme Officers and some Technical Assistance. Compared to other EC Delegations, the Delegation in Zimbabwe appears relatively well staffed, although it has fewer professional staff than some Member States' in-country representations. Delegation advisers operate without clear terms of reference and there is often a mismatch between skills and assignments. Contacts with Headquarters and with other Delegations which provide valuable working networks are limited. Delegation staff are over-burdened by complex administrative tasks, which are carried out at the expense of strategic thinking and policy dialogue.

**B. Policy Dialogue**

Given the significant EU aid for Zimbabwe, the EC and Member States could play a greater role in policy dialogue and donor co-ordination. The role of the EC is limited by staffing and administrative constraints. However, co-ordination with other donors has been good although restricted to sharing information. There are few examples of joint donor operations. Recently there has been some progress (e.g. the participation of the Delegation in negotiations on the Agricultural Sector Management Programme, and the Delegation's increased role in the overall economic dialogue). Moreover, the Delegation expects that appraisals, evaluations and audits in the health, education and trade sectors will in future be undertaken jointly with Member States, wherever possible. SIDA's recent programming exercise has been based on co-ordination and complementarity with other donors.

Policy dialogue with the Government has been influenced by the strength of the civil service and by Zimbabwe's limited dependence on foreign aid. In the past, the Government has often decided not to engage in policy dialogue in politically sensitive areas. The Government

has had considerable ownership of the reform process.

The policy dialogue between the EC and the Government has been strengthened during the last five years. The latest programming exercise was carefully planned and conducted through extensive high level consultations. However, because of pressures from many sides, it was not sufficiently focused. Delegation staff were the leaders in the exercise, and they ensured that there was effective consultation with Member States.

Policy dialogue on stabilisation and adjustment reforms was mainly carried out by the Bretton Woods Institutions. There is adequate co-ordination between BWI and other donors. However, some Member States expressed their concerns that BWI's programmes were often over-optimistic in their assumptions. The EC's Structural Adjustment Support Programme represents about 40 percent of total commitments to Zimbabwe (EDF 7). The EC Delegation had the capacity to monitor macroeconomic and adjustment reforms. However, the complex implementation modality of the SASP (targeting of projects) contributed to the overstretching of the Delegation's capacity, making it difficult to carry out strategic policy dialogue, particularly on the reform of the social sectors. The Delegation has recently begun to engage the Government in a dialogue intended to improve the budgetary process in the social sectors. The good working relations between the EC and the Government should facilitate this dialogue.

Sector policy dialogue has been limited in the past but this has begun to change. Agriculture projects were pilot projects that did not focus on policy issues. The Micro-Projects Programme was very successful but involved limited policy discussion. Trade policy discussions in the context of the ZimTrade project have suffered from the limited capacity of the Ministry of Industry and Commerce and from insufficient involvement of the private sector.

The policy dialogue on institutional reform in the agricultural sector (ASMP) has shown the potential of EC interventions. The EC has played an effective role as facilitator for both

the Government and other donors. The Government perceives the EC to be a relatively neutral technical donor. Other donors also respect the professionalism of EC sectoral staff and the quality of a number of their sector interventions (e.g. Micro-Projects Programme).

The Delegation advisers seem to be very aware of the need to incorporate poverty, gender, environment and governance issues into their interventions. These issues are often discussed in the regular operational meetings between the Delegation and the Government. There has been some progress on poverty issues. For example, poverty alleviation is the key objective of the latest programming exercise. However, the EC's ability to address these key issues is limited by staffing constraints, by the volume of administrative work and policy initiatives, and by the Government's capacity. These difficulties are shared by other donors in Zimbabwe. However, the EC's Micro-Projects Programme shows a successful way to address poverty and gender issues in a direct manner.

### C. Aid Implementation

The overall co-ordination of EC aid is carried out by the NAO office. The EC Delegation's monthly meeting with the NAO Office is extremely useful in monitoring project implementation. The meeting is attended by all advisors and NPOs, by the NAO Office staff, and by all line Ministries and implementing agencies involved in managing EC aid. As a result, all parties responsible for project implementation are gathered round the same table. Where problems involve several parties, solutions are often found at this meeting.

At the project level, institutional arrangements for project implementation involve three types of structure: fully integrated, parastatal (as in ZimTrade) programme and parallel management (as in the Micro-projects Programme). The first structure appears to be the most sustainable, although all three approaches require the use of external TA. Some implementation structures in EC projects are complex and some involve too many agencies. In such cases, creating a co-

ordination unit or a Steering Committee may simply add to the complexity.

While the initiative to prepare a project usually originates from the Delegation, in general there has been adequate involvement of host agencies in the design process. However, the involvement of direct beneficiaries has been weak. An exception is the Micro-Projects Programme, which is by definition a quick-disbursing programme geared to direct requests by communities.

Project preparation can be strongly influenced by external consultants. While the use of external consultants in all stages of project preparation is common for most donors, the influence of their work on the final product depends on the Government's and donor's ability to manage such consultants, which has been insufficient at times. In some cases, the insufficient management of consultants can explain why project preparation overlooks the implementation capacity of the EC and of local counterparts.

Most projects have suffered from delays in implementation. In agriculture, for example, a recent evaluation found persistent delays in the Annual Work Programme and Budget Estimates and in the recruitment of technical assistance personnel. In addition to insufficiently clear implementation arrangements, delays are attributed to the inexperience of project managers in the financial and reporting procedures of the EC. A simple check on three projects, using the reference time limits set out in the detailed evaluation by Price Waterhouse in 1992, showed delays longer than the reference limits, although only one instance was beyond the maximum limits set out by the evaluation.

The EC is not alone in experiencing delays in implementation. The last Country Portfolio Performance Review by the World Bank found that projects had suffered from delays in project start-up (up to two years), in procurement (particularly for large contracts where decisions need to be vetted by the President's Office), and in submission of financial audits (due to "a capacity issue both in terms of accounting in implementing agencies and audit capacity at the Office of the Auditor General").

The implementation and monitoring of EC interventions has been affected by the extensive nature of EC *ex ante* financial controls. In this context, much less emphasis is given to monitoring project performance or *ex post* financial audits. We examined a sample of fourteen EDF 7 projects to determine what share of the total amount disbursed as of December 31, 1997 had been subject to *ex post* controls. We found that only 21% of expenditures had been fully audited. Because of EC financial arrangements and requirements from Member States, *ex ante* financial controls are applied without selectivity. Out of 480 procurement decisions under EDF 6 and 7, a quarter (those above ecu 100,000) accounted for 84% of the total amount of ecu involved. As economies of scale in procurement and disbursement decisions are minimal, a move towards removing *ex ante* controls for procurement decisions below ecu 100,00 while extending financial audits to all expenditures under EDF-funded programmes would save considerable staff time.

The effect of these controls is that the limited numbers of EC staff spend a substantial amount of time verifying every expenditure. We estimated that the amount of time spent processing payment orders in 1997 was 1.5 person years at the Delegation and 1 at the NAO office. This is in addition to the time spent by staff in Headquarters on direct payments.

Given the weakness of some implementing agencies, it is very difficult for Delegation advisors not to become project co-managers. A recent evaluation noted that: "Routine supervision of a constructive nature.... does not appear to have been a feature of the project portfolio. For the Delegation, there appears to have been a fine line between their unavoidable responsibilities for financial and contractual administration related to projects and direct involvement in managerial and technical issues."

In this context, monitoring and mid-term evaluation has been weak in EC projects. Mid-term evaluations, if included in the project design, have not been carried out punctually. A recent evaluation on agriculture

noted a general absence of coherent monitoring. Another evaluation in trade development found that "elements of the budget are incomprehensible. (...) ZSP produces annual and quarterly progress reports (...) resulting in little or no feed-back, so the Programme proceeds as it set out with only minor corrections to its direction." Operational and financial information is often available but not analysed.

One of the strengths of EC managed aid is the regularity of *ex post* evaluations carried out by independent evaluators and shared widely with Government and other donors. All the sectors that this study focused on had been evaluated in the previous 12 months. These evaluations are appreciated by EC staff. However, because of administrative constraints, while EC staff have taken important steps to incorporate evaluation lessons in the design of new operations, this has been a difficult process.







## CHAPTER I. COUNTRY CONTEXT

## A. Country Background

*Country Details*

**A landlocked country with a diversified economy**

Zimbabwe is a landlocked country situated between the Limpopo and Zambezi rivers, covering an area of 391,000 square kilometres bordered by Zambia to the north and north-west, by South Africa to the south, by Mozambique to the east, and by Botswana to the south-west. With a population of 11 million, which is growing at 2.5% per annum, Zimbabwe has an annual per capita GDP of US\$540 (1995) and a well diversified economy. Almost a third of the population lives in urban areas and agriculture accounts for only 15% of GDP.

Zimbabwe was colonised by the British South Africa Company under Cecil Rhodes in the 1890s. The territory became part of the federation of Rhodesia and Nyasaland in 1953. The federation broke up in 1963 with the independence of Malawi and Zambia and in November 1965 Prime Minister Ian Smith issued a Unilateral Declaration of Independence from the United Kingdom. The Smith Government instituted apartheid-like policies and practised racial discrimination. The UDI led the United Nations to impose its first mandatory economic sanctions on a State. Guerrilla activity began in the late 1960s and increased dramatically after 1972, causing substantial destruction.

**Independence in 1980**

After several failed rounds of negotiations between 1976 and 1979, the Lancaster House talks led to the re-assertion of British authority over the colony on December 10, 1979; a cease-fire, new elections and a new constitution on December 21, 1979; and Zimbabwe's independence on April 18, 1980. The new Constitution provided for a Westminster-style government (i.e., bicameral Parliament and a Prime Minister who heads the Executive). It also: (a) made nationalisation of land impractical and expropriation unconstitutional ("willing buyer-willing seller" provision) and (b) guaranteed an over-representation of whites in Parliament for the first seven years after Independence.

**Table 1 - Main Features of Zimbabwe's Political System**

<b>Feature</b>	<b>Details</b>
Independence	April 18, 1980
Constitutional Structure	Executive Presidency Single-Chamber Parliament
Parties represented in Parliament	ZANU PF (Ruling Party): 148 seats ZANU Ndonga (Opposition): 2 seats
Opposition Parties not represented in Parliament	ZUM, UP, FPZ, DP, FDP

In 1987, two major constitutional changes were passed: an executive presidency (with an unlimited term in office) was introduced and racial representation in Parliament was abolished. In 1990, the bicameral parliament was replaced with a single-chamber parliament, the House of Assembly.

Zimbabwe's political structure is characterised by a de-facto one-party system with ZANU (PF) controlling 148 of the 150 seats.<sup>1</sup> However, there is active participation of competing political groupings. While opposition parties are small, poorly funded and organised, the trade unions are becoming stronger and are often critical of government

<sup>1</sup> Of the 150 seats, only 120 are elective.

policies. ZANU-PF Central Committee has a very strong influence on government, although its decisions are rarely made public.

*"The relationship between party and government is important in the Zimbabwean political structure. The party is defined as the body that establishes the general direction of government and has major influence in government."*<sup>2</sup>

Zimbabwe is not one of the poorest countries in Africa but its income distribution is extremely unequal. Income distribution can be used as an indicator of poverty<sup>3</sup>, and Zimbabwe has the sixth most unequal income distribution among the 85 countries for which this measure was calculated. Only 4 countries (Brazil, Guatemala, South Africa and Kenya) out of 65 have a Gini index higher than Zimbabwe (WDR, 1996). Civil unrest has been growing in the last year. The issues of deteriorating living standards, democratisation and redistribution of land are at the forefront of the political debate.

#### *The Economy*

**An economy  
still dependent  
on agriculture**

Zimbabwe is one of the most industrialised countries in Sub-Saharan Africa<sup>4</sup> with manufactured exports accounting for 40% of the total. However, Zimbabwe is still highly dependent on the agricultural sector, providing almost 70% of employment, 19% of GDP and 35% of exports while up to 60% of the manufacturing value-added is related to the agro-industry. Zimbabwean agriculture has a dualistic structure, with 4,500 large-scale farms covering more than half of high potential land and one million smallholders farming mainly in arid and semi-arid areas. The main exports are tobacco, gold, iron products, sugar, nickel and cotton. Although landlocked, Zimbabwe is linked to the rest of the world by a good network of roads, railways and airlines.

In the first decade after independence, Zimbabwe had a highly controlled economy with an anti-export bias. To reduce socio-economic disparities, the ZANU PF Government invested heavily in health and education and, through parastatals, in agriculture and industry. Public expenditures soared, remaining at 45% of GDP for most of the 1980s. While social indicators improved, per capita income stagnated and population grew faster than jobs, thus widening income disparities. In 1992, Zimbabwe embarked on a programme for structural adjustment supported by the IMF, the World Bank, the EC and other donors.

**Table 2 - Key Economic Indicators**

<i>Indicators</i>	<i>Latest Value (1995)</i>	<i>Average Rate of Growth (1990-95)</i>
GNP per capita	US\$540	-0.5% (1985-95)
Population	11 m.	2.5%
GDP	US\$6,522 m.	1.0%
Gross Domestic Investment	22% of GDP	0.2%
Exports	US\$2,372 m.	-6.6%
Imports	US\$2,836 m.	-5.1%
Overall Budget Deficit	7% of GDP	
Official Development Assistance	10.1% of GDP	
NPV of External Debt	69% of GNP	

<sup>2</sup> Deborah A. Sanders in Joel Krieger (ed.), *The Oxford Companion to Politics of the World*, Oxford University Press, 1993.

<sup>3</sup> Research by the World Bank found "a statistically significant negative correlation between standard deviation of income distribution and the share of income held by the lowest quintile" of the population.

<sup>4</sup> The manufacturing sector contributes over 30% of GDP, three times the SSA average.

A severe drought hit Zimbabwe in 1992 causing the worst recession since independence. Nevertheless, the Government was able to achieve significant results in deregulation<sup>5</sup> and trade liberalisation<sup>6</sup> in the period 1991-94. Performance has instead been unsatisfactory in fiscal reform, where government spending remained too high and parastatal and civil service reforms moved too slowly, thus impeding the reduction of budget deficits. Budget cuts on social spending have hit the poor hardest.

State intervention in the economy is still substantial, although slowly declining. Government expenditure fell from 42.5% to 39.7% of GDP between 1991 and 1996. The combined deficits of the ten major public enterprises also declined from 4 to 1% of GDP between 1994 and 1996.

#### *Governance and Public Administration.*

Zimbabwe's political system, with its identification of party and state, results in limited public accountability, which facilitates corruption. In this context, the high degree of state intervention and the state's discretion in applying regulations have also contributed to corruption<sup>7</sup>. There is a perception in the donor community that corruption is becoming a serious issue in Zimbabwe. However, many donor representatives feel that corruption is still lower than in other African countries. Donors gave examples of possible high level corruption relating to foreign investment and procurement of goods and works. However, petty corruption appears less widespread in Zimbabwe than in many other African countries.

The Zimbabwean civil service is stronger than those of many other African countries. Its salaries appear closer to those of the private sector. Zimbabwe's wage bill is also quite high by international standards (12% of the GDP). In recent years, the civil service has been reduced by 20,000. The efforts to streamline the civil service will be based on devolution of central government responsibilities to local governments and the commercialisation of some Government departments.

## **B. The Management of International Aid**

### *In-Country Aid Agency Representations*

All major donors and international organisations are represented in Harare. In 1996, the EC was the largest donor followed by Japan, Sweden, the Netherlands, Germany, United Kingdom, Denmark and Norway. Thirteen EU Member States have diplomatic missions in Zimbabwe. Donors have very different organisational set-ups. The Netherlands, for example, has fully decentralised decision making on aid programming and management. Other donors with a fairly decentralised set up include DfID (whose office in Harare covers four countries), DANIDA, and SIDA. Centralised structures however seem to be still the prevailing set up. The main features of some donors we interviewed are summarised in **Table 3** overleaf.

<sup>5</sup> Removal of price controls and of most investment licensing, dismantling of public monopoly on marketing of agricultural commodities, liberalisation of the financial sector.

<sup>6</sup> Dismantling of foreign exchange controls on current accounts and removal of import licensing.

<sup>7</sup> Corruption is defined by Prof. Klitgaard as monopoly plus discretion minus accountability.

Table 3 – Features of Some Donors Operating in Zimbabwe

<i>Indicator</i>	<i>Netherlands</i>	<i>Germany</i>	<i>Denmark</i>	<i>France</i>	<i>SIDA</i>	<i>DFID</i>	<i>World Bank</i>
Focal Sectors	Education Health Rural Develop. Environment	Agriculture Rural roads	Agriculture Health Feeder Roads Telecom Environment	Water Telecom Energy	Health Education Public Admin. Transport		Health Agriculture Infrastructure SME Development
No. of Higher Level Staff	8 HQ 4 Local	3 HQ <sup>1</sup>	6 HQ 1 Local	3 HQ 3 Local	9 HQ 4 Local	20 HQ	4 HQ
Countries (beyond Zimbabwe)	Botswana	None	Botswana Malawi Angola	Zambia	6 other countries	None	None
Net disbursements (Mecu) – 1996	25	20	16	5	28	20	9

1. This figure is not easily comparable. German aid is implemented through agencies (GTZ and KfW).

Note: Indicative table. Based on interviews. HQ= Expatriate higher level staff in field office.

### *Role and Importance of International Aid.*

**Aid is constant and EU accounts for 2/3 of total**

As shown in **Figure 1** international aid to Zimbabwe is back at the same level it reached immediately after independence. There have been two peaks in international aid: one in the early 1980s when the country needed to recover from the civil war and a second after Zimbabwe embarked on ESAP and was hit by a severe drought. At 10.1% of GNP, Zimbabwe has the second lowest ratio of ODA to GNP among low-income Sub-Saharan African countries. This ratio is similar to those of other relatively industrialised economies like Kenya or Ghana<sup>8</sup>. Aid from Member States and the EC accounts for two thirds of total aid to the country and its share has been fluctuating between 45% and 65%. The relative importance of the EC vis-à-vis the EU Member States has been growing steadily from 5% of total European aid (EU and EC aid) to Zimbabwe at Independence to 25% in 1996.

### *Institutional Arrangements for Aid Management.*

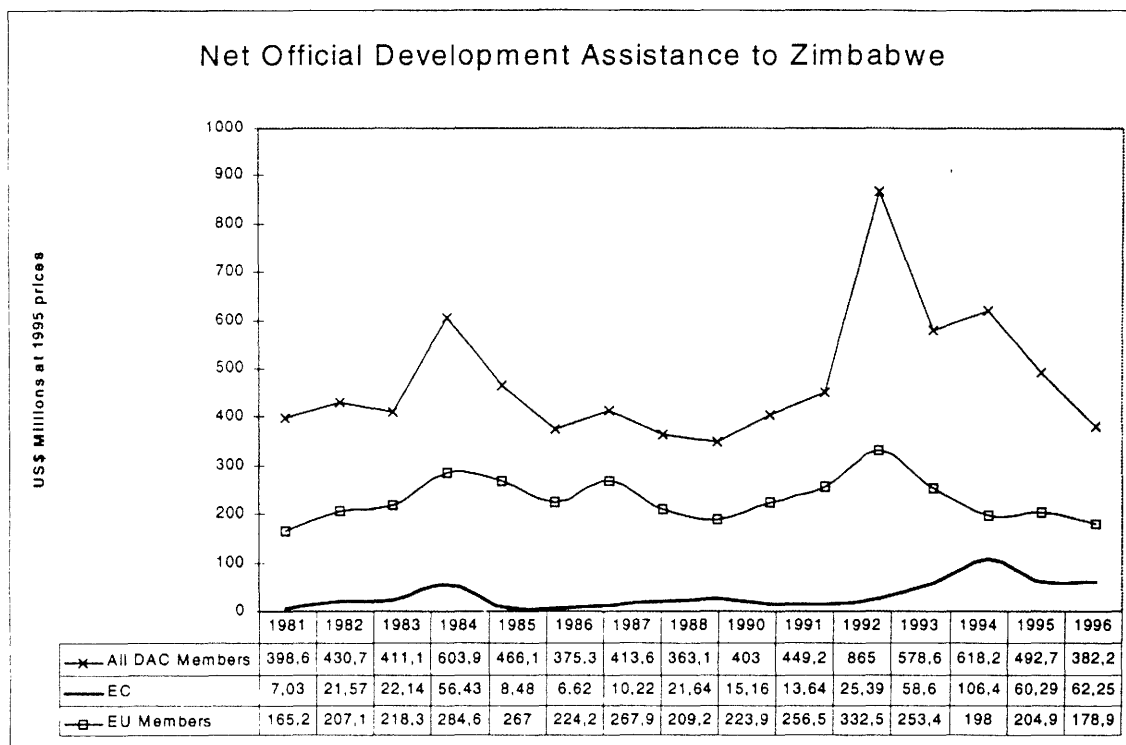
**Government at the centre of aid co-ordination**

The Government has always been pro-active in co-ordinating aid programmes and relations with individual donors, although it has often suffered from its own limited capacity. Aid co-ordination is the responsibility of a unit within the Ministry of Finance, the Department for Domestic and International Finance (DIF), whose structure and functions are described in the next section. Aid projects need to be approved by the National Economic Planning Commission (NEPC) and any sectoral support is referred to the relevant line ministry. Key decisions are referred to the President. Other key decision makers in aid management include the Minister of Finance, the Minister of Commerce and Industry, the Commissioner for Planning, and the Minister of Justice.

There are several thematic groups for aid co-ordination organised by UNDP, although some donors noted the ineffectiveness and cost of such co-ordination efforts. Donors mentioned that informal co-ordination, particularly among “like-minded” donors (e.g., Nordic donors) tends to be more effective.

<sup>8</sup> *World Development Report, 1996.*

Figure 1 – Net Official Development Assistance to Zimbabwe (1981-96; 95 prices)



Source: DAC



## CHAPTER II. EUROPEAN UNION ASSISTANCE

## A. Relative Size and Importance of EC Aid

Informal contacts between the EC and the new ZANU Government started in the late 1970s, enabling Zimbabwe to become a member of the Lomé Convention extremely quickly after independence in 1980. While formal co-operation started only under Lomé II, humanitarian aid was initially provided under EU budget financing to assist the new Government in the resettlement of refugees that had been victims of the civil war. The EU is now the largest overseas market for Zimbabwe, and collectively the EC and the Member States account for the largest share of aid to the country.

The size and allocation of EC aid to Zimbabwe under successive Lomé conventions since independence are shown in **Table 4**. Several clear trends are visible: (1) EC aid has grown significantly over time; (2) financial assistance from EIB has remained relatively constant (35-40% of EDF resources); (3) there has been a shift from project aid to budget support; and (4) aid focus has changed over time: emergency assistance in the early 1980s; rural development from the mid-1980s to the early-1990s and structural adjustment and the social sectors (i.e., health and education) thereafter.

Table 4 - Size and Allocation of EC Assistance to Zimbabwe

<i>Features</i>	<i>Lomé II (1981-1985)</i>	<i>Lomé III (1986-1990)</i>	<i>Lomé IV (1991-1995)</i>	<i>Lomé IV bis (1996-2000)</i>
<b>Size (Mecu)</b>	<b>110.0</b>	<b>180.9</b>	<b>340.2</b>	<b>N/A</b>
<i>Of which:</i>				
• <i>NIP</i>	49.0	77.0	91.5	110.0
• <i>Other EDF &amp; EIB</i>	47.0	85.2	218.0	102.1
• <i>Budget</i>	14.0	18.7	30.7	N/A
Sectoral Focus of NIP	♦ Refugees ♦ Rural Development	♦ Refugees ♦ Rural Development	♦ Agriculture	♦ Agriculture ♦ Health ♦ Education

Source: DGVIII Annual Report

1. The table includes national programmable and non-programmable resources and budget lines. It excludes resources from the Regional Indicative Programme.

## C. Institutional Arrangements for EC Aid

*The ACP*

The NAO office is part of the Department of Domestic and International Finance (DIF), a unit of the Ministry of Finance responsible for managing all external assistance to Zimbabwe. The NAO is the Permanent Secretary of the Ministry, and has six Deputy NAOs (i.e., the Director of DIF, the head of DIF's Aid Co-ordination Section and four officers from the Accountant General's Office within the same Ministry). The subdivision of responsibilities between DIF and the Accountant General's Office is simple: the latter is responsible for all disbursement matters (e.g., preparing and signing payment orders) while DIF is responsible for all other EDF issues. DIF has four sections: Aid Co-ordination, Loan, Commissioner of Insurance and Registrar of Banks. The Aid Co-ordination section comprises six desk officers, of whom one is responsible for EU (and Australian) aid. The other five desk officers are responsible for aid from the UN system and bilateral donors, while relations with the IMF and the World Bank are

NAO Office is  
integrated in  
MoF but  
limited  
capacity



within the responsibility of the Loan Section of DIF. There are also two TAs assisting the section in managing Stabex and SASP funds.

**Government appreciates partnership with the EC**

Government officials praised the concept of partnership and generally found the EC easy to deal with on policy issues. However, some Government officials noted that the EU-ACP partnership has become more unequal over time, because of the different analytical capacities on the two sides. They also note the complex procedures for procuring goods and services and disbursing funds. In general, the Ministry of Finance does not favour requests from donors (including the EC) to disburse funds to line ministries using revolving funds outside the normal government payment system. However, line ministries (like the Ministries of Health and Agriculture) are more supportive of these requests.

Delegation advisers believe that the NAO is doing an effective job, although they noted that its capacity is limited. However, they are aware that more Technical Assistance could compromise government ownership and normal government structures. The location of NPOs in the Delegation rather than in the NAO office was also questioned. Other donors also noted the insufficient staffing of the Department of Domestic and International Finance for donor co-ordination.

*The EC Delegation*

The EC Delegation in Zimbabwe has a professional staff of seven expatriate officials and a total staff of 29. The professional staff includes the Head of Delegation<sup>9</sup>, an economic adviser, two agricultural advisers, a technical adviser, an administrative attaché and a junior programme officer. Local staff in the Delegation is made up of four National Programme Officers (NPOs) and eighteen support staff (accountants, secretaries, drivers, messengers, etc.) NPOs were introduced in Zimbabwe as part of a pilot scheme to assist the NAO in the implementation of development policy. They were to become part of the civil service, although in practice they usually end up working for the private sector. NPOs signed their contracts with the Government of Zimbabwe.

**No clear terms of reference for Delegation Advisers**

Most professional staff in the Delegation do not have terms of reference for their posts, and their roles and responsibilities are mostly defined on the basis of their predecessors' workload. In some cases there is a mismatch between their professional background and their areas of responsibilities (especially in the social sectors). Training in the Delegation seems to be limited. Visits from Headquarters staff are limited (e.g., because of budgetary constraints, the desk officer could only visit Zimbabwe once in 1997) and Delegation staff combine training and visits to headquarters with home leave. As mentioned in the 1996 DAC review of all EC aid, 'for certain aspects, in particular social aspects, Women in Development, population, environment and sectoral or cross-cutting issues, the EC lacks depth and expertise.... Consequently, the staffing situation for development co-operation in the EC remains questionable.'<sup>10</sup>

The EC Delegation seems to be understaffed when compared with other donors in Zimbabwe, as **Table 5** below suggests. While the data in this table is only indicative, the ratio of EC disbursements and staff is higher than that of other donors. (Germany, although a major donor in Zimbabwe, is excluded from this comparison because policy and implementation are carried out through separate channels.)

<sup>9</sup> The position has been vacant since December 1997.

<sup>10</sup> DAC, *Development Cooperation Review Series: European Community, No. 12, Paris, 1996.*

**Table 5 - Disbursement-to- Staff Ratios for EC and Some Bilateral Donors Operating in Zimbabwe**

Indicator	EC <sup>1/</sup>	EC <sup>2/</sup>	DANIDA	SIDA	DFID	NL	FRANCE
Disbursement in MECU	20	39	16	28	20	26	5
No. of HQ Staff <sup>3/</sup>	6	6	7	9	5	8	3
No of Local Higher Level (HL) Staff <sup>3/</sup>	4	4		4	2	4	3
Total HL Staff	10	10	7	13	7	12	6
Disbursement per HQ Staff	3.4	6.5	2.3	3.1	4.0	3.2	1.7
Disbursement per HL Staff	2.0	3.9	2.3	2.2	2.9	2.1	0.8

Source: Interviews and DAC Database

1/ Excluding quick disbursing aid (SASP, Stabex). 1996 data.

2/ Including quick disbursing aid (SASP, Stabex). 1996 data.

3/ In the case of regional offices, total number of staff times the share of Zimbabwe on total regional disbursements

**Delegation staff overloaded by administrative tasks**

The problem seems to be aggravated by the deployment of EC staff in too many administrative tasks across too many interventions. Our informal poll of EC Delegation staff showed that they spend almost 75 percent of their time dealing with administrative procedures rather than with strategic or policy issues (i.e. the challenging tasks are left to consultants). The main problems in dealing with Headquarters in Brussels seem to be the lack of a "single chain of command in the relationship between the Delegations and the Commission Headquarters" <sup>11</sup> and the little delegation of decisions. Delegation staff also noted their limited budget and the uncompetitive pay for local staff.

#### *Member States: Co-ordination, Complementarity and Coherence*<sup>12</sup>

**Donor co-ordination is good but few joint operations**

In a country like Zimbabwe, where the EC and Member States are the largest donors, one would expect a major role of the EC in the policy dialogue and aid co-ordination. This has not happened as yet. The co-ordination between the EC and other donors is generally good. However, it has been mostly constrained to the sharing of information and has generally not involved joint operations. This is due to different development approaches of Member States and to their different institutional set-ups, both in terms of staffing and decentralisation. The thirteen Member States that have diplomatic missions in Zimbabwe hold monthly Heads of Missions meetings, and quarterly Economic Advisers and Development Counsellors meetings,<sup>13</sup> but these meetings do not appear to be very effective for coordination purposes. The Delegation has improved its information sharing capabilities by holding "open houses" and providing brief descriptions of their ongoing projects.

Co-ordination seems to be more effective among small groups of donors, particularly when they tend to be more "like minded" (e.g. Nordic countries). It has also worked at a technical level, as with the institutional reforms in the agricultural sector – EC, DfID, World Bank and Germany (through GTZ). The EC has also provided Member States with effective information on its monitoring of economic reforms. The programming of SIDA aid has tried to take into account the need for complementarity among donors. SIDA looked critically at its sectors of intervention through a series of workshops with

<sup>11</sup> European Parliament – Directorate general for Research, *The Management Framework of EU Delegations' Development Work in ACP Countries. Case Study: Zimbabwe, External Economic Relations Series Working Document no. 18, November 1997, p. 39. This report was produced by an EP stagiaire and was strongly recommended to our Mission by the Delegation.*

<sup>12</sup> Art. 130x of the Maastricht Treaty states that "the Community and the Member States shall co-ordinate their policies on development cooperation and shall consult each other on their aid programmes, including international organisations and during international conferences." Other important principles are *coherence* (Art. 130v of the Treaty) and *complementarity*. The coherence of EU policies will be addressed in the synthesis report.

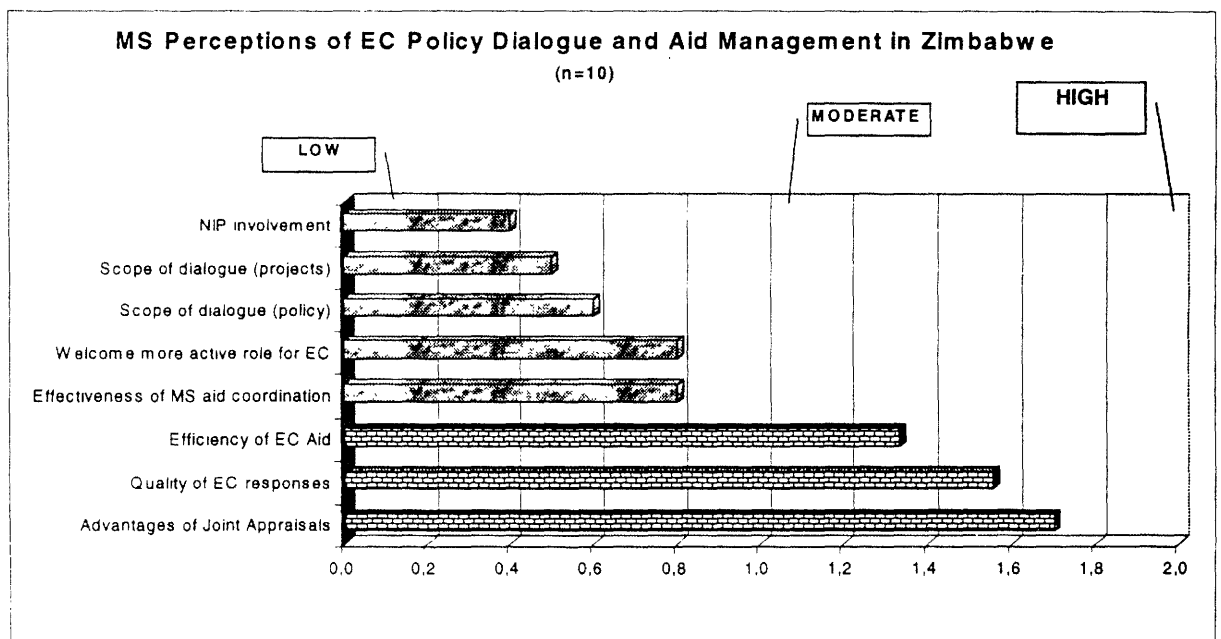
<sup>13</sup> These meetings are organised by the EU Presidency.

stakeholders and donors and withdrew from sectors that were already well supported by others.

In the present environment it is difficult to ensure that donors' policy dialogue or projects are complementary (as in a sector wide approach). However, this requires a more effective donor co-ordination that depends on the Government's sectoral capacity (and also donors' in-country sectoral expertise).

As part of our interviews, EU donor representatives were asked to rate the work of the EC Delegation in policy dialogue, aid co-ordination and aid implementation. The results are presented in **Figure 3**. While the data need to be interpreted with caution given our small sample, the representatives of the Member States found the Delegation staff responsive and their aid relatively efficient. However, they were less satisfied with the EC's policy dialogue and its aid co-ordination role. Some of these donors would favour a more active role of the Delegation in these areas. They also strongly support more joint appraisals and evaluations. However, the Delegation expects that appraisals, evaluations and audits in the health, education and trade sectors will in future be undertaken jointly with Member States, wherever possible. This could attenuate Delegation staffing constraints by complementing the Delegation's expertise with that of Member States.

Figure 3



## CHAPTER III. POLICY DIALOGUE

## A. Indicative Programming

*Key Features***The Strategy Paper has strengthened programming**

The last two National Indicative Programming documents for EDF 8 and EDF 7 were signed in November 1996 and 1990 respectively. The focal sector for NIP 7 was agricultural development. The focal sectors were expanded to include health and education in the last programming exercise. The introduction of the Strategy Paper has strengthened the programming analysis, particularly by identifying programme constraints and the donors active in the focal sectors. The Strategy Paper replaces a less analytical Pre-Programming Document.

**Extensive consultations**

The Delegation took a strong lead in the preparation of the Strategy Paper and the NIP (EDF 8). The process was carefully planned and its deadlines were mostly fulfilled. The Delegation began the process by preparing detailed comments to the paper on Programming of the EDF 8 (January 1995). The Delegation also carried out a review of previous aid delivery mechanisms in the context of Project Cycle Management. The Strategy Paper was subject to extensive consultations within Headquarters, including discussions in the Comité de Suivi and the EDF Committee. The Delegation also spent considerable time discussing it with in-country representations of the Member States. The Strategy Paper was finalised in March 1996 and discussed by the EDF Committee in May 1996.

The Strategy Paper was a key input to the Indicative Programming exercise. Initial discussions with the Government on the NIP focal areas began in April 1996. The NIP mandate for negotiation and the model document were available two months later. Zimbabwe was allocated 110 Mecu and discussions with the Government and Member States began. The Delegation noted that both the Government and the Member States were in favour of a sector-wide approach. The discussions on the NIP draft involved meetings with all the Permanent Secretaries of the focal and non-focal sectors, while the line ministries contributed to revising and re-drafting the NIP.

In October 1996, the draft NIP was discussed by the Comité de Suivi. The Comité endorsed the document but was cautious on the sector wide approach. It noted that budgetary support would not be available if Zimbabwe remains "off-track" in the structural adjustment programme and even if the country is "on-track" in principle no more than 10% of the NIP should become available for SASP. The Comité also noted that the NIP's sector approach analysis on education and health was not as detailed as that in agriculture. The NIP was signed in November 1996. Discussion on the Strategy Paper and the NIP on the complementarity and coherence with other EC instruments was limited. However, the consultations with Government and Member States on these documents were more extensive than that for EDF 7 programming.

The Delegation found the Strategy Paper and the NIP a very useful exercise. The process was carried out by Delegation staff (and not by consultants) and was very demanding. However, the involvement of Delegation staff contributed to effective donor consultations and facilitated progress in the broader policy dialogue with the Government (e.g. on the benefits of a programme approach). The Delegation believes that coordination in programming (as well as in programme implementation) would be significantly enhanced if Member States were to provide more regular feedback on their own operations.

The Government appreciates its increased participation in the EDF programming exercise. However, this process is very time consuming because it is done by each donor individually (in an annual or biannual basis) and is not integrated into the budgetary process. While the Ministry of Finance believes to be firmly in control of the aid co-ordination process, donors' programming puts civil service staff under considerable pressure. The Government appreciates the advantages of the programme approach predicated in the NIP. However, officials are conscious of the risk of different donors sending teams of consultants to carry out parallel reviews of the same sectors. These risks are compounded by donor sector reviews using civil servants as consultants for these reviews. This can also weaken an already over-stretched civil service.

Member States were appreciative of the Strategy Paper and NIP consultations. Most MS noted that this process helped to enhance donor co-ordination in the focal sectors. However, donors also noted that this was only a consultative exercise and more should be done to encourage joint programming and appraisal operations. Joint programming could reduce the pressure on the aid co-ordination unit and on line ministries. Most donors believe that the aid co-ordination unit has a workload beyond its capacity.

#### *Evaluation*

Good programming but too many focal sectors

The Strategy Paper and the NIP have strengthened the programming process and have been produced through extensive consultations with the Government, Headquarters and Member States. In the programming exercise, education and health were identified as additional focal sectors. While this was justified given the failure of the Social Dimensions of Adjustment Programme, the Delegation realises that these interventions are outside their own traditional areas of expertise, and are areas in which they have particular capacity constraints<sup>14</sup>. The Delegation and Geographical Unit agree that due to pressures from many sides, the NIP is not as focused as one might wish.

## **B. Structural Adjustment**

### *Key Features*

In the last five years the policy dialogue between the Government and the Bretton Woods Institutions has focused on macroeconomic stabilisation, trade liberalisation, domestic deregulation and the Social Dimensions of Adjustment programme. Initially, the Government appears to have been very committed to the reform programme<sup>15</sup>. Recently land reform issues have also entered this policy dialogue.

Trade liberalisation and domestic deregulation have progressed well, but the outcome of fiscal reform and the Social Dimensions of Adjustment programme have been disappointing. Budget deficits have contributed to high real interest rates and loss of external competitiveness. The Government has had expenditure pressures from civil service wages, war veteran pensions and the drought consequences. Budget cuts in social services and health and education fees have hit poorer households harder, while the Social Dimensions of Adjustment programme has been largely ineffective.<sup>16, 17</sup>

<sup>14</sup> This partly explains the delays in implementing the timetable for social sector reviews and operations (Annex 4, NIP).

<sup>15</sup> See recent ESAF evaluation Report of the Group of Independent Persons Appointed to Conduct an Evaluation of Certain Aspects of the Enhanced Structural Adjustment Facility, K. Botchwey, P. Collier, J. Gunning and K. Hamada, 1998).

<sup>16</sup> Comments on the impact of structural adjustment on the social sectors refer to general adjustment programmes and not specifically to those of the EC.

<sup>17</sup> Performance Audit Report, August 1995. World Bank. OED. See also the recent "External Evaluation of the ESAF", IMF, April 1998. Collier, P., Gunning, J, et al. It includes Zimbabwe as one of the country cases.

Policy dialogue on stabilisation and structural reforms was carried out by the headquarters missions of the BWI. The negotiation position of the Government is strengthened by its relatively low dependence on foreign aid and its strong (and relatively well paid) civil service<sup>18</sup>. However, the quality of the civil service has deteriorated during the reform period<sup>19</sup> and some donors even contract civil servants as consultants.

**Good economic monitoring by Delegation**

The macroeconomic dialogue is carried out mainly by the IMF. The EC has not been directly involved in this dialogue but it has been very effective in monitoring all macroeconomic and reform developments. This has been done even though Delegation advisers are overloaded by administrative work and also have to follow other sectors.

The EC Structural Adjustment Support Programme (SASP) objectives were to support the overall structural adjustment reform programme, and to influence the allocation of resources to the education and health sector, and to target the poorest segments of the population. This was to be achieved by the EC involvement in budgetary discussions in the social sectors and through its participation in the Public Expenditure Review process. The SASP was linked to the ESAF and these conditionalities have been effectively monitored. However, there has been less analysis and monitoring on sectoral reforms in the social sectors.

**Counterpart funds used in an administratively demanding way**

The budget support of the SASP1 and SASP2 (counterpart funds) were used to finance project activities in the education and health sectors and not to support broader budget lines as had been agreed in the SASP2 implementation agreement. This resulted in a complex implementation over-stretching the capacity of the Delegation to carry out strategic sector policy dialogue and to participate in social sector budgetary discussions (or in the Public Expenditure Reviews). As a consequence, the EC has not had a significant influence on the social sectors' policy dialogue.

*Co-ordination*

**Good co-ordination with BWI**

Given the limited policy dialogue in the context of SASP, the need for close co-ordination with the BWI has been modest. However, the Delegation has monitored ESAF discussions and outcomes, and the Policy Framework Paper, closely. The BWI have shared some of this information with the EC, particularly through their local representatives. One weakness in this collaboration, is the fact that the EC has not participated in the WB led PER exercises (1995 and 1996). The economic monitoring carried-out by the Delegation is shared with the Member States.

The interaction between the Delegation and Headquarters has been effective. While the Delegation has played a relatively strong role, Headquarters controls most strategic decisions. The Delegation has more flexibility in the use of the SASP counterpart funds. In some cases, the Delegation has been more inclined to relax SASP conditionalities or to justify Government's fiscal difficulties than Headquarters.

The Government perceives itself in control of the reform agenda and takes strong positions in its dialogue with the BWI. It also believes that it is firmly in control of the aid co-ordination process. Until now, the Government has not had a separate policy dialogue with the EC on economic reform issues. However, it has recently shown

<sup>18</sup> See *civil service classification on Decade of Civil Service Reform in Sub-Saharan Africa, IMF Working Paper 179, 1997.*

<sup>19</sup> "...budget cutting appears to have been an end in itself...this has resulted in few efficiency gains and has encouraged the exodus of key civil servants, already disgruntled with severe salary compression", *Performance Audit Report: Zimbabwe Structural Adjustment Program*

willingness to initiate this dialogue. It perceives the EC as a relatively neutral development partner that is prepared to listen.

The BWI mentioned their difficulties in carrying out policy dialogue with the Government and in overcoming its reluctance to accept TA. The BWI also faced difficulties in persuading the Government to change its policies on civil service remuneration or land reform. The BWI appreciate the quality of the Delegation's economic monitoring and they effectively share information with the Delegation. Their local representations seem favourable to the idea that the EC could play a more active role in the economic policy dialogue.

Some Member States are somewhat concerned about the credibility of the BWI. The BWI have often held over-optimistic assumptions regarding the Government's economic performance. For example, donors mentioned that during the last Consultative Group, March 1995, the BWI supported the Government's fiscal stand only to suspend their programmes few weeks later. Similarly, they consider that the current ESAF proposals (February 1998) are too dependent on optimistic assumptions (wage containment, large privatisation receipts, etc.)

Member States value the quality of the Delegation's economic monitoring and its good relations with the Government. Some are concerned by the restricted donor participation in the World Bank led Public Expenditure Reviews. Given these concerns, most Member States appear to support a greater role for the EC in the economic policy dialogue. In December 1997, some MS in-country representations expressed concern that SASP2 funds were disbursed without prior consultation. The EC replied that the disbursement had been co-ordinated with the BWI, it had followed agreed procedures and that it had notified the Member States.

#### *Evaluation*

The two SASPs represent about 40 percent of total commitments to Zimbabwe under EDF 7. The SASP is an aid instrument that is dependent on close monitoring of the economic environment. Despite the high quality of the EC's economic monitoring, its policy dialogue on structural and social sector reform has been limited. This outcome can be attributed to the demanding implementation modality of the SASP (support to projects), to the advisers' excessive administrative workload and to the difficulty of engaging the Government in sensitive policy dialogue<sup>20</sup>. However, recently the Delegation has initiated a dialogue with the Government on improving the budgetary process in the social sectors.

#### **D. Sector Policy Dialogue: Agriculture and Trade**

##### *Key Features.*

The interventionist approach of the 1980's saw a more interventionist approach, set out in documents such as the *Transitional National Development Plan* and *First Five Year Development Plan (1986 - 1990)*, gave way in the 1990's to a more consultative and flexible policy process.

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<sup>20</sup> As noted in the SASP Evaluation, "Further involvement in policy development and systemic improvements were probably not feasible, in the sense that the EU and the government were not in a position to engage in the sectoral policy issues".

**Box 1 - Three Examples of Approaches to Policy Dialogue in Project Preparation****Top-level**

Zimbabwe seems to be characterised by a hierarchical decision-making process. One approach in sector policy dialogue is to conduct it at the top level. While this approach is not always feasible, it can be very effective. An example of this approach is the preparation of the Minefield Clearance Project. The need for the project was raised in a letter from the development Commissioner to the President "illustrating the Commission's proposal to allocate additional NIP resources for mine clearance activities"<sup>21</sup>. It took less than **four months** from this letter to the signing of the financing agreement for the project.<sup>22</sup>

**Use of Conditionalities**

Another approach is to negotiate changes in sector policies as pre-conditions for the approval of particular projects. In the case of funding of projects, this can take time since project funding has less leverage than programme support. For example, in the Animal Disease Control Project the EC requested the introduction of diagnosis and dipping fees to recover part of the costs of veterinary services provided by the State. However, there was strong resistance by the Ministry of Land and the financing agreement was not signed until the issue was properly addressed. The Government introduced these fees after **18 months** of discussions.

**Persuasion**

A more participatory approach of policy dialogue is to openly discuss issues and agree on the best way forward based only on the strength of each other's ideas. This is closest to the concept of partnership but can be very time consuming. For example, the Government has been sceptical towards decentralised co-operation, where responsibility for aid management is delegated to non-state actors. The Government maintained that "individual projects *must* reflect Government policies and priorities"<sup>23</sup>. In this case, it took **over three years** of discussions for the Government to agree to allocate 5 Mecu to decentralised co-operation (from NIP).<sup>24</sup> During discussions, the Deputy NAO went to Namibia to see what decentralised co-operation meant in practice and the visit was critical in reassuring some of the Ministry's concerns.

**Agriculture:  
Successful policy  
dialogue on  
ASMP**

The Economic Structural Adjustment Programme (ESAP), signed in 1991, contained elements for the reform of the agriculture sector. These included the deregulation of agricultural markets, privatisation of commercial activities in the public sector, and a review of the delivery and funding of technical services. Recognising the need to articulate an appropriate sector policy linked to the macroeconomic reform process, in 1994 the Government set about preparing the *Zimbabwe Agricultural Policy Framework (ZAPF) 1995 - 2020*. The preparatory work was led by the Ministry of Agriculture, who was determined to involve all stakeholders in the sector. This required further sub-sectoral meetings. The ZAPF was approved by Cabinet in April 1996.

Donors wanted to move towards an Agricultural Sector Investment Programme (ASIP). However, there was agreement, including within the Ministry of Agriculture, that the pre-conditions for sector programme were not yet in place. Instead, the Agricultural Services and Management Project (ASMP) was proposed:

*"to put in place improved institutional arrangements and operational capacity for policy formulation and for the sustainable and efficient management, financing, and delivery of agricultural services in Zimbabwe."*<sup>25</sup>

<sup>21</sup> Minutes of the EC-NAO meeting of 21/6/95.

<sup>22</sup> However, it took more than two years to bring the project to the tender stage.

<sup>23</sup> Minutes of the EC-NAO meeting of 3/2/94.

<sup>24</sup> No financing proposal on decentralised cooperation has been prepared as yet.

<sup>25</sup> Draft Aide-Memoire, Appraisal Mission, September 1997.



*Evaluation of Sector Dialogue*

The sector dialogue between the EC and the Government appears to be very effective in the context of the preparation of the institutional reform of the sector (Agriculture Services and Management Project). Policy dialogue and donor co-ordination in other sectors (sector approach in education and health, ZimTrade) is more limited due to limited manpower resources.

Donors noted that sector dialogue often depends on the capacity of the Ministry's top managers. The successes in agriculture are for example due to: (a) a strong management team there which knows how to use technical assistance and when to say no to donors; and (b) good quality of Agricultural Advisers in the Delegation. Problems in trade or other sectors are due to capacity constraints in these Ministries as well as in the Delegation. In the context of sectoral policy dialogue, it is difficult to obtain the correct balance between (a) increasing beneficiaries ownership by allowing them to prepare the project at their own speed (and capacity); and (b) keeping to donor timetables for project preparation.

**E. Incorporation of Poverty, Gender, Environment and Governance issues**

**Good awareness  
but constrained  
by staffing**

Issues of poverty, gender, environment and governance are not just key policy objectives but are central to the effectiveness of aid. According to the most recent NIP, "the overall objective pursued through co-operation under this Indicative Programme is **poverty alleviation through sustainable development**". A recent evaluation study concludes that the, "analysis of the determinants of project success shows that both government credibility and freedom from corruption are positively related to project outcome."<sup>29</sup> Similarly, "projects with gender-related actions achieved their overall objectives – that is, received a satisfactory outcome rating – in relatively greater proportion than projects similar in sector and year of approval but without gender actions."<sup>30</sup>

The Delegation Advisers appear well aware of the need to incorporate poverty, gender, environment and governance issues into their interventions. They are familiar with many of the guidelines produced in Headquarters. These issues are also often discussed in the regular operational meetings between the Delegation and the NAO. The Government is also often keenly aware of the importance of these issues, particularly of land reform as a way to address poverty issues<sup>31</sup>. However, the Government's capacity and the Delegation's overload of administrative work and new policy initiatives (e.g. "Information Society") limit the ability of the EC to incorporate these issues in the aid programme. This is a problem shared with most donors in Zimbabwe.

A forthcoming study<sup>32</sup> indicates that, with the partial exception of Sweden, donors could not be said to have given the poverty reduction objective much consistent priority. Most had tried to improve the well-being of poor groups with specific interventions but the poverty reduction content of their programmes was quite limited. Moreover, in their operations, donors were not applying the best practice in poverty reduction issues. Some donors explicitly recognised that in practice they were not given priority to poverty reduction in their aid to Zimbabwe. In this context, a systematic review on how poverty, gender, environment and governance issues are incorporated in EC programmes would probably be beneficial (similar to DfID's reviews of World Bank documents).

<sup>29</sup> OED, *The Annual Review of Development Effectiveness (ARDE)*, November 1997, The World Bank, Washington DC.

<sup>30</sup> OED, *Mainstreaming Gender in World Bank Lending: An Update*, March 1997, The World Bank, Washington DC.

<sup>31</sup> *Although the Poverty Alleviation Action Plan has not been implemented by Government.*

<sup>32</sup> Killick, Carlsson and Kierkegaard "European Aid and the Reduction of Poverty in Zimbabwe: Denmark, Germany, Netherlands, Sweden, UK and the EC".

Apart from specific relief programmes, agricultural projects have not contained an explicit focus on issues of poverty, gender or the environment, but the issues are nevertheless often addressed by these projects. For example, elaborate targeting procedures for women in the agricultural sector have not been considered necessary, based on the assumption that most farmers are women. Poverty reduction is generally addressed by the promotion of economic growth. EC interventions have focused on how best to achieve that growth, whether through key investments in agricultural production (during the 1980s), or by improving the environment for commercial activities to draw subsistence farmers into the economy (during the 1990s). However, given the disappointing social outcomes of the structural adjustment programme it is possible that this approach will change and targeting services to the poor will become more common. The World Bank and UNDP have recently been involved in supporting NGOs that facilitate policy dialogue and monitoring of poverty issues; in particular they supported the "Poverty Reduction Forum" based in the University of Zimbabwe's Institute of Development Studies. However, donor participation in this forum has been limited until now.

**Micro-Projects  
target poverty  
and gender**

The successful approach followed by the EC's **Micro-Projects Programme** in addressing poverty in Zimbabwe is different. A member of our team visited the Rutope Rural Health Centre. The project involved the construction of a new clinic and 3 staff houses. The construction had finished on schedule. The project appears to be an excellent example of community participation, involving 32 villages and 5 commercial farms. Each village contributed bricks and labour, while the farms contributed bricks and transport<sup>33</sup>. Donors recognise the quality of this EC intervention and have often noted their willingness to co-finance projects of this type. The Micro-Projects Programme uses explicit poverty criteria to guide the selection of projects. It involves direct contact with civil society and NGOs. In addition to the criteria given by Article 252 of Lomé IV, the projects must, *inter alia*, "in the main benefit the poor and vulnerable groups in society, especially women".<sup>34</sup>

**Budget lines  
used to promote  
human rights  
and democracy**

On Governance issues, the EC has used the flexibility allowed by budget lines to finance the Legal Resources Foundation, one of the two authors of the *Breaking the Silence* report<sup>35</sup>. The EC has also supported the Fight Against Corruption, through the organisation Transparency International. Budget line financing seems to be better suited to pursue delicate issues like democracy and human rights as they do not require the approval of the Government.

Budget lines have also been used for financing projects addressing gender and environmental concerns. Financing for a large credit scheme (the Dondolo Credit Scheme) has been secured through the Women in Development budget line. Other projects targeting women have been financed through the NGO budget line. Several environmental projects have been financed through the environment and tropical forest budget lines. However, the large number of projects financed through budget lines in Zimbabwe complicates their management and over-stretches the capacity of the Delegation.

<sup>33</sup> However, the sustainability of the project depends on the provision of medical supplies by the Government. This is now beginning to be addressed. The Microprojects Programme now finances basic equipment such as beds.

<sup>34</sup> Background Paper, National Management Unit, March 1988.

<sup>35</sup> In 1997, this report unveiled extra-judicial executions and disappearances committed by Government forces between 1980 and 1988.

## F. Assessment of EC Policy Dialogue

As described previously, the orientation of the EC aid programme, as evidenced by successive NIPs, has evolved in response to Government policies. The policy dialogue on the Indicative Programme has contributed to the Government greater awareness of the importance of a sector approach and of improvements in the budgetary process.

The EC has not been directly involved in the macroeconomic dialogue but it has been very effective in monitoring macroeconomic and reform developments. The SASP counterpart funds were used to target support project activities with over-complex implementation and monitoring arrangements. This has over-stretched the capacity of the Delegation to carry out strategic policy dialogue in the social sectors, particularly in supporting budget improvements.

Sector policy dialogue in the agriculture sector has been quite successful recently (ASMP) but more limited in trade promotion. If the ASMP proves successful in supporting institutional building in the agriculture sector, a sector-wide approach might become feasible.

In general, policy dialogue is stronger during project preparation than during implementation. There has been also some weakness in modifying ongoing projects in the light of policy changes. In a recent evaluation of rural sector projects, all projects scored highly for the relevance of project purpose to the Government policy. Nevertheless, the study found that "in the absence of routine monitoring and assessment, projects were not modified in the light of a Government strategy change to include the participation of the private sector."<sup>36</sup> However, the limited participation of the private sector may also be explained by the Government's ambiguous commitment to its policies towards the private sector.

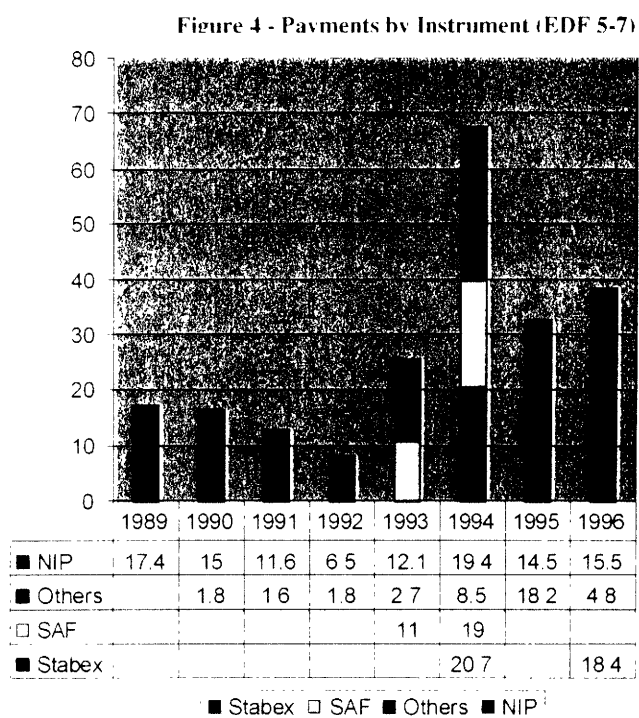
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<sup>36</sup> Agrisystems (Overseas) Ltd, *Evaluation of Rural Sector Projects, November 1997. The evaluation covered 18 separate interventions constituting the bulk of EU-funded support to the agricultural and rural sector during 1986-1996.*

## CHAPTER IV. AID IMPLEMENTATION AND MANAGEMENT

## A. The Instruments

As shown in **Figure 4**, Stabex and SASP funds have risen in importance since 1993, after Zimbabwe embarked on a Structural Adjustment Programme supported by the IMF, the World Bank, the EC and other donors in 1991.



As shown in **Figure 4** and **Table 6**, EDF 7 marked a shift from project to programme aid (SASP and Stabex). However, NIP aid has also increased steadily. Within project aid, resources have shifted from agriculture towards the social sectors and trade development. EIB contributions have also been an important feature in both EDF 6 and 7. Overall, the EC has provided 8% of all official development assistance received by Zimbabwe since independence.

Table 6 - EC Assistance to Zimbabwe under EDF 6, 7 and 8

Sector	EDF 6		EDF 7 <sup>1/</sup>		EDF 8 <sup>2/</sup>	
	MECU	%	MECU	%	MECU	%
Health	10.2	10.4%	6.3	2.8%	5.0	4.5%
Education	4.5	4.6%	-	0.0%	3.8	3.4%
Environment	-	0.0%	0.3	0.1%	-	0.0%
Agriculture <sup>3/</sup>	59.3	60.6%	50.7	22.8%	15.0	13.6%
Structural Adjustment/Stabex	-	0.0%	99.1	44.6%	66.0	60.0%
Trade/Tourism	9.6	9.8%	10.7	4.8%	12.0	10.9%
EIB Risk Capital and Interest Relief	11.1	11.4%	39.6	17.8%	-	0.0%
Emergency/Refugees	1.3	1.3%	2.4	1.1%	-	0.0%
Other	1.8	1.9%	12.9	5.8%	8.3	7.5%
<b>Total</b>	<b>97.9</b>	<b>100.0%</b>	<b>222.1</b>	<b>100.0%</b>	<b>110.0</b>	<b>100.0%</b>
<i>of which:</i>						
<i>Programmable Regional</i>	<i>8.1</i>	<i>8.3%</i>	<i>17.1</i>	<i>7.7%</i>	<i>n/a</i>	
<i>Non-programmable</i>	<i>12.9</i>	<i>13.2%</i>	<i>113.5</i>	<i>51.1%</i>	<i>n/a</i>	

Source: OLAS and NIP 1996-2000

1/ Excluding the transfer from EDF5

2/ Scenario A: on-track IMF. Excludes regional resources

3/ No information available on sectoral distribution of micro-projects. We allocated the entire amount to agriculture.

**Note:** The sectoral allocation in this table has been prepared by the consultants using project information from the On-Line Accounting System (for EDF 6 and 7). Structural adjustment and Stabex are included as sectors for presentational purposes – it is not always possible to allocate these resources to sectors (see *Understanding European Community Aid*, ODI 1997).

## B. Institutional Arrangements

### Useful monthly meetings with NAO

Overall co-ordination of EC aid is carried out by the National Authorising Officer's office as described in **Chapter I**. The monthly meeting with the NAO office is a very important instrument used by the Delegation in monitoring project implementation. The meeting is attended by Delegation advisors and NPOs, by the NAO Office staff, and by line Ministries and implementing agencies involved in managing EC aid. As a result, all parties responsible for project implementation are gathered around a table and delays where several parties are involved can be understood, and often solved, at the meeting.

At the project level, institutional arrangements for project implementation are of three types: fully integrated, parastatal and parallel management structures.

Several projects are implemented by Government departments. SASP and Stabex are monitored by the NAO office which is part of the Ministry of Finance (although with support of Technical Assistance). The integration of SASP implementation within Government's structures is a very positive feature. However, the targeting of SASP counterpart funds in specific projects involves complex ad-hoc implementation and monitoring arrangements. This is extremely time-consuming and sometimes interferes with Government procedures, for example TA "audits" in Ministry of Education. In the case of agriculture, the Ministry has been arguing against the creation of a separate unit to manage ASMP and believes that the ASMP implementation should be the responsibility of the Ministry itself. The EC has supported this Government position.

A second approach, rare today, is project implementation through parastatals which might have been created during project design but whose purpose was not just the implementation of the project. This was the case for the Agricultural and Rural Development Authority (ARDA)<sup>37</sup>, which was the implementing agency of several agricultural projects and of the Micro-Projects Programme till a few years ago. In the case of trade development, the project was implemented by ZimTrade, a parastatal created when the project was being prepared, based on recommendations from studies financed by a previous project.

A third modality is a Project Management Unit (PMU), staffed by consultants and whose sole function is to manage a project. This has become the most popular approach. The Micro-Projects Programme is being implemented by a National Management Unit (NMU) staffed with 15 consultants. There have been discussions on the possibility of creating a similar unit to assist the NAO office in carrying out its functions.

Institutional studies indicate that the first implementation arrangement is the most sustainable, although all three approaches are characterised by a substantial use of technical assistance.

Some implementation structures are complex. For example, the Micro-Projects Programme, whose performance has been very good, has a complex implementation structure that may limit its potential scope. Under the present set-up, all projects are submitted for approval to an Appraisal Committee (which meets quarterly and includes staff from the National Management Unit, the NAO office and the Delegation). Similar programmes from other donors use community development funds, where decisions are made by the beneficiaries through existing social structures (e.g., village councils). Similarly, ZimTrade is supposed to provide assistance to exporters directly. However, other donors use light touch interventions like matching grant schemes where the trade development organisation finances but does not carry out consulting assignments. The latter has the advantage of supporting the local consulting industry and being much easier to administer.<sup>38</sup>

In some cases too many units were involved in the implementation of projects and this complexity was addressed by creating co-ordination units or Steering Committees. In agriculture a recent evaluation<sup>39</sup> found that, mainly due to hasty preparation, most projects “were over-complex in organisational arrangements, particularly in utilising several implementing agencies which had to be co-ordinated by a temporary project entity.” In the case of the Development Programme for the Communal Areas in Kariba District (DPCA):

*“The managers were placed in a situation that was probably unworkable. The individual Co-ordinators did not have former project management experience but were not provided with regular support from either ARDA or TA. Their brief was not detailed but, as the job title indicates, hinged on co-ordinating others. Given the mandate without the authority and with only partial control over the budget, the Co-ordinators have had to operate by persuasion and negotiation rather than instruction. Management by co-ordination has also proved vulnerable to the realities of local politics.”*

<sup>37</sup> Although day-to-day implementation was delegated to semi-autonomous PMUs.

<sup>38</sup> The EC is moving in this direction in Zimbabwe. The largest component in the 8<sup>th</sup> EDF draft financing proposal for trade is a matching grant scheme.

<sup>39</sup> Agrisystems (Overseas) Ltd., *ibidem*.

### C. Programme and Project Cycle Management

#### *Programme and Project Preparation*

In some of the sectors of our study, we noticed that **project preparation can take very long and that project design is often not sufficiently flexible**. For example, the Small Scale Irrigation Programme (SSIP) was designed in 1986, appraised in 1990 and started implementation in 1992 without major changes in design. In trade, the ZimTrade Support Programme was designed when exchange controls were prevalent but its design did not change when these controls were removed.

In many projects, **there has been an adequate involvement of Government and local agencies**, even when the initiative to prepare a project usually originates in the Delegation. For example, the SSIP originated from a pre-appraisal study generated by the ARDA Project Preparation Unit for Manicaland, while both the Mashonaland East Fruit and Vegetable Project (MEFVP) and the 8th Micro-Projects Programme followed formal evaluations of the previous phase. For Stabex 1992, the identification process was led by the Ministry of Industry and Commerce. It involved extensive consultations with the various stakeholders in the cotton and coffee sub-sectors. Involvement of direct beneficiaries has been weaker, except in the case of the Micro-Projects Programme (a quick-disbursing programme geared to direct requests by the community). In the case of the SSIP, involvement of the beneficiaries (farmers) did take place, but only at the later stage of detailed design of the irrigation schemes.

**Lack of clear implementation modalities**

**Projects often have insufficiently clear implementation modalities.** Financing agreements in agriculture often have insufficient details on inception and implementation modalities. This can cause further delays once the project has started (up to two years) and can misuse expensive technical assistance when deployed before logistical arrangements are in place. It has been suggested that project implementation would benefit from the inclusion of indicative first year work programmes in the financing agreements to prevent delay (and possible friction) in the production and approval of Annual Work Programmes and Budget Estimates.

**Implementation capacity on both sides often overlooked**

**Project preparation often overlooks the actual implementation and monitoring capacity of both the Government and the Delegation.** For example, the targeting of SASP1 to nine sub-programmes<sup>40</sup> was a departure from both a general programme approach and from a traditional project approach. It was believed that this targeting would facilitate the control of counterpart funds. But the design did not take into account the limited capacity available in the Government, EC Headquarters and the Delegation to monitor this approach. SASP 2 was designed to simplify these arrangements but it did not happen. Its design overlooked the impact of new arrangements on the Government's budget procedures.

In many cases, **EDF committee discussions of financing proposals are too general**. In the case of SASP there was little discussion on programme risks and the nature of SASP implementation modalities. In the case of ZimTrade, the main concern was the coherence of ZimTrade with the SASP programme and the need to include a mid term review in the proposal. In these discussions EC staff mostly focus on obtaining the approval of the proposal, which often requires an optimistic assessment of future country

<sup>40</sup> Sub-programmes included: provision of basic materials for primary schools, provision of basic book storage capacity in primary schools, school sanitation programme, basic needs in books for secondary schools, monitoring primary schools, upgrading primary and secondary school teachers, primary science kit programmes. In health: medical stores working capital and water for health facilities. Two riders included two additional sub-programmes. Siakobu and Laboratory Technicians.

developments.<sup>41</sup> For example, in June 1994 EC staff presented the SASP2 financing proposal just after an inconclusive ESAF-EFF review. However, the EC staff argued strongly for the approval of the financing proposal. In these circumstances, the EDF committee insisted on explicit commitments not to sign the financing agreement before the budget presentation and to interrupt the programme based on the next ESAF mid-term review. Soon after, the ESAF programme went off-track.

In many cases, **Financing proposals contain insufficient details on the programme rationale and implementation plans** to provide an adequate basis for a financing decision. The Agrisystems evaluation also notes that while most projects underwent lengthy preparation periods they have often been under-designed. The ZSP financing proposal included a log-frame that was somewhat inadequate for monitoring and evaluation purposes.

#### *Programme and Project Implementation*

#### **Some delays in implementation**

As with most donors, EC projects have suffered from delays in implementation. In agriculture, for example, the evaluation by Agrisystems found consistent problems with delays over the Annual Work Programme and Budget Estimates, and the recruitment of technical assistance personnel. In addition to the lack of clear implementation arrangements, delays are attributed to the inexperience of project managers in the financial and reporting procedures of the EC. A general observation by those interviewed was the complexity and time involved in complying with EC disbursement and procurement procedures.<sup>42</sup>

A check of the Small Scale Irrigation Programme (SSIP), Mashonaland East Fruit and Vegetable (MEFV) and ZimTrade Support, using the reference time limits set out in the detailed evaluation by Price Waterhouse in 1992<sup>43</sup> (see **Table 7**), shows that these projects experienced delays longer than the reference limits. In one case (SSIP), the project preparation time exceeded the maximum time recorded by the Price Waterhouse study<sup>44</sup>.

<sup>41</sup> This is in part because of the pressure of administrative requirements for commitments, whose deadlines must be complied with in order not to lose the funds.

<sup>42</sup> This caused particular frictions with the Agriculture and Rural Development Agency (ARDA), used as the implementing agency in a number of EU projects. However, capacity constraints within ARDA were also a contributing factor to such delays.

<sup>43</sup> «Study of the causes of delay in the implementation of financial and technical cooperation», Price Waterhouse, 1992

<sup>44</sup> Limits for awarding of contracts in Price Waterhouse were already quite long.



**Table 7 - Delays in Project Processing and Implementation: A Comparison with the Price Waterhouse Report**

Phase	Price Waterhouse Report: Time Limits (months)		Small Scale Irrigation Programme	ZIMTRADE Support	Mashonaland East Fruit and Vegetable
		Max. value of delay recorded			
<b>A. Project Preparation</b> (preparation of financing proposal to signing of financing agreement)	6	18	24	12	1
Drawing up financing proposal	2	6	13	7	8
Approval of financing proposal	2	10	4	2	2
Signing financing agreement	2	3	7	3	1
<b>B. Awarding of contracts</b> (preparation of dossier to signing of contract)					
Works (Open IT)	20	46	19	-	-
Supply (Open IT)	13	39	-	-	20
Service (Restricted IT) Excluding time for pre- qualification	8	33	14	9.5	14

The EC is not alone in experiencing delays in implementation. The last Country Portfolio Performance Review of the World Bank found that IDA projects had suffered from delays in project start-up (up to two years); procurement (particularly on large contracts where decisions need to be vetted by the President's office), and in submission of financial audits due to "a capacity issue both in terms of accounting in implementing agencies and audit capacity at the Office of the Auditor General".

Interviews with project managers revealed that close **support from Delegation staff made a significant difference to project administration**. Delegation staff could often help to speed up processes, especially where they had good informal contacts with Headquarters (allowing them to react to potential problems at an early stage). The involvement of technical assistance in project administration can also make a difference. In the case of SSIP, the project adviser provided substantial support on administrative issues, preparation of financial statements, etc.

Accountability  
was blurred as  
advisors often  
became project  
co-managers

At the same time, **advisors in the Delegation ran the risk of becoming project managers** or co-managers. As noted in the Agrisystems evaluation <sup>45</sup>:

*"Routine supervision of a constructive nature.... does not appear to have been a feature of the project portfolio. For the Delegation, there appears to have been a fine line between their unavoidable responsibilities for financial and contractual administration related to projects and direct involvement in managerial and technical issues."*

<sup>45</sup> Agrisystems (Overseas) Ltd., *Evaluation of Rural Sector Projects*, October 1997

The involvement of the Delegation in project management may be explained by the weakness of some implementing agencies. This involvement further increases the Delegation's already heavy workload.

**Extensive  
administration  
controls**

The implementation and monitoring of EC interventions has been affected by the extensive nature of EC ex-ante financial controls. In this context, much less emphasis is given to monitoring project performance or to ex-post financial audits. Also, financial audits could be particularly useful in other EC interventions, such as the counterpart funds of SASP, where the nature of the ex-ante controls is generally weaker. We examined a sample of fourteen EDF 7 projects to determine what share of the total amount disbursed as of December 31, 1997 had been subject to ex-post controls. Our sample accounted for 58 per cent of the total EDF 7 disbursement to that date. The result was that most expenditures are subject to ex-ante controls<sup>46</sup> but only 21 percent of expenditures had been fully audited<sup>47</sup>. For example, the auditing of agriculture projects has not been carried out consistently. The imprest accounts for the Micro-Projects Programmes are audited quarterly; those of the MEFVP annually; and the SSIP not at all. In the case of SASP, there has been extensive ad-hoc monitoring by the TAs but no external audit of counterpart funds has taken place. Only SASP 1 had an operational review.

Because of EC financial arrangements and requirements from Member States, ex-ante controls are applied without selectivity. This is extremely time consuming to Delegation staff, although in the case of Zimbabwe, the NAO and the Delegation have the support of the National Programmer Officers. A change towards more selectivity in the application of these controls would save valuable EC staff time. For example, EDF 6 and EDF 7 required 480 procurement decisions<sup>48</sup>. However, only a fourth of this total number of procurement decisions, those above ecu 100,000, explained 84% of the total value. As economies of scale in procurement and disbursement decisions are minimal, a move towards removing ex-ante controls for procurement decisions below ecu 100,000, while extending financial audits to all expenditures under EDF funded programmes would save considerable staff time.

The efficiency cost of extensive ex-ante controls can also be seen in the processing of payment orders for every expenditure. **Table 8** presents a very simple attempt to estimate the staff time spent processing payment orders: 1.5 person year at the Delegation and 1 at the NAO office. This excludes the time spent by Headquarters staff on direct payments. In this context, the Delegation Advisers are more properly "Programme Officers", carrying out administrative as well as routine project management tasks.

<sup>46</sup> Annual work plans still required notification of each activity before it took place with the possibility of an objection by the EC, while the advances for micro-projects were disbursed only after approval of the Appraisal Committee which included a technical adviser from the Delegation.

<sup>47</sup> As far as SASP or Stabex are concerned we did not consider an expenditure fully audited if only the forex part had been audited while the use of counterpart funds had not.

<sup>48</sup> Delegated appropriations excluding Annual Work Programmes, advances on microprojects, Stabex, EIB risk capital and interest relief and emergency assistance, all of which are disbursed in one tranche or following accelerated procedures.

Table 8 - Processing of Payment Orders

<i>Item</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>
No. of payment orders processed by Delegation (local and foreign)	324	367	405	450
Person-days spent on POs <sup>49</sup> by Delegation	243	276	304	338
Person-days spent on POs by NAO Office	162	183	202	225
Person Year Spent on POs <sup>50</sup>	1.84	2.09	2.30	2.56

The large volume of project records is another indicator of the considerable work-load attached to each intervention. A good example of administrative burden is the Micro-Projects Programme whose records alone occupy an entire room of the EC Delegation's offices.

**Project monitoring is weak**

The extensive administrative burden (which is in part a result of EDF procedures determined by Member States) reduces the time available for the monitoring of project performance. In project cycle management the quality of monitoring information and the way in which it is translated into changes in design are key factors for success. Many evaluations have noted the lack of relevant project information. A recent evaluation on agriculture concluded that they found a general absence of coherent monitoring. Another evaluation in trade development found that "the formats used [for financial statement], even though they are in accordance with EC rules, are not quite clear. It would be preferable to make annual work programmes containing the contribution of all components. ... What seems worrisome is that elements of the budget are incomprehensible."<sup>51</sup> "ZSP produces annual and quarterly progress reports ... resulting in little or no feed-back, so the Programme proceeds as it set out with only minor corrections to its direction." A lot of information on operational as well as financial issues is available but not analysed. In this context, the evaluators recommended an annual monitoring.

The monitoring of a complex programme like SASP is often more difficult. The interaction between Headquarters and the Delegation has been generally good but there has been some friction. For example, in some cases the Delegation is more understanding than Headquarters of the Government missing ESAF conditionalities. In April 1996 the Delegation supported the release of SASP2 funds but this was not approved by Headquarters. Similarly, in December 1996, in order to facilitate the disbursement of funds to the Government, the Delegation proposed that the NIP funds included in SASP 2 should be de-committed. However, Headquarters rejected this proposal on the grounds that it would send the wrong signal on the need to control the fiscal deficit.

The implementation of the SASP, as in other countries, has also faced difficulties in the way to include its counterpart funds in the Government budget. The attempt to simplify

<sup>49</sup> Assuming a very conservative time of six hours to: (a) prepare the PO and go through the 27 items contained in the checklist; (b) send to Ministry of Finance (NAO) and follow up; (c) give it for signing to Head of Delegation after the adviser has checked it; (d) send the original either to the local bank or to headquarters in Brussels. We also assume that NAO office spends 4 hours on each PO.

<sup>50</sup> Assuming 220 working days per year.

<sup>51</sup> Carl Bro Management, *Evaluation of the Zimtrade Support Programme (ZSP) Zimbabwe, April 1997, 2<sup>nd</sup> Draft Final Report, p. 4.2.*

the targeting of SASP2 funds was not approved by the Government and it has continued to target projects in the education and health sectors. Furthermore, in many cases the non-predictability of SASP resources has affected the implementation of wider projects in both the education and the health sector. This problem is compounded because in many cases officials in the social sectors are unaware that the SASP disbursements are conditional to the ESAF agreements. However, the Delegation is conscious of these implementation difficulties and has begun discussions to move towards a more general budget support programme.

#### *Evaluation*

**Final  
evaluations are  
a strength of  
EC aid**

One of the strengths of EC managed aid is the regularity of ex-post evaluations carried-out by independent evaluators and shared with Government and other donors. All sectors of concentration of this study had been evaluated in the last 12 months. EC officials in Headquarters and the Delegation were very appreciative of the importance of these evaluations in learning operational lessons. The evaluations in the agricultural sector (Rural Sector Projects and Stabex) appear to be particularly useful in operational terms. However, because of administrative constraints, while EC staff have taken important steps to incorporate evaluation lessons in the design of new operations, this has been a difficult process.

The SASP programmes were given a thorough evaluation by a mission of the Court of Auditors, report published in February 1997. The EC disagreed with some of its analyses. The SASP was also evaluated by external consultants (July 1997). This evaluation analysed the reasons for the Government's fiscal policy being off track and concluded that it did not provide grounds for continued non-disbursement of SASP funds. It also supported a programme approach to the SASP that would strengthen the policy dialogue in budgetary reform. The evaluation was discussed both in Headquarters and the Delegation but there was limited feedback from the Government or other donors. There was agreement on the need of a more flexible programme approach but Headquarters did not agree with the recommendation to resume SASP disbursements.

Evaluations taken into account in the design of new projects include: (a) in agriculture the focus of the 8<sup>th</sup> Micro-Projects Programme shifted from income generating activities to community infrastructure based on the lessons from a previous evaluation; (b) the Mashonaland East Fruit and Vegetable Projects included some of the recommendations of the evaluation of its first Phase.

The ZimTrade Support Programme was evaluated in April 1997. However, this evaluation does not reach clear conclusions on the efficiency or impact of this intervention. This is partly because the programme did not include a monitoring system to record information that would have allowed the management team to regularly monitor its own results and allowed evaluators to have information to carry out a cost-benefit analysis.

D. Management of Technical Assistance

TA is 25 percent of all EDF 7 and 35 percent of all DAC donors' ODA

Technical assistance has assumed a growing importance in EC aid to Zimbabwe, raising by a third between EDF 6 and 7 (see Figure 5). It accounted for a fourth of all programmable assistance<sup>52</sup> to Zimbabwe under EDF 7. This proportion of TA to total aid is in line with that of other donors assisting Zimbabwe as shown in Figure 6. It is also highly concentrated as the five largest delegated appropriations for TA were equal to 70% of the total.

Figure 5

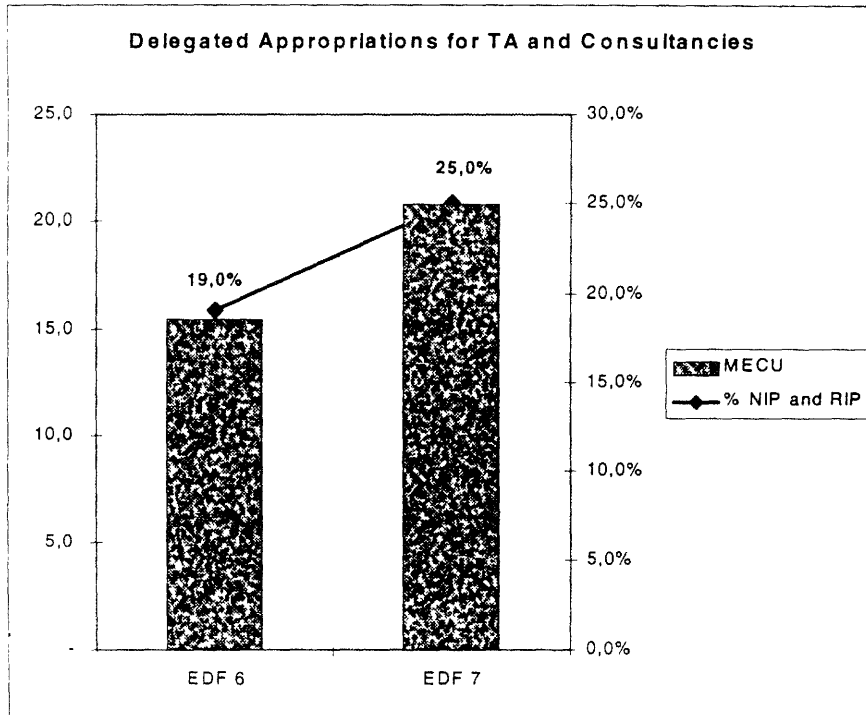
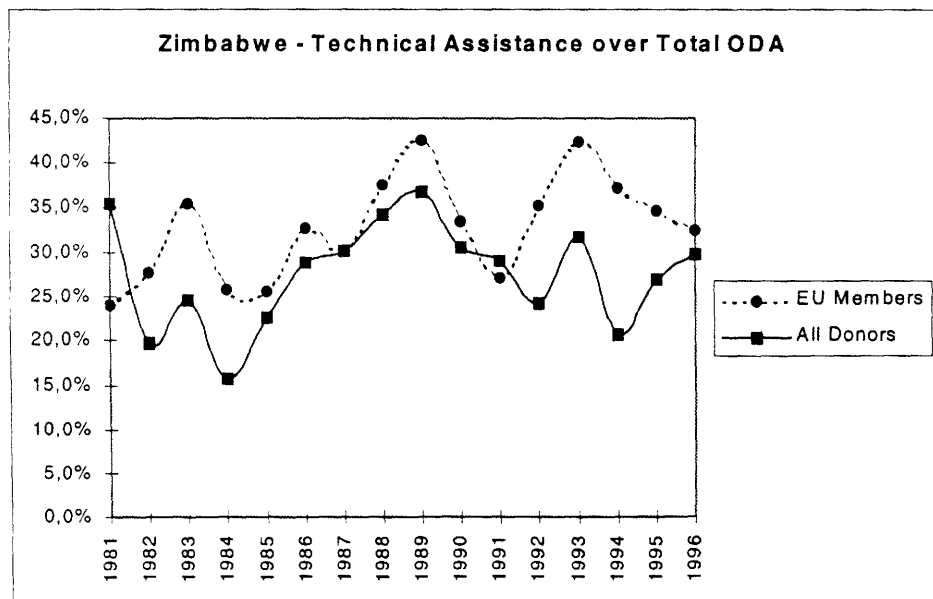


Figure 6



**Management of  
TA sometimes  
inadequate**

In some cases, because of capacity constraints, the TA has been insufficiently managed by the Government (and the EC), both during project preparation and implementation.

Project preparation can be too influenced by external consultants. While using external consultants in project preparation is a common feature of most aid programmes, the influence of their work on the final product depends on the management of both the Government and the donor. Other donors manage consultants more closely and allow them a smaller role in programme design. An interesting example of some of the issues that arise in the management of technical assistance is provided by the trade development support programme (Box 3).

**Box 3 – The Role of Consultants in the Preparation of ZimTrade Support Programme**

The only project prepared in trade during the last five years has been the ZimTrade Support Programme (ZSP).<sup>53</sup> The project was identified in 1991 by the consulting company that was implementing its predecessor (ZEPP). The process started with the preparation of a draft financing proposal by the consultant, with limited input from Government or the Delegation. The proposal, both in its draft as well as in its final form, did not include cost-benefit analysis nor detailed implementation arrangements.

The consulting company designed and negotiated the project with the EC Delegation. The project (10.2 Mecu) included a TA contract of over 7 Mecu. The project was supply-driven at a time when best practice in trade development was already pointing the advantages of demand-driven approaches. Headquarters questioned whether the consultants who were implementing ZEPP and designing ZSP should be included in the shortlist for the implementation of ZSP. The Delegation felt that their proven experience and competence were the key factors. The official transmission of the financing proposal from the Delegation to Headquarters states: "The proposals has been drawn up by the Delegation in accordance with the new format submitted by DGVIII and in consultation with the consulting team under ZEPP." The project files contain very little evidence of consultations with Government.

The consulting team advised the EC on the type of contract to use and prepared the project budget. It then took part in the tender for the contract and eventually won it.

The Structural Adjustment Support Programme use of short-term consultants probably contributed to the relative speed of the preparation process. However, it might have weakened the link between SASP and other EC instruments and the under-estimation of EC staffing constraints. The limited Government or EC management of TA also partly explains that the quality of sectoral reports or the nature of the implementation modality can often depend on the quality/skills of the consultants. For example, under SASP I, the education sector component is reported to have been better analysed and justified than that of the health sector<sup>54</sup>.

**Problems arise  
when TA both  
implement and  
monitor**

The limited resources available for SASP formulation, the reliance on short-term consultants and insufficient analysis for financing and implementation documents has contributed to some implementation bottlenecks. Given EC staffing constraints, the TA plays a key role in implementation and monitoring (even "auditing") of a very complex SASP. The monitoring of SASP counterpart funds is based on ad-hoc systems designed and implemented by the programme TAs. The TA assists in the identification of projects, carries out physical monitoring (visits around the country<sup>55</sup>) and the sample

<sup>52</sup> Measured as the total delegated appropriations as of December 31, 1997. Our calculations were based on the entries in the OLAS system.

<sup>53</sup> A new project is currently under preparation.

<sup>54</sup> See SASP Evaluation Report (July 1997), page 9.

<sup>55</sup> Several hundreds of schools are part of the sub-programmes.

testing of reimbursement invoices. TA also monitors counterpart funds accounts. Until now, these activities have not properly supported Government structures and in some cases they may undermine them. For example, Government officials pointed out that support to normal Government monitoring and auditing of projects in the social sectors would probably be more efficient than ad-hoc monitoring. Similarly, the monitoring of expenditures in support of ex-soldiers retrenchment in the Ministry of Defence also faced some difficulties. The Delegation is aware of these problems and has been recently trying to use the TA resources to strengthen the policy dialogue in sector budget reforms.

Finally, in agriculture, the recent external comprehensive evaluation of the sector<sup>56</sup> notes that “the files are filled with accounts of poor TA performance, inadequate reporting, and lack of consideration of counterpart training requirements. TA recruited through body-shop-type consulting companies usually provides little continuity of purpose, methods and techniques. As a result, projects that rely on imported TA are probably more exposed to the risk of failure”. At the same time, it is important to recognise that some TA in the sector appears to have integrated well into the host institution (e.g. Small Scale Irrigation Programme).

### E. Assessment of EC Aid Implementation and Management Performance

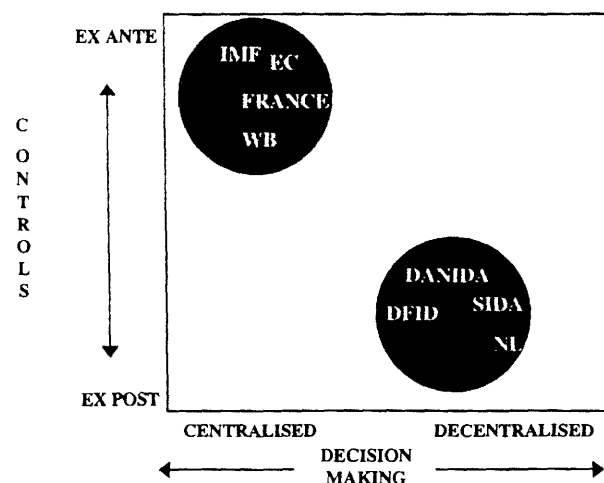
The objective of Project Cycle Management, as stated in the EC’s Manual, is to “learn from past experience in order to perform better in the future”. The institutional set-up of EC-managed aid and its range of instruments and procedures have evolved over time, based on experience. The performance of EC aid implementations must therefore be assessed based on learning.

As shown above, the main features of the present EC-ACP aid management set-up are:

- ◆ A centralised decision making structure, where most decisions are made in Brussels;
- ◆ *Ex ante* controls (approvals) on most procurement and disbursement decisions (with a few exceptions like annual work programmes, which are based on imprest accounts). Most disbursements require the involvement of at least three separate functions: the authorising officers (usually the Head of Delegation – upon recommendation from the responsible adviser – and the NAO); the financial controller and the accounting officer.

As shown in **Figure 7**, the centralised model is not unique to the EC and it is one of two common approaches. The alternative is a more decentralised system based

**Figure 7 – Decision Making by Selected Donors**



<sup>56</sup> Agrisystems Overseas Ltd. Evaluation of Rural Sector Projects, November 1997.

on ex-post controls (e.g., financial audits, operational audits, spot checks/supervisions; imprest accounts).

Centralised systems based on ex-ante controls have three major weaknesses: (a) decisions are made by staff far removed from reality on the field; (b) they are slow to react; and (c) widespread ex-ante controls are very time consuming, particularly for staff on the field (both on the Government's and the Delegation's side).

At present, ex-ante financial controls are the responsibility of economic or technical advisers who do not usually have financial or accounting skills. Advisers in the EC Delegation in Zimbabwe spend up to three-fourths of their time on administrative tasks with little time left for dialogue and analysis. A recent European Parliament's report on EU Aid to Zimbabwe<sup>57</sup> concluded that:

*"On the one hand, the EC development co-operation financial system may be said to be efficient and fair because of stringent controls ensuring the correct implementation of the Lomé Convention. On the other hand, slow administrative and bureaucratic procedures contribute to slowing the system down. (...) The complexity of the Commission's system for financial control is the direct result of growing pressures from the Court of Auditors and from the Member States requesting greater accountability and transparency. Each financial transaction is thus subjected to several controls carried out by different Units and Services, which also have to check on each other's financial consistency. In practice, it is difficult to discern a single Unit or official who carries overall responsibility and liability for the financial correctness of the entire financing procedures undertaken by the Delegations."*

Notwithstanding these problems, aid implementation has been good, whenever the Government has had the capacity to lead implementation and the Delegation has had the capacity to support Government in doing so. In particular, the issue of Government capacity and commitment is central both to policy dialogue and aid management. As far as the latter is concerned, a recent study based on the analysis of 900 completed World Bank projects found that "borrower performance is most critical to determining project outcome. Good borrower performance raises the probability of a satisfactory outcome by 35 to 40 percentage points."<sup>58</sup>

Technical assistance should complement and not be a substitute for Government capacity. When Government has limited capacity and officials are replaced by TA, problems arise. Project management units are created outside Government structures to implement particular projects/programmes or TA are attached to units within the civil service. The TA can become the EC's day-to-day counterpart on the Government side, thus undermining Government's capacity, as well as its commitment, to the project/programme. Given the relative capacity of the Zimbabwe civil service, donors should focus on using and strengthening Government systems (as in the Agriculture Services and Management Project).

<sup>57</sup> European Parliament – Directorate general for Research, *The Management Framework of EU Delegations' Development Work in ACP Countries. Case Study: Zimbabwe, External Economic Relations Series Working Document no. 18, November 1997*

<sup>58</sup> OED, *The Annual Review of Development Effectiveness (ARDE), November 1997, The World Bank, Washington DC.*





## ANNEX A

## LIST OF PERSONS INTERVIEWED

**A. EC Delegation**

Darikwa, P.	National Programme Officer
Dube, L.	National Programme Officer
Laerke, J.	Acting Head of Delegation
Leandro, J.	Economic Adviser
Malin, P.	Counsellor (Rural Development)
Montalban, A.	Technical Adviser
Muzenda, H.	National Programme Officer
Sibenda, K.	National Programme Officer
Tucker, N.P.	Attache – Financial & Administrative Affairs
Valette, C.	Junior Adviser

**B. Government Officials**

Riutsate, O.	Coordinator	Family Health Project, MoH
Oswald, S.	GTZ Advisor FES - Social Forestry Programme	Forestry Commission
Machingaidze, T.G.	Deputy Chief Education Officer	Ministry of Education, Sport and Culture
Matimati, E.K.	Director of Education	Ministry of Education, Sport and Culture
Kerrec, A.	SASP & Stabex TA	Ministry of Finance
Matsvayi, L.	Deputy Director, Aid Coordination - Domestic and International Finance	Ministry of Finance
Tshabalala, J.	SASP & Stabex TA	Ministry of Finance
Makiwa, O.	Assistant Secretary	Ministry of Health
Ushewokunze, E.	Deputy Coordinator Family Health Project	Ministry of Health
Chitsunge, E.	Under Secretary	Ministry of Industry and Commerce
Makanza, J.	Senior Administration Officer	Ministry of Industry and Commerce
Muthathwa, J.	Senior Administration Officer	Ministry of Industry and Commerce
Ngwenya, F.	Senior Administration Officer	Ministry of Industry and Commerce
Shonhiwa, A.	Acting Deputy Secretary	Ministry of Industry and Commerce
Hansen, H.P.	Senior Adviser ASSP	Ministry of Lands and Agriculture
Sandamu, B.	Chief Agric. Economist	Ministry of Lands and Agriculture
Sithole, G.	Deputy Secretary (Policy and Planning)	Ministry of Lands and Agriculture
Walker, H.	Organisation Dev. Consultant, MIPP	Ministry of Lands and Agriculture

**C. EU Member States**

Harrison, A.	Second Secretary (Commercial)	British High Commission
Jenkins, G.	First Secretary	DfID
Lenz, A.-P.	Austrian Trade Commissioner	Embassy of Austria

Herman, P.F.	First Secretary	Embassy of Belgium
Le Bel, A.	Economic & Commercial Counsellor	Embassy of France
Brofferio, L.	Ambassador of Italy	Embassy of Italy
Mungi, P.	First Secretary	Embassy of Italy
Guerra Pires, M.J.	First Secretary	Embassy of Portugal
Curcio, F.	First Secretary	Embassy of Spain
Egerö, S.	Economist (Development)	Embassy of Sweden - SIDA
Olsson, J.	Counsellor (Development)	Embassy of Sweden - SIDA
Faehrmann, K.	First Secretary, Development Cooperation	Embassy of the Federal Republic of Germany
Esderts, P.	Director Zimbabwe Office	GTZ
Leupolt, M.	Rural Development Advisor IRDEP	GTZ
Petersen, I.	Counsellor, Deputy Head of Mission	Royal Danish Embassy
Riber Skydt, A.	First Secretary	Royal Danish Embassy
Schellaars, J.	Counsellor	Royal Netherlands Embassy
<b>D. Other Donors</b>		
Franco, R.	Resident Representative	International Monetary Fund
Chidawanyika, C.	Sen. Prog. Officer	The World Bank
Cook, D.A.	Resident Representative	The World Bank
Dorfmann, M.	PSD Specialist	The World Bank
Wilton, D.	Investment Officer	The World Bank
Greenberg, D.E.	Trade and Investment Advisor	USAID
<b>E. Implementing Agencies</b>		
Made, J.	Dep. General Manager	ARDA
Mhlanga, L.	General Manager	ARDA
Matawu, A.	Project Coordinator	Mashonaland East Fruit & Veg Project
Muyambi, P.	Programme Manager, NMU	Microproject Programme
Van Nieuwkoop, J.	Team Leader	SSIP Project
Bara, M.	Manager - Export Development	ZimTrade
Chawasarira, F.	Chief Executive	ZimTrade
Kuzvidza, T.	Market Adviser	ZimTrade
Mpofu, N.	Manager - New Exporters	ZimTrade
Rodrigues, A.	Director Administration and Finance	ZimTrade
<b>F. Beneficiaries</b>		
Zizhou, F.	Chief Economist	Confederation of Zimbabwe Industries
Raftopoulos, B.	Dep. Director, IDS	Univ. of Zimbabwe
Makamure, J.	Chief Economist	Zimbabwe National Chamber of Commerce
Maposa, B.B.	Manager: Trade Development & Information	Zimbabwe National Chamber of Commerce
<b>G. NGOs</b>		
Lwande, J.	Small Enterprise TA	CARE (Zimbabwe)
Mispelaar, M.	Country Director	CARE (Zimbabwe)
Boeckmans, G.	Country Coordinator	Medicus Mundi (Belgium)
Kachingwe, N.	Programme Officer	MWENGO
Mafico, M.	Researcher	Poverty Reduction Forum

## ANNEX B

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