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Capacity Building in the Ministry of Finance, Zambia

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Abstract

This paper describes the capacity building efforts undertaken as part of the Macroeconomic Technical Assistance Project (METAP) in Zambia. It begins by examining the background to capacity building in Zambia. It then discusses the circumstances within the ministry of finance where the efforts of METAP staff were concentrated. In terms of numbers trained, procedures modified, and organizational changes made, the activities under METAP had a major impact on the ministry. Whether the effort will be sustained is debatable. This, however, is more directly related to the ambivalence of the government of Zambia to the whole process of economic reform rather than general deficiencies in the approach to capacity building adopted under METAP. In broad terms, the Zambian situation reconfirms that technical assistance will continue having a small impact on growth and development so long as governments remain unwilling to vigorously promote economic and social reform.

Keywords: capacity building, fiscal policy, fiscal management, government institutions, economic reform

JEL codes: H1, O2, O22

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1. Introduction

Capacity building was a central component of the Macroeconomic Technical Assistance Project (METAP) in Zambia. This was clear from the objectives for METAP in the Project's scope of work:

...to assist the Government of Zambia to implement the New Economic Recovery Programme; and to enhance the capacity of the staff of the Ministry of Finance to formulate and implement the economic policies to stabilize the economy and lay the foundations for sustainable growth.

The term "capacity building" was not defined in the Project documents. But the dimensions and the intention of the goal "to enhance the capacity of" were obvious from the activities required of the project advisors and the requests for support from senior ministry officials. Capacity building was to include policy formulation, training, and institution building. Expectations may have varied regarding the scope and timing of specific activities but no one involved in the project underestimated its importance.

This chapter highlights the reasons for the special focus on capacity building in Zambia, the need for such a program within the Ministry of Finance, the approach adopted under METAP (and later the Computerization and Modernization of Tax Administration Project - CMTAP), the problems encountered, and the results achieved. We conclude with an assessment of the success of the capacity building effort and the prospects that it will be sustained over the longer term.

2. Background

a. Capacity Building in Perspective

The emphasis on "capacity building" in developing countries intensified following the publication of the World Bank's 1989 study on Sub-Saharan Africa, *From Crisis to Sustainable Growth*.¹ This was a welcome contribution as it required development specialists to begin focusing more systematically on the host of activities, some dating from the 1950s, related to "capacity creation" or "capacity enhancement". This formal re-examination of the topic has led to a more structured approach to capacity building, its main elements, and the processes by which it is achieved.

Some of the earliest references to what is now called capacity building appear in the studies of "manpower planning" and "educational development".² Governments and donor agencies applied programming and planning techniques to determine the types of skills and supply of skilled personnel needed to foster growth and development. Since skilled "manpower" was a

major constraint, attention was directed to the efforts to use the existing supply more effectively and to fill the “manpower gaps” through additional training or technical assistance.³ Zambia adopted such an approach in its *First National Development Plan* in 1966.⁴

Development agencies had responded to the problems of deficient skills by helping establish “centers of excellence”.⁵ One of the earliest initiatives was that of The Rockefeller Foundation “University Development Program”, undertaken in several African countries.⁶ The idea was to create a core group of skilled personnel who could help foster development. At about the same time, a more general effort popularly known as “education for development” gained support.⁷ It was widely copied.⁸ This approach was founded on scholarly work that emphasized the role of broad measures of “human capital” in economic development⁹ and the importance for societies in the process of development of “institution building”.¹⁰

All of these ideas were thoroughly field-tested by agricultural specialists from the centers that ultimately combined to form Consultative Group for International Agricultural Research (CGIAR). These centers were responsible for helping stimulate the development of national agricultural research systems capable of adapting to local conditions the results of the basic research undertaken at the international centers. The effort reaffirmed the importance of “institution building”. In the process, however, it also drew attention to the need for special efforts to enhance “managerial capacity”.¹¹

The overall success of these endeavors became increasingly apparent as the gloomy predictions of famine and disruption, prominent in the late 1960s¹², gave way to the achievements of the “green revolution”. Nonetheless, even with the emerging success of approaches that combined institutional development, skill enhancement (through agricultural “extension”), and special attention to management issues, their potential impact was being seriously undermined by inappropriate economic policies. This directly raised the problem of how to improve the capacity of policymakers to understand both the technical and economic impacts of their actions (and often lack of action).

Developed countries deal with such issues at schools of public administration and business. In developing countries, these matters were generally neglected.¹³ The World Food Conference in Rome in 1975 changed that. A central issue emerging from the Conference was how to induce policy makers to create the setting conducive to rapid increases in food production. One outcome was a concentrated attempt to stimulate capacity in the area of policy analysis and policy implementation.¹⁴ Several related aspects of capacity were identified and emphasized.¹⁵

The 1989 study, referred to above, was the fourth produced by the World Bank on Sub-Saharan Africa in less than a decade.¹⁶ Earlier analyses had highlighted many difficulties and weaknesses in Africa. This was the first time that the Bank had singled out weak capacity as one of the most pressing problems. The report raised specific questions about the ability of African officials to handle their jobs, and the capacity of key organizations to fulfill their assigned (or adopted) tasks.¹⁷ To help formalize its efforts in this area, the Bank promoted the “Africa Capacity Building Initiative” (ACBI) designed to create an institutional structure for improving capacity throughout Africa.¹⁸ A fund of \$100 million was assembled and, in 1991, the African Capacity Building Foundation (ACBF) was created.¹⁹

Although the World Bank initiative made “capacity building” a focal point, the bilateral agencies (USAID, ODA, SIDA, NORAD, GTZ/KfW, the French CFD, and others) had been generously funding related efforts throughout Africa for many years. African governments had made no secret of their capacity constraints. Indeed, a major indictment of the “colonial legacy” has been that it left African countries without adequately trained skilled personnel. All African governments had attempted to address this problem. After much progress in the early years, the momentum was being lost. The economic decline was reducing the supply of resources. Public sector organizations were not making the changes needed to overcome their own structural and staffing weaknesses.²⁰ The development agenda kept shifting in ways that often could not be met with existing personnel.²¹ The gross over-extension of public sectors across Africa seriously undermined efficiency.²² Mismanagement and corruption added to the difficulties.²³

Resolving these problems requires, among other things, a sharp reduction in public sector activities and improved accountability. These, in turn, require additional capacity including improvements in leadership.²⁴ A vicious cycle has emerged in which the conditions needed to improve capacity cannot be met because of weak capacity.

A common method of breaking this cycle in Africa has been through external technical assistance. Many countries have relied heavily on such assistance. A number of development specialists have criticized the cost, sustainability and cultural insensitivity of technical assistance.²⁵ Yet, few mainstream development economists had questioned its contribution to economic development.²⁶ That changed when Edward Jaycox, Vice President of the World Bank for Africa, argued that external technical assistance to Africa was ineffective, expensive and destructive.²⁷ He stated:

After 30 years of technical assistance, and so much money spent, Africa’s weak institutions, lack of expertise, and current need for more – rather than less – assistance tell us we [external development agencies] have failed badly in our efforts.

Jaycox argued that donor reliance on foreign experts had been at the expense of qualified African consultants and researchers, and that this had undercut efforts to develop local capacity. At one level, Jaycox was right. *All* foreign assistance distorts the local economy in some way. Technical assistance provides skills that enable particular tasks to be undertaken that existing local personnel and organizations could not do. Yet, it also leads to activities local personnel and organizations would not do. That said, the blanket condemnation of technical assistance by Jaycox was unfortunate.²⁸ His point would have been more effective (and accurate) if he had argued that some technical assistance to Africa had been counterproductive. Moreover, he should also have mentioned that in many cases the problems attributed to technical assistance are generated elsewhere. Donors frequently impose conflicting conditions that result in different groups of technical assistants working at cross-purposes.²⁹ Furthermore, many African governments do not provide the support needed to make the most effective use of technical assistance. And, all too often, African governments have reversed useful policy reforms irrespective of the analysis or support being provided by technical assistants.

Notwithstanding these reservations, the use of technical assistance across Africa has not declined substantially even as organizations such as the ACBF have expanded. Most African countries have found they require additional support to formulate and implement their reform programs. Following war and civil disruption, countries need TA to help them rebuild. Some governments have found that they require assistance to deal with particular areas of reform where crucial systems have broken down (or have proven to be inadequate). Training local staff for these tasks frequently requires resident advisors.

Based on past experience, this situation will continue as many of the tasks needed to promote and sustain reform change over time. For example, the 1997 *World Development Report* on the role of the State³⁰ raises numerous questions about what governments are meant to do. One of these things, according to the most recent *WDR* (“knowledge for development”) is to help foster the appropriate setting for the creation and dissemination of knowledge. This has major implications for the types of capacity required by African countries most of which need to make special efforts to overcome their marginalization within the global economy.³¹ Many of these challenges cannot be met with local capacity. Finally, the loss of skills due to the HIV/AIDS pandemic is seriously reducing capacity and undermining the integrity of key organizations. In some countries, such as Botswana, this source of loss has reached crisis proportions.

b. Capacity Building in Zambia

The need for capacity building in Zambia has a long history. Zambia gained independence with barely more than 100 Zambians having university degrees. Yet, despite this shortage of skills there was pressing need to “Zambianize” the upper levels of the work force.³² Racial discrimination during the colonial period, sustained by an “industrial color-bar”, had prevented African workers from being promoted to high level positions.³³ Rapid promotion of African workers was *politically* essential.³⁴ In the process, many young and relatively inexperienced personnel were promoted creating major problems with management and supervision. These problems intensified with the additional demands on existing capacity as the state takeovers (initiated with the 1968 Mulungushi Rock speech³⁵) gained momentum.³⁶

The principal constraint on capacity in the early years after independence was the tertiary education system. More personnel were required to staff the expanding public sector than the system could produce. That pressure began to ease from the mid-1970s as the economy declined. From that point, the principal constraint was not the quantity of graduates but their quality.

Yet, even in the areas where there has been an adequate supply of well-trained personnel, the emerging pattern of autocratic and arbitrary rule created perverse incentives. The public sector had increasing difficulty retaining skilled personnel. Many highly qualified Zambians (doctors, pilots, teachers, accountants, and agronomists) emigrated.³⁷ Further complications arose from the increased disorganization and mismanagement within the public sector. The skilled personnel remaining in the public service have been used ineffectively.³⁸

In response to the worsening economic situation, the government implemented a series of donor-supported structural adjustment programs in 1977, 1980, 1981, 1983, 1985, and 1990. Each, in

turn, was abandoned. The government even gave up on its own adjustment program, “growth from own resources” that it launched in 1988.³⁹

These developments have led many observers to emphasize the political difficulties of adjustment in Zambia.⁴⁰ Nonetheless, many difficulties arose because existing staff could not (and would not) deal with key technical problems.⁴¹ Debt management, tax reform, financial reform, exchange rate management and budget reform are examples.

The deterioration of the education system was one of the more notable consequences of economic decline.⁴² During the 1980s, Zambia’s expenditure on education relative to GDP was one of the lowest in the world.⁴³ Of the limited amounts available most was spent on administration and support services. Minimal amounts were devoted to teaching programs, the library, textbooks, and post-graduate studies.⁴⁴ Few graduates could meet minimal international standards.⁴⁵ As a result, neither the University of Zambia nor private consulting firms have the capacity or incentives to undertake basic and applied research. Their capacity is limited to low quality research.⁴⁶

The problems in education have been compounded by the deterioration of the health system and growing losses due to HIV/AIDS. Rates of HIV/AIDS infection in Zambia are among the highest in the world.⁴⁷ The highest risk group is the young, urban, and educated. A recent Ministry of Health study noted that among the age group between fifteen and forty-nine years the death rate is expected to be 70,000 by the year 2000, and rising to 120,000 per annum by the year 2005.⁴⁸

HIV/AIDS has had further negative effects on capacity building in Zambia. The daily operations of government, formal training programs, and counterpart training are regularly interrupted through absenteeism. Many competent teachers and trainers have died. Productivity, already low from disorganization and lack of resources, has been reduced further.⁴⁹ The incentive to be trained has changed as well.

c. Overview

Historical experience with capacity building provides a number of lessons. To the extent possible, these were incorporated into the activities of the METAP and CMTAP capacity building efforts. First, there are no easy solutions to the problems of creating sustainable capacity.⁵⁰ Second, the effectiveness of any effort to enhance capacity is improved if the approaches adopted are flexible and responsive.⁵¹ Third, economic reform imposes special demands on capacity. When it succeeds, reform changes the structure of the economy. Some changes can be anticipated; some cannot. A flexible approach to capacity building improves the ability of the public sector to respond.

Yet, while flexibility is essential, it needs to be understood that capacity building is a long-term endeavor. This, however, tends to clash with the pattern of funding of donor projects which follows specific cycles. Most technical advisors have dealt with this situation by emphasizing the *process* of capacity building, especially the importance of strengthening institutions, and the *product* or number of trainees and types of skills provided.⁵²

3. Capacity within the Ministry of Finance

a. The Request for Support

Following the collapse of the government's own structural adjustment initiative in 1988, Zambia's leaders made yet another effort to re-engage the donor community. Facing pressure to reform the economy and lacking adequate local capacity, the Minister of Finance Gibson Chigaga approached several donors in 1989 to provide expatriate advisors to assist with key areas of macroeconomic policy and staff training. The Minister's policy priorities were tax reform, budget reform, debt management, and aid coordination. He was particularly anxious to have a small advisory team assist the government formulate and manage a Bank/Fund structural adjustment program.⁵³

Viewed in historical perspective, the government's request can be seen in several ways. First, it was a genuine plea for help in areas in which Zambia had long-standing difficulties. Second, it was yet more window dressing by Zambia's leaders intent on rationalizing years of inaction. IMF and World Bank staff and a host of local and external consultants supported by bilateral agencies had made extensive analyses of Zambia's circumstances. It was no secret what needed to be done.⁵⁴ The government had chosen to ignore most of this advice and would probably continue to do so. Third, it was an important admission that many of the detailed technical tasks needed to reform the economy could not be accomplished with existing staff.⁵⁵ And fourth, the request provided Zambia with an opportunity to begin rebuilding credibility within the international community. The government had external arrears exceeding US \$3 billion. These could not be rationalized without international support.

The donor response to Minister Chigaga's request was positive but cautious. They indicated that some technical assistance would be sought to give the government access to credible, timely economic advice. Identification of an advisory team was made a condition for the release of a large World Bank credit. Accordingly, it was with some urgency that Minister Chigaga wrote in early 1990 to several institutions, including HIID, requesting expressions of interest in providing such a team. The project involved five resident advisors who would provide technical assistance, policy advice, on-the-job training, and local and overseas training.

HIID staff visited Lusaka in August 1990 to discuss the project with government and donor officials. Their assessment confirmed the need and commitment for the support being requested.⁵⁶ The initial budget for the technical services and training in the terms of reference was well above the amount set aside by the donors. The donors and government agreed to reduce the training program anticipating that additional funds could be found later. The government's most immediate problem was *not* access to training funds. Its most pressing need was for technical assistance in macroeconomic policy.

HIID had undertaken similar projects in many developing countries from the mid-1950s. Both, the original team leader and his successor had extensive overseas experience with policy advice and capacity building.⁵⁷ Supported by the Training Office in Cambridge and bolstered by HIID ongoing experience and research in capacity building, the "Harvard team" was considered an

ideal fit by donors and government officials alike. But, having the team in place was only part of the solution to the ministry's capacity problems. The effective use of technical assistance required changes in organization and motivation. These proved to be the greatest challenge.

b. The Context within the Ministry

Capacity building is difficult at the best of times. Numerous capacities have to be enhanced simultaneously in circumstances where few staff can be released from their normal day-to-day activities. The pressure is compounded by the expectation (especially among the donor community) that the ministry of finance will "take the lead" in promoting economic reform. In order for reform to succeed, its staff have to formulate and implement programs such as the liberalization of markets, the lifting of exchange controls, the removal of export and import licenses, and so on. For many years, these actions were contrary to the "official party line".

Historically, Zambia's ministry of finance has been weak. Thus, it was unlikely that the ministry could engineer such an about face. Throughout Zambia's post-independence history, finance was never seen (or treated) as a "strong" ministry. Its minister was a second-tier cabinet officer who ranked well below the Vice President, the Minister of External Affairs, the Minister of Defense, and the Minister for the Interior. The minister's position was weakened further during the Second Republic (1972 to 1991) when the Party apparatus transcended that of the government.

The ministry of finance had a fragile institutional base from which to spearhead the type of reforms needed to revive the economy. The limited technical capacity of the ministry's staff and its general state of disorganization intensified the difficulties. Two examples illustrate the last point. Public debt management was the responsibility of the national debt office in the Loans Division of the ministry, the national debt office at the Bank of Zambia and the accounting departments of the various State-Owned Enterprises that had borrowed abroad. Furthermore, military debt was a State secret. Thus, there was no way of gaining a comprehensive picture of Zambia's overall indebtedness. A further problem was the institutional split between the current and the capital budget. The latter was the responsibility of the National Commission for Development Planning (NCDP) over which the Minister of Finance nominally presided. (*De facto*, however, the NCDP was directed from the President's Office.) Responsibility for the current budget rested with the Ministry of Finance. Due in part to the split authority, Zambia had a "recurrent cost problem" that had been untended for years.⁵⁸ Evidence of its severity was the advanced state of degradation of Zambia's infrastructure.

A further problem was the lack of incentives for key ministry officials to support economic reform. The problem is not unique to Zambia. It is common to all economies in transition that rely on the existing bureaucracy to implement the necessary reforms. Years of economic collapse and on-again, off-again reform make government officials extremely cautious. To minimize the "bureaucratic risks" involved, many officials adopted "coping" strategies. They will accommodate to whatever policy direction the leadership favors. Few will support initiatives that might threaten their positions. Officials are particularly reluctant to support reforms that at the first sign of difficulty are likely to be abandoned. Since Zambia's leaders had a long record of flip-flopping on reform, most officials had become adept at avoiding (or

deflecting) actions that might directly associate them with economic reform. Finally, having already experienced years of economic decline, most officials were hesitant to support an adjustment program that might make the situation harder, even if only temporarily.

Thus, as an institution, the ministry of finance was weak. It was disorganized and ill-equipped to promote economic reform. Its staff was demoralized and many essential tasks were either performed poorly or left undone. None of its regular staff had been trained beyond the masters level. Moreover, much of that training had taken place in Eastern European countries which were not known for their commitment to liberalization or reform. At best, prospects for major improvements seemed limited.

4. Project Design

A common view in the literature is that technical assistance "... is supply-driven and not a response to local demands" and "reflect[s] donor objectives".⁵⁹ This was not the case with METAP. To illustrate, the Deputy Secretary to the Cabinet was asked why the government was requesting the project. He responded that "we do not know where we are".⁶⁰ Minister Chigaga and, later, Minister Kasonde were aware of the critical need for technical assistance to expand capacity within the ministry. They both gave the effort their whole-hearted support.⁶¹ Indeed, Minister Kasonde was instrumental in pushing for special support in the area of tax administration which led to the Computerization and Modernization of Tax Administration Project (CMTAP), a project entirely devoted to capacity building.

The METAP Scope of Work interpreted capacity in broad terms. It was understood to involve the technical skills to undertake formal analyses, and the administrative and management skills needed to help the ministry function more effectively and efficiently. Strategic capacity, i.e., the skills needed by senior policy makers to place the key problems in a broader perspective received the least attention. It is the most difficult aspect of capacity building to handle. As time was to show, this was the very element of capacity that Zambia's policy makers needed most.

The METAP scope of work provided the criteria each advisor was expected to meet. These included:

- provide advice to policy makers in areas of his/her specialty;
- prepare policy papers for consideration by government;
- train Zambian staff counterparts on-the-job;
- develop training programs for Zambian staff;
- formulate proposals for institutional strengthening ; and
- help strengthen policy formulation and implementation.

Flexibility and responsiveness were built into the structure of METAP in several ways. The goals for each advisor were broad enough to allow discretion regarding the balance of advising and training. Further flexibility was achieved through the use of short-term consultants, obtained locally and abroad. They provided expert assistance on issues such as tax reform, financial supervision, privatization, monetary policy, and exchange rate management. Typically, the

consultants worked directly with several Zambian counterparts. They also led or assisted with in-country workshops or special task forces in their area of expertise.⁶²

The advantage of flexibility is that it allows the project to better meet the needs and opportunities of changing social, political and economic conditions. Its importance became clear eighteen months after the project commenced when it was decided to re-orient the capacity building program. The emphasis on providing long-term overseas training for selected candidates was dropped. The priority shifted to support for custom-designed short-term courses within Zambia.

That change was made after lengthy discussions with the Permanent Secretary. Sending the few officials within the ministry who had the bachelor level qualifications for longer-term training would have seriously handicapped the ministry at the very time these staff members were needed most to help promote reform.

Other factors prompted this change in focus. Given the public/private sector wage difference, most newly trained personnel were likely to transfer to the private sector.⁶³ Furthermore, the economics associated with losses of trained staff through HIV/AIDS became prohibitive. A two-year masters program abroad costs more than \$100,000.⁶⁴ Since METAP had limited training funds, there was a clear trade-off between sending a few candidates abroad and devoting the resources to broad-based local efforts. Because of the HIV/AIDS pandemic, attrition rates would be high in either case. The advantage of spreading training across larger numbers so as to have a more immediate impact on the ministry's operations was compelling. METAP still supported some training abroad but the bulk of the effort and funds shifted to local, short-term courses.

In making this shift, METAP sought to emphasize training at all levels within the ministry. Capacity building programs often focus on the more visible and senior members of organizations. Ostensibly, these are the staff who can "make a difference". It is often overlooked that the efficiency of senior staff is determined by the skills and commitment of officials at the mid-and lower level. This was the case in the ministry of finance where the effectiveness of senior staff was compromised by the lack of training and poor morale at lower levels. The ministry had given little attention to the training of registry clerks, secretaries, entry level accountants, and auditors. In order to raise the efficiency of the ministry as a whole, these groups needed attention.

In refocusing the capacity building effort it was also decided to use training as an incentive for more training. Trainees were offered opportunities for further study if they demonstrated high levels of achievement in training programs and if they were applying their learning to their jobs. This provided an incentive for trainees to concentrate on their training programs, and later, on their job performance. This approach has the added advantage of helping to engage supervisors and trainers in regular performance evaluation.

To facilitate this shift in the capacity building program, METAP engaged a part-time training coordinator whose primary responsibility was to manage the projects' training component. In the original project design, the Team Leader was to have managed the training effort by working through the HIID training office in Cambridge. The organizational and management tasks soon

multiplied and it became clear that a training coordinator was needed. Specialists handled the course development and the actual training. The training coordinator met regularly with Ministry officials, resident advisors, and representatives from local training institutions and other donor-funded training programs. The training coordinator helped determine training needs, develop programs, explore the potential of local training institutions, target opportunities as they arose, coordinate plans with the Ministry's Human Resource Development Committee, maintain regular communication with the Permanent Secretary, and arrange for appropriate evaluation of all training programs.

5. Project Implementation

Capacity building took place at the institutional and the individual level. Through regular consultations, the Permanent Secretary remained engaged in reviewing and approving the capacity building activities. Revisions were made to the program on a regular basis in response to outside reviews, changes in local conditions, and unanticipated opportunities.

a. Capacity Building: Institutions

The staff of METAP helped with several institutional changes in the ministry of finance. Examples include the reorganization of the ministry, the tax policy and mining reform task forces, and the formation and functioning of the Data Monitoring Committee.

Perhaps the most profound long-term change that occurred with the assistance of METAP staff was the reintegration of the National Commission for Development Planning (NCDP) into the ministry of finance. This change led to the combination of all budget and financing operations under a Director of Budget (with the rank of Permanent Secretary). Following the election of the MMD government,⁶⁵ the new minister of finance, Mr. Kasonde requested the METAP team leader to study and report on how the ministry could be reorganized in ways that would improve its operations. A draft plan was submitted in April 1992 and modified in light of discussions with the minister and senior government officials. No action was taken pending the outcome of the broader Public Sector Reform Program (PSRP) that was initiated in November 1993. When the ministry was eventually reorganized, the blueprint was the plan prepared by the METAP team leader. This reorganization was complete in September/October 1996. The NCDP was folded back into the ministry and the new organization was renamed the Ministry of Finance and Economic Development (MOFED).⁶⁶

While this process was underway METAP staff helped with many short-term changes in the ministry's operations. Several of these were achieved through task forces. The most successful was the Tax Policy Task Force. Over a period of four years, it helped engineer what has been the most fundamental reform of Zambia's tax structure ever undertaken.⁶⁷

METAP advisors had a vital role in helping to organize the task forces, determine the agendas, provide the technical support, and (where necessary) provide instruction to the members on the issues involved. Other task forces to which METAP staff contributed were the maize marketing task force which recommended radical reforms in maize marketing (many of which were

implemented and then reversed), the debt management task force, the data monitoring task force, and the external resource mobilization task force. The initial work of some of these was so successful that they were ultimately constituted into standing committees. For example, the work of the data monitoring task force was eventually brought under the Data Monitoring Committee. Staffed by officials from both the ministry of finance and the Bank of Zambia, this committee was charged with overseeing the financial aspects of the World Bank/IMF program and (from January 1993) implementing the cash budget. The work of several other committees is described elsewhere.⁶⁸

The support by METAP for local training had a major effect on the capacity of selected local institutions. It enabled them to design and run a number of new courses and helped boost the quality of existing courses. A noteworthy example is the help provided by METAP to the Zambia Institute for Accountancy Studies (ZICAS). The support from METAP and other donors enabled ZICAS to strengthen its staff and curriculum. The result was that after a detailed review ZICAS became the first organization outside of the United Kingdom to be certified for the full range of accountancy courses under the auspices of the Association of Chartered Certified Accountants (ACCA).

METAP also provided institutional support in the form of policy papers and policy briefs. Many were produced on a host of topics throughout the project. However, one set written in the latter part of 1991 was especially useful to policy makers. Following the death of Minister Chigaga, the METAP team members were effectively sidelined within the ministry. The new minister, Rabson Chongo, wanted no contact with the advisors. Moreover, with the Kaunda regime coming apart with the approach of the October elections, there was little the advisors could say about economic management that was of interest to the government.

The Permanent Secretary, however, took a longer-term view. He asked the METAP advisors to prepare a set of “issues papers” that could be used by the new government. When MMD won the election and Mr. Kasonde was appointed minister he sought technical advice on Zambia’s economic problems. The papers prepared by the METAP advisors proved to be extremely useful and perfectly timed.

Other organizational and institutional changes were achieved through computerization. As originally planned, Computerization and Modernization of Tax Administration Project (CMTAP) was designed to enhance the operations of the revenue departments through improved tax administration and computerization. The project commenced in September 1992. However, its work was soon deflected when the government decided to create the Zambia Revenue Authority. Once the Authority began operations in April 1994, it was intended that the work of CMTAP would be fully integrated within the ZRA. The intended integration did not occur as ZRA began developing separate plans for administrative reform and computerization. In March 1995, the senior management of ZRA abruptly ceased all cooperation with CMTAP.⁶⁹ At the time, many programs, including a computerized VAT system were being developed and large numbers of staff were being trained.

With two years remaining on the contract, an alternative was needed. After a hiatus of three months, the minister of finance and METAP team leader agreed that CMTAP should be moved

from the ZRA to the ministry of finance. Once that shift was made, the project staff began a program to network the whole ministry, upgrade data monitoring and revenue collection systems, prepare manuals and training procedures (including network maintenance), and train specialists so that the system could be regularly maintained and upgraded once the project ended. These activities had a profound effect on the efficiency of the whole ministry.

In an ironic twist, a change of management at the ZRA in early 1997 restored cooperation between CMTAP and ZRA. Many of the applications (customs control, import reporting, the direct tax system, the bonded warehouse system) that had been completed while CMTAP was part of ZRA were revived and implemented.⁷⁰

b. Capacity Building: Individuals

The initial METAP funding provided for four staff members of the Ministry of Finance to attend master's level courses abroad each year in public administration, finance, fiscal policy, or macroeconomic policy. Additional funding was available for short-term non-degree training abroad (4-12 weeks) and for short-term workshops, seminars and short courses in Zambia. On-the-job training was expected although no special funding was provided. Under CMTAP the majority of training was to be on-the job and through selected local and regional workshops.

The decision to move towards more localized training (noted earlier) freed up METAP's resources. In particular, it allowed many staff members, who were regularly passed over, to be trained. One such group was registry clerks, of which there were approximately 60 in the ministry. Their role was vital for the movement and tracking of files and messages within the ministry. The manual filing system was little changed from colonial times, procedures were not well understood, and many of the staff saw the registry as a "dead end". METAP engaged a local training organization to work with senior members of the registry to design and organize a course. Its staff then taught the two-week course to groups of fifteen officials.

This approach had several advantages. First, it brought together staff in a setting that allowed them to learn methods and procedures used in their area of specialization. Second, it gave the staff the opportunity to discuss problems in the operation and organization of the registry with their teachers and co-workers. And third, it provided senior staff with suggestions on what could be done to improve the registry's operations.

The decision to customize and localize training markedly improved the capacity of many ministry officials. A number of trainers were engaged on a consultative basis well before training began. They were requested to design programs that focused on the issues and problems faced by the prospective trainees, and to incorporate task-specific materials and procedures. For training programs located in or near Lusaka, the trainees' supervisors were frequently invited to attend wrap-up sessions where the problems and potential for the transfer of training were discussed. For example, the Accountant General frequently attended the final session of the three-week courses in management and audit techniques for mid-level auditors offered at ZICAS. In their course evaluations, participants noted that these exchanges were the first opportunity they had ever had for dialogue with their supervisors. Upon the completion of the training, local

consultants interviewed trainees and their supervisors to evaluate the effectiveness of the training and recommend changes.⁷¹

METAP continued funding for at least one ministry official to attend an overseas masters program each year. However, the equivalent funding for other long-term overseas' training was targeted for short-term overseas, regional, or local training. This directly increased the number of beneficiaries. For example, in designing short-term in-country courses for mid-career officers, METAP made every effort to replicate the atmosphere and excellence of the same type of program offered overseas. The benefit of these programs came from the technical knowledge, the discipline, the diversity of the participants, and the quality of the professors. An example was a two-week workshop at a resort hotel on Lake Kariba on Investment Appraisal and Risk Analysis for the Public Sector. The 25 participants were drawn from thirteen line ministries. The trainers included three professionals who taught a similar workshop at Harvard's John F. Kennedy School of Government. The course material had been customized to the Zambian situation. The main difference was that the trainers had been brought to the trainees, rather than vice versa.

A further example of a customized, short-term, in-country course was a conference on Mining Sector Tax Reforms, organized jointly with the Ministry of Mines. Thirty-four senior staff from both ministries and related mining interests met to debate and recommend legislation regarding mining sector tax reforms for the 1994 Budget. To assist with the conference and help finalize the recommendations and draft legislation, METAP brought a short-term consultant who was an expert in mining legislation.⁷²

Whenever possible, training funds were directed towards targets of opportunity and requests from groups of individuals. For example, at the request of the Budget Office, METAP organized two three-day workshops on Planning and Budgeting Reforms, modeled after a workshop on the same topic funded by the World Bank.⁷³ The sessions were attended by Permanent Secretaries, Controlling Officers, and staff of the Budget Office. One objective of this support was to begin to have senior policy makers think more broadly about the economy-wide impact of the budget. This was one of the few attempts in the project to enhance strategic capacity.

Both METAP and CMTAP made a special effort to identify and train women. This was relatively easy. Many qualified and competent women applied for, or were identified for training and were accepted. In CMTAP, most of the local counterpart staff were women. The project provided them all with advanced training in computer programming.

Occasional in-house lecture courses were devoted to the immediate needs of ministry staff. Practical examples were drawn from the operations of the ministry using contemporary data. This made the training directly relevant to the ministry's work and helped engage lower level staff in discussions of the main macroeconomic issues confronting Zambia.

Capacity building under CMTAP focused on the training of trainers. All three of the resident advisors were engaged almost exclusively in training activities and systems development. Over the course of the project, CMTAP recruited and trained twelve computer programmers and network support officers. This took the form of frequent, short-term training sessions at the

ministry of finance by the advisors and consultants from computer firms in South Africa. It was supplemented by occasional short courses at computer centers in Harare and Johannesburg. These same staff members in turn, trained ministry staff. For example, one of the Network Support Officers trained over seventy-five managers, secretaries and officers of the ministry in networking, electronic mail and file sharing during an eight-month period in 1996-97. Another helped train forty-three economists and analysts from three different ministries in trade database analysis. Others were responsible for installing the local area network, debugging and upgrading the systems, and trouble-shooting.

The project also took advantage of numerous local and regional training opportunities. An example was a study tour of the revenue authorities in Uganda and Kenya. Organized by one of the CMTAP advisors for two of the chief Revenue Analysts, the tour concluded by making constructive improvements in the draft of the revised Zambian Revenue Authority Act. Four members of the Tax Policy Task Force visited South Africa to study reforms in Customs and Excise, Value Added Tax, Company Tax, and Personal Income Tax. Their final report contained recommendations to the ministry on tax reform for the 1993 Budget.

Another training model adopted by CMTAP, with sustainability in mind, was the compilation of written manuals and systems specifications for self-training. CMTAP staff prepared fifteen user-friendly manuals, ranging from a user's guide to the value-added tax system to a guide for the computerized motor vehicle registration system. The advisors also prepared four procedural manuals, including a Maintenance Guide for the Zambia Import Monitoring System and Audit Guidelines for Tax Inspectors. After leading a series of three-day workshops at the Bank of Zambia for Data Operators from the Pre-Shipment Inspection Company, one of the CMTAP advisors produced a training kit on how to access the import trade database. Finally, CMTAP advisors and staff members produced a total of fifteen system specification manuals for VAT, Customs Refunds, Company Registration, and the ministry's Local Area Network.

c. Capacity Building: Counterparts

The original terms of reference stated that each advisor would have a designated local counterpart to work with and learn from him/her. This did not occur. Three of the five officials initially identified by the ministry as counterparts were also among the few eligible candidates for graduate training abroad: they left for training shortly after the METAP advisors arrived. The other two were attracted to other jobs in the public sector. In practice, all METAP advisors worked with many counterparts. This reflected the impracticality of having each advisor work with just one counterpart and the broad range of tasks that each advisor was expected to accomplish.

The literature on technical cooperation has detailed discussions of the expert-counterpart model. The approach adapted by METAP is reflected in the following:⁷⁴

...the intention [of long-term advisors] is not to supplant the planning, management and accountability functions of local institutional management; rather the intention is to provide a continuing and independent source of guidance...

Given the technical imbalance between the advisory team and ministry staff, maintaining the distinction between supplanting and guiding was especially important in METAP. The team had four PhD economists. The ministry had none.⁷⁵ Team members walked a fine line between too much “fire-fighting” in line-ministry work⁷⁶ and providing training to local analysts who might formulate and implement better policies in the future.

The advisor/counterpart relationship remained a lively topic. The METAP advisors worked within a setting where the counterparts varied according to the issues being analyzed. This approach provided extensive on-the-job training and encouraged broad ranging cooperation among lower level officials in the ministry and other economic agencies. This model ultimately made the most sense. Each advisor was required to work upon a range of issues --- budgeting exchange rates, debt, financial supervision, tax reform, and many more --- that no ministry economist alone had the necessary skills to cover.

d. Capacity Building: Constraints

METAP and CMTAP were designed to deal with some of the main capacity constraints facing the ministry. But, the effort itself was also subject to constraints, some of these related to capacity. Four of these were the slow pace of civil service reform, the failure of senior ministry officials to rebuild morale within the ministry, policy reversals by the government, and the increased attrition of staff due to illness and death.

The slow pace of civil service reform was a drag on the capacity of the government as a whole. Launched with expressions of determination and purpose by President Chiluba in November 1993, the Public Sector Reform Program (PSRP) was still not complete six years later. The government was paralyzed by the political implications of retrenching as much as 50 percent of the civil service. Although this was known when the program was started, the government was unwilling to act decisively. Cost was also an issue. Under Zambian law, civil servants can only be retrenched after a large lump-sum payment.⁷⁷ Inaction allowed these costs to mount. The government did not take advantage of high rates of attrition. Policy reversals added to the potential cost. Under pressure from the donor community, the civil service fell from around 140,000 in 1992 to 124,000 in early 1997. During a hiatus in the IMF program in early 1997, the government added 17,000 staff to the payroll. The potential cost also increased because the government was unable to hold civil service salaries at levels the budget could sustain. Finally, because the government would not bring the economic reform program back on track in 1996 and 1997, donor support for retrenchment was withheld. This was a major problem in 1998 when more than 10 percent of the government budget was programmed to come from donors specifically to pay for staff retrenchment. Throughout all of this, the civil service remained grossly over-staffed and, relative to the private sector, under-paid.

Similar problems were evident in the ministry. The key official responsible for personnel management was the Human Resources Development Officer (HRDO). Both METAP and CMTAP staff worked closely with him to help promote capacity. The delays and back-pedaling by the government were reflected at his level as well. For example, it took until 1996 for the HRDO and his staff to prepare a preliminary staff capacity database for the ministry. Job descriptions did not exist for many positions. Introductory training programs for new staff,

which were the responsibility of the HRDO, had been discontinued. Staff members were not regularly reviewed. Promotions were based primarily on seniority rather than merit. Political interference in personnel matters was routine. Moreover, most administrative procedures had broken down.⁷⁸ This was evident in the operation of the Human Resources Development Committee. Scheduled monthly meetings were poorly attended and frequently canceled. The chair (a deputy permanent secretary) rarely attended. Agenda for the meetings were not circulated in advance.

Within the Committee, the shift in emphasis by METAP to in-country, on-the-job training was controversial. The major problem was that per diems and allowances for local training were much lower than for training abroad. The incentives were clear. Training was not seen as an opportunity to learn or advance within the ministry, but to gain access to higher take-home pay through per diems. The number of applicants reflected this as well. Competition for training abroad was keen. Few staff applied for similar training offered locally.

The skewed incentives within the ministry affected the capacity building program in other ways. The three-year training programs prepared by the HRDO were wish lists prepared by department heads. No budgets were attached and staff members were not ranked according to priority or merit. Similarly, the HRDO allocated government funds for staff to attend management development programs in Swaziland (Trans Africa Management Institute) but cut the funds for in-house introductory training programs for new employees. To help fill this void, the Auditor General requested METAP to contract ZICAS to offer three-week training sessions in auditing skills for entry-level internal auditors. The program covered basic auditing, planning, control and an introduction to ministry procedures. At one time, all of these had been routinely provided at the ministry.

Lest it appear that we are focusing on an isolated case, the actions of the HRDO and his staff reflected the distorted incentives and low morale across the whole ministry. The problem started at the top. As already noted the minister of finance was not a senior cabinet position. Minister Chigaga had made a modest attempt to boost the effectiveness of the ministry. His successor Minister Chongo was content to abide by the "party" line. The first minister of finance for the MMD government, Mr. Kasonde, was a dynamic mover and shaker who raised the profile of the ministry's operations. His successor, Minister Penza, had similar ambitions. While the reform program was working from mid-1993 to the early part of 1995, he provided the ministry with direction and purpose. His effectiveness dwindled from mid-1995 onwards as government attention shifted from economic performance to manipulating the Constitution (to prevent former President Kaunda from standing in the 1996 elections). With the elections over, the government was supposed to re-focus on economic performance. That did not happen. After two years of drift, Minister Penza was replaced by Minister Nawakwi.⁷⁹ The economy remains in deep trouble with no indication (as this is written in early 1999) of a major shift in direction.⁸⁰

Perhaps the most serious blow to capacity building was the policy reversals by government. These undercut the effects of much excellent technical work that been done and diverted the attention of key ministry people from the task of sustaining reform to attempts to contain the damage. Numerous reforms had been working well in 1993 and 1994 and the economy was responding positively. The policy reversals pushed the economy into decline. Perhaps more

important for the longer term, the reversals led ministry officials who had been supporting reform to begin distancing themselves. A pattern of bureaucratic compliance and accommodation typical of the Second Republic re-emerged.

A further blow has been the rate of staff attrition due to AIDS and other maladies. These were grossly underestimated when METAP was formulated. As noted earlier, it was one reason for reorienting the training program. These losses intensified the other problems faced by the ministry. Losses from AIDS had already had devastating effects. For example, the METAP Debt Advisor noted in 1995 that over the previous four years one out of seven personnel in the Loans Division of the Ministry of Finance had died of AIDS. All of them had been trained locally or abroad with support from METAP and other donors. As part of the training effort under METAP, the training coordinator began working with a gifted local trainer to develop, present, and evaluate a course for the registry staff of the ministry. Before all the staff members could be trained, the trainer himself died. Many similar examples exist. The impact has been a dramatic loss of trained staff and educated professionals. Much of the ministry's "institutional memory" is being lost.

6. Project Achievements and Recommendations

Over the short-term, capacity building under METAP and CMTAP was a major success. Over 2000 people were trained, senior ministry officials were exposed to new ideas, and key aspects of economic policy were analyzed in a systematic and enlightened way. The ministry of finance was reorganized and restructured and its operations modernized. Policy issues that for years had been bypassed were debated vigorously.

Yet, in terms of sustainability of the changes, both projects probably failed. When the government's commitment to policy reform waned, the METAP advisors were sidelined. As they finished their assignments, they were not replaced and the advisory side of the project ceased. Senior policy makers were no longer receptive to the advisor's arguments as to why economic reform should be sustained.⁸¹ It is no consolation that others, both inside and outside the government, were also failing to get the point across.

This was a major set back. None of the HIID staff who responded to Minister Chigaga's letter in February 1990 expected Zambia to so dramatically abandon reform. The development demonstrated that, despite the restoration of multi-party democracy, Zambia's leaders had not fundamentally changed. Moreover, it reconfirmed a lesson provided by cross-country experience that attempts to provide technical assistance and training is largely futile when government commitment fades.⁸² This outcome has grim implications for future technical assistance and capacity building in Zambia. Why, for example, would technical assistants expect any of the progress they make in capacity building to be sustained? Furthermore, why would the donor community wish to support projects that focus on policy advice and capacity building if the government will not take the necessary measures to sustain their impact?

These are deeply disturbing issues. They raise serious doubts about whether any future capacity building or reform effort can be sustained in Zambia. At the very least, it suggests that any future government in Zambia seeking such support face a major credibility problem.

The same comments do not apply to the non-government capacity building. The support provided by METAP and CMTAP to ZICAS strengthened that institution and improved the quality of its teaching programs.

Measured relative to their scopes of work for both METAP and CMTAP, their staff exceeded by a large margin all of the specific capacity building goals established at the start of the project. This is evident in the number of trainees, the variety of training offered, and the quality achieved. By the time METAP and CMTAP ended in 1998, ten individuals had been trained in one or two-year masters programs overseas, ninety one had attended short-term courses or workshops abroad, and more than two thousand officials had participated in workshops and seminars offered within Zambia. The breakdown is:

METAP & CMTAP Summary of Training 1991 – 1998

Degree Courses	Trainees	10
	Years	12
Short-term Courses Abroad (4-12 weeks)	Trainees	46
	Weeks	251
Workshops/Seminars In- country	Trainees	1983
	Weeks	242
Workshops/ Seminars Abroad	Trainees	45
	Sessions	19
Lectures Presented	Participants	490
	Sessions	32

While these statistics say little about the “lift” which project support provided to the officials who were trained, that so many trainees participated over such a long period is indicative of the popularity and value of the training. Missing from these numbers is the impact of on-the-job training. This was a continuous effort from the start to the end of both projects that influenced a large number of ministry officials.

A number of recommendations can be offered to capacity building projects based on the experience of both METAP and CMTAP.

First, METAP and CMTAP demonstrated that a systematic approach to policy formulation and implementation, supported by detailed capacity building efforts, can promote economic recovery. For example, a cash budget will work if it is tried. Inflation can be reduced dramatically if the government brings the budget deficit under control. Financial reform can improve the allocation

of resources. An unfettered foreign exchange market will help stabilize the exchange rate. Removing import and export controls will stimulate investment and raise incomes and employment. External and internal debts can be restructured in ways that improve investor confidence. Computerization and administrative reform will raise operational efficiency.

Second, METAP staff demonstrated the value of a Data Monitoring Committee with responsibility for bringing the key data series up to date and keeping them that way. The lesson for policy makers is that economic policy in any meaningful sense is not possible if major problems cannot be anticipated and the outcomes of policy changes cannot be monitored.⁸³

Third, METAP advisors helped Zambian officials start the process of reducing inefficiency in government by devising a range of constructive policy changes and staff reorganizations. They also helped restructure the ministry itself.

Fourth, the local and wide area networking provided by METAP and CMTAP staff demonstrated the value of improved information flows and closer working relations among key ministry staff. The skills of all ministry personnel were better utilized as the information gaps were removed.

Fifth, the projects showed that locally run short-term training programs could address pressing capacity constraints. The short-term custom-designed courses were especially relevant. They were participatory. They responded to recognized problems within the ministry. The courses were easy to organize especially when they were run through a local training institute. The programs were far more cost-effective than the provision of short or long term training abroad. Their evident drawback is that they did not provide trainees with in-depth technical training.

Sixth, there was no clearly defined trade-off between policy advising and capacity building. Under METAP emphasis on both changed over time. The project's flexibility in this regard proved useful because the donors and the government had different perceptions of how the project staff should divide their time.⁸⁴

Seventh, the prospect of further training based on performance in existing programs proved to be a major incentive for ministry officials, particularly those at the lower levels. Such training reinforces the need for post-training evaluation and feedback from supervisors.

Eighth, the outcomes in METAP and CMTAP emphasize the complementary nature of capacity building and institutional reform. Each reinforces the other. In Zambia's case, the government's failure to vigorously promote civil service reform undermined the potential of the capacity building effort. Indeed, the continued disorganization of many of the units wasted many of the newly acquired skills and improved motivation of the trainees.

Finally, the projects demonstrated that one way to enhance capacity is for the government to simplify its agenda. This frees up resources (human and financial) to address the most pressing problems of economic reform. Being over-stretched is not an effective way to create capacity or to promote economic reform on a sustained basis.

7. Concluding Observations

Capacity building will remain a pressing need in Zambia. Under METAP and CMTAP major efforts were made to enhance the capacity of the ministry of finance to formulate and implement policies designed to sustain growth and development. Project staff also helped re-organize the ministry to improve its efficiency and effectiveness. A large number of personnel were trained and some key operational procedures were modified within the ministry.

The outcome of METAP and CMTAP reconfirm several well-known lessons. First, capacity building is a process that requires major efforts to sustain. Second, creating capacity is not the same as motivating staff to perform at their peak efficiency. The latter requires a setting that welcomes dialogue, fosters cooperation, and rewards initiative. And third, capacity building becomes fully effective when it is supplemented by institutional reform.

In the three years following the 1991 elections, senior policy makers in Zambia welcomed openness, the frank exchange of views, and the joint search for solution to the country's economic problems. This setting encouraged some major changes in policy and programs. Zambia's economic performance responded in tangible, positive ways. From early 1995, however, the pace and direction of reform changed. Policy dialogue and openness gave way to belligerence and confrontation. Cooperation between the government and the donor community was abandoned. Though capacity building activities continued under METAP and CMTAP, the results were less than they might have been. Ministry staff were better prepared to produce the data and memos required by the senior policy makers. Unfortunately, the staff's interpretations of what the data implied were generally ignored.

In terms of the capacity building goals set down at the start of METAP and CMTAP both projects were highly successful. But, when seen as an effort to provide Zambia with a solid foundation for moving to a more dynamic and prosperous future, METAP and CMTAP fared no better than the majority of technical assistance projects in Zambia. These efforts will continue to fall short of their potential so long as Zambia's leaders remain unwilling to sustain economic reform.

For capacity building to influence economic reform in a sustained way, three problems require attention: the decline in the education system, the loss of skilled personnel due to HIV/AIDS, and creating a setting that foster openness and debate on economic and social policy. Zambia's dilemma is that dealing with all three problems requires the capacities that are directly undermined by these problems. Improving education requires dedicated scholars and administrators who will not compromise on standards of excellence. Dealing with HIV/AIDS requires determined action by Zambia's leaders to permanently modify social behavior in ways that diminish the impact of the pandemic. Finally, since 1991, President Chiluba and his ministers have regularly reaffirmed their commitment to accountability, openness, and transparency in government; their behavior, however, does not reflect these qualities. Perhaps the main lesson from the recent past is that Zambia cannot grow or develop unless progress occurs in these three areas irrespective of how much technical assistance the country receives or how many projects attempt to build capacity.

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Endnotes

¹ World Bank 1989

² Harbison 1962; Parnes 1962; Harbison and Myers 1965; Maddison 1965; Robinson 1967; UNESCO 1968; Meier 1970:part V.D; Shaath 1975. King (1991) traces many of these developments from the May 1961 conference on education in Africa sponsored by UNESCO. Arndt (1987) has additional background material on these developments.

³ It is still seen as a constraint (Richards and Amjad 1994). As noted below, with the loss of skill personnel to HIV/AIDS, the intensity of the constraint is increasing.

⁴ GRZ 1966:73-8

⁵ The idea of “centers of excellence” was ridiculed in V.S. Naipaul’s book *A Bend in the River* which has a thinly disguised description of the Kumuzu Academy in Malawi. Established by President Hastings Banda, the Academy was designed to train Malawi’s future leaders. Banda, always seen as eccentric, insisted that the Academy achieve and maintain what many saw were outdated and inappropriate standards for an African country. Since education standards have fallen so broadly across Africa (contributing to the continent’s oft-mentioned “marginalization”) it remains debatable whether “centers of excellence” in Africa are such an outlandish idea. Certainly, rich countries continue to debate the policies for promoting “excellence in education”. A recent symposium sponsored by the Federal Reserve Bank of New York (FRBNY 1998) examined this very issue for the United States.

⁶ The Rockefeller Foundation 1981

⁷ Mosher (1965:124) described the basic idea:

By “education for development” we mean education that is appropriate for a society that wants to develop. It is education that is selective in its choice of materials for bringing each new generation up to date with respect to the past and is equally selective in the new knowledge, abilities and skills that it tries to help each person acquire.

⁸ Simmons (1979) reviewed the experience and concluded that education for development had not effectively reached the deprived segments of the population. Education in his words still performed as a “sieve” rather than an “equalizer”.

⁹ Harry Johnson (1964) had described economic development as a "generalized process of capital accumulation" in which capital was broadly defined to include human and physical capital and institutions. This work drew together the resurgent interest in capital theory and the specific work of Schultz, Becker and others on “human capital” (Schultz 1959, 1962, 1963; Becker 1964).

¹⁰ Blackmore 1965; Hunter 1967, Ch.IV

¹¹ Moris 1977; Cohen and McPherson 1983

¹² Paddock and Paddock 1967; Ehrlich 1968; Dumont and Rosier 1969

¹³ The Edward S. Mason Program at the Kennedy School of Government which began in 1969 was based on the recognition that more detailed training in economic analysis and public administration was essential (Mason 1986).

¹⁴ One outcome was the creation of the International Food Policy Research Institute in Washington, D.C.

¹⁵ Mann and McPherson 1981; Honadle 1981; Huddleston and Mann 1986; Grindle, Mann, and Shipton 1989; Loubser 1993; Cohen 1995. Scholars tend to emphasize different aspects of the capacity depending on the problem at hand. For example, Mann and McPherson highlighted four dimensions: technical, administrative, strategic, and communications. Their goal was to develop a framework for engaging policy makers in the task of improving food and agricultural policies. Grindle and Hilderbrand (1995:445) defined “capacity” as “...the ability to perform appropriate tasks effectively, efficiently and sustainably”. They were seeking to understand how state capacity could be improved. The World Bank (1996:5) stated: “Capacity is the combination of human resources and institutions that permits countries to achieve their development goals”. While this is consistent with the more general approaches taken recently (cf. Loubser 1993), it lacks specificity. In a review of the concept, Cohen (1995) attempted to give the idea operational content.

¹⁶ World Bank 1981, 1984, 1986

¹⁷ World Bank 1989:54-59

¹⁸ World Bank 1991

¹⁹ The initial phase was a four-year pilot. The objective was to promote and fund indigenous capacity building efforts in policy analysis and development management throughout Sub-Saharan Africa; to provide networks and an institutional base for these trained professionals, and to encourage their use by the public and private sectors.

²⁰ Readers might recall that Albert Hirschmann first became interested in the problems which led to his classic work *Exit, Voice and Loyalty*, (1970) by asking why it was so difficult for organizations to “repair themselves” when difficulties arose. His analysis showed that bureaucracies are particularly slow in responding constructively to developments that are potentially harmful to the organization as a whole.

²¹ For instance, the donor-driven push to promote rural development in the 1970s, required a whole new cadre of skilled personnel. The current emphasis on “sector investment programs” is having the same effect.

²² In the context of policy making in Uganda, Crawford Young (1971:142) asked a question that remains relevant across Africa today:

What boundaries upon policy choice are placed upon the policy makers by the limitations in system capability?

A major source of inefficiency in Africa has been the unwillingness (and inability) of policy makers to address that very issue.

²³ Young (1982) noted “...competency of the state is fundamental to all developmental designs” (p.320) and a “highly incompetent state sets all development in jeopardy” (p.321). In relation to corruption, he argued that: “Neither a market economy nor a socialist economy can function when fettered with a demoralized, corruption-ridden state” (p.321). The problems of corruption have not diminished (IRIS 1996).

²⁴ Gray and McPherson 1999

²⁵ Bauer 1971; Muscat 1986; Jolly 1989. Some of these concerns were reflected in a set of “principles” designed to make technical assistance more effective (DAC 1991). Gray (1997) has additional suggestions.

²⁶ Most studies of technical assistance and aid more broadly supported by the mainstream organizations (cf. Cassen *et al.* 1994) have concluded that aid has had a positive contribution. [The impact of foreign aid on Zambia is examined in a companion study (McPherson 1999).]

²⁷ Jaycox 1993

²⁸ The late Michael Roemer of HIID wrote to Jaycox in August 1993 challenging his views. Copies of the correspondence are available from the authors upon request. Gray and Hoover (1995) critique the Jaycox viewpoint and provide an example in Africa where technical assistance has made a significant and positive difference.

²⁹ An example in Zambia related to work at the ministries of finance and commerce. Technical assistants at finance were requested to help to revive the economy by promoting liberalization and removing distortions. Technical assistants at commerce were requested to help Zambia “promote industry”. Because most Zambian industry is inefficient, the team at commerce concluded that Zambia needed to protect industry. This is contrary to the goal of liberalization being pursued at finance.

³⁰ World Bank 1997

³¹ Collier 1995; Rodrik 1997; Yeats *et al.* 1997

³² This was an explicit goal of the First National Development Plan (GRZ 1966).

³³ Burawoy 1971

³⁴ McPherson 1980:Ch.2

³⁵ The April 1968, delivered at Mulungushi Rock, was entitled “Zambia: Toward Complete Independence” (de Gaay Fortman 1971).

³⁶ “Turner Report” ILO 1969; Jolly 1971

³⁷ This has been a general problem in Africa, especially at the University level (Saint 1992:Ch. IV).

³⁸ Saasa *et al.* 1996. This is general problem across Africa. Cohen (1993) and Cohen and Wheeler (1997) examine the issue in Kenya and suggest remedies. These are similar to what METAP was attempting in Zambia.

³⁹ Kayizza-Mugerwa 1990

⁴⁰ Callaghy 1990; West 1992; Bates and Collier 1992. One of the many problems created by politicians was that they would not heed sound advice, local or foreign. The two volume study *Adjustment in the Midst of Crisis* (GRZ 1984), produced largely by government officials, was an excellent and accurate assessment of what was required to reform Zambia. The program was only partially implemented and then dropped.

⁴¹ Personal communication with Dr. Kjell Nystrom, Embassy of Sweden, Lusaka August 1990. Dr. Nystrom indicated that the genesis of METAP was a complaint voiced to a group of diplomats by President Kaunda that he could not get the type of economic advice he needed to help reform the economy. This assessment was supported by the Saasa *et al.* (1996) on capacity building. The report noted (p.3):

One of the principal cause of Zambia’s social and economic malaise is the absence of national capacity to meaningfully conceptualize; analyze; plan; implement; monitor; and evaluate development. This shortcoming is revealed principally by the government and civil society’s severe institutional and human resource limitations in designing policies and strategies that are aimed at realizing the country’s developmental aspirations.

⁴² Kelly 1991:Chs 5, 10; Mathieu 1996.

- ⁴³ Saasa *et al.* 1996:54
- ⁴⁴ Kelly 1991: 182, 185-6, 190. In a cross-country analysis, the World Bank (1995) noted that retention of staff at the university level had been especially difficult in Zambia.
- ⁴⁵ Kelly 1991:177-8, 190; Saasa *et al.* 1996:56-7
- ⁴⁶ An example is the study of capacity in Zambia (Saasa *et al.* 1996, esp.Ch.3). The essence of this report is that Zambians, though lacking the capacity to promote policy reform, understand their capacity constraints and would deal with their problems if only the donor community would provide the resources for them to proceed. Pages 104 to 109 of the report indicate how the donors should allow Zambians to take the lead in formulating their adjustment and capacity building programs. This is followed by an eight-point program which, if implemented, could not be carried out by Zambians. What the study shows is that Zambians scholars remain highly ambivalent about the impact of aid. They want control of aid, but do not want it to end. The issue of aid dependency and its effects is examined in a companion study (McPherson 1999).
- ⁴⁷ Ministry of Health, Lusaka 1997:14
- ⁴⁸ Ministry of Health, Lusaka 1997:26
- ⁴⁹ Ministry of Health, Lusaka 1997:40 At Chilanga Cement, the hours lost due to sickness and funerals increased more than three times over the two-year period of 1992/3 and 1994/5.
- ⁵⁰ Gray and Hoover 1995; Grindle and Hilderbrand 1995; Cohen and Wheeler 1997
- ⁵¹ Gray 1997
- ⁵² Gray and Hoover 1995
- ⁵³ Personal communications between the Hon. Minister Gibson Chigaga, Minister of Finance, and Malcolm McPherson and Dr. Don Snodgrass of HIID during the Bank/Fund meetings in Washington D.C., September 1990.
- ⁵⁴ One of the authors (McPherson) contributed to a detailed World Bank study of the Zambian economy in 1977 (World Bank 1977). This study and many others (McPherson 1980) highlighted the economy's problems. The key points were repeated in the government's own report "Restructuring in the Midst of Crisis" and the "New Economic Reform Program" (GRZ 1984; 1989; 1992).
- ⁵⁵ Many of these problems are evident in the companion studies in Hill and McPherson (eds.) *Economic Reform in Zambia: The Performance and the Potential*.
- ⁵⁶ There was an important difference. The original TOR called for a trade policy advisor. After discussions with budget office and loan division officials in the ministry and central bank staff, it was clear that the project should include a macroeconomic data specialist. Most major data were months out of date. Special support was needed to bring the key variables up to date and keep them that way. The government and the donors agreed to this modification.
- ⁵⁷ The Gambia experience is described in McPherson and Radelet (1995).
- ⁵⁸ Heller and Aghevli 1985
- ⁵⁹ Saasa *et al.* 1996:66

- ⁶⁰ Interview with Dr. Jacob Mwanza by Don Snodgrass and Malcolm McPherson, Lusaka August 1990
- ⁶¹ Mr. Chigaga died in March 1991 just as METAP was getting underway.
- ⁶² This was evident in the assistance provided to the Commissioner of Taxes and the Permanent Secretary by Glenn Jenkins, Frank Flatters, and Jim Owens in the background work on the value-added tax and the Zambia Revenue Authority. Richard Goldman organized and presented a concentrated version of the macroeconomic management workshop. Graham Glenday worked extensively with the Commissioner of Customs and his staff to help reform the systems of sales tax. There were many similar examples.
- ⁶³ The donors would have liked to impose some bonding arrangements. These do not work in Zambia.
- ⁶⁴ Gray (1997:419) has additional estimates of overseas training costs.
- ⁶⁵ Discussions about the need for civil service reform were not new. The study *Adjustment in the Midst of Crisis* (GRZ 1984) noted the need. So did the *MMD Manifesto* (MMD 1990). What was new was action on the issue.
- ⁶⁶ With the reorganization, the main challenge has been to raise the efficiency of the ministry and improve morale.
- ⁶⁷ The achievements of the task force were not diminished as successive minister undercut the reforms through the granting of exemptions. Hill (1999) reports that the 1995 reform of the indirect tax system was undermined in months when the minister granted more than 100 exemptions (via Statutory Instruments). In 1996, the IMF added a condition to its program requiring that these exemptions be discontinued. The change of ministers in 1998 led to a large increase in exemptions. The IMF has again objected. The 1999 budget speech noted that there were 900 such exemptions extant. The minister of finance announced that they would be examined systematically with a view to saving some of the K50 billion in revenue they cost each year.
- ⁶⁸ H. van der Heijden "Foreign Assistance to Zambia" and F. Fernholz "Debt Management and Debt Relief". Both studies are forthcoming in C. Hill and M.F. McPherson (eds.) *Economic Reform in Zambia: The Performance and the Potential*
- ⁶⁹ It would take another essay to recount the events. None of them reflects well on the behavior of the protagonists. With the firing of the minister of finance, the replacement of the Chairman of the Zambia Revenue Board, and the replacement of the Commissioner General of the ZRA, Zambia once more had an opportunity to return to the task of achieving what the designers of the revenue authority had hoped could be achieved.
- ⁷⁰ All of these applications could have been used by the former ZRA managers. Among other things, they made tax fraud easier to track.
- ⁷¹ These interviews were most effective in activities related to personnel management. Examples include the three-week course for registry supervisors and the two-week workshops for senior auditors.
- ⁷² This specialist also gave a guest lecture to the Faculty of Law at the University of Zambia.
- ⁷³ There were many other initiatives. For instance, a weekend conference on Information Technology and Tax Compliance at Harvard University provided the opportunity for the Commissioner of Taxes in Zambia to be briefed on the latest international practices in tax administration and enforcement. Short workshops were organized in Lusaka on forward budgeting, loan reconciliation, World Bank debt reporting, debt buy-back, privatization, and Paris Club rescheduling agreements. These were attended mainly by officials from the ministry of finance, the NCDP, and Bank of Zambia.

⁷⁴ Saldanha 1993:149-150

⁷⁵ Until early 1995, the ministry had a Zambian advisor who was a PhD economist. The donor community paid his salary at well above local rates.

⁷⁶ Many examples of advisors taking direct actions (such as collecting and depositing checks) to ensure that conditions agreed with the international agencies were met by the specified deadlines.

⁷⁷ The average cost has been estimated as the equivalent of ten year's salary, two-thirds of which can be taken up-front in cash.

⁷⁸ In an interview in the local press in early 1996, the Secretary to the Cabinet (who is head of the civil service) noted that there were more than 40,000 disciplinary actions pending. In effect, the system had broken down.

⁷⁹ Out of office, former Minister Penza became a vocal critic of the government's unwillingness to reform. At the time of his murder in November 1998, he was actively campaigning for the presidency.

⁸⁰ A group from the private sector with support from the Embassy of Sweden were to have a Business Forum in November 1998. Not wishing to have the government up-staged, President Chiluba announced that the government would consult with the private sector at the same time. The outcome was staged. The government declared that it was willing to listen to suggestions and then declared its policies to be "on track". The Business Forum was called off.

⁸¹ Since this was part of their terms of reference, the advisors continued to make the case for economic reform.

⁸² The same lesson is derived by Dollar and Pritchett (1998). Their cross-country analysis shows that aid is not effective when governments are indifferent to reform.

⁸³ The relevance of this point has been recently re-emphasized because the MOFED has allowed its debt data base to unravel. One consequence is that Zambia is once more incurring large amounts of international arrears.

⁸⁴ This became clear during the mid term review of phase I of METAP. The donors told the reviewers that they did not want the advisors doing any "fire-fighting" for the government. Government officials, however, stated that they would use the advisors as they saw fit to help advance the economic reform program.