



Sida Evaluations News Letter

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Concessionary Credits to Zimbabwe

Background

In 1995, Sida decided to commission a complete ex post evaluation of Swedish concessionary credit support to Zimbabwe. The decision followed the integration of BITS, the granting agency, into new Sida, and the need to work out a new Swedish cooperation support strategy for Zimbabwe.

Sweden's programme of concessionary credits for development was introduced in 1980. The purpose is fourfold: (a) to facilitate support to other than the poorest developing countries; (b) to give this group of countries a wider opportunity to choose Swedish suppliers; (c) to exploit grant "multiplier effects" of attracting commercial investments in cooperation countries; and (d) to facilitate the transition from grant aid to other (commercial) forms of financing.

Only countries with development policies in line with the overall goals of Swedish development support qualify for credits. Swedish export interests, while of obvious relevance, remain expressly secondary to the developmental motive. Even though the credits are tied to Swedish goods and services, it is understood – given the sharp international competition between suppliers – that the grant element accrues as development support to the recipient country rather than as a subsidy to Swedish exporters.

The current volume of total Swedish concessionary credits is about MSEK 1 200–1 500 per year, with a grant element (equivalent to the funding cost) of about SEK 400 million. Since 1980, about 5 per cent of the accumulated total credit volume has gone to Zimbabwe, making it the fourth largest recipient of this type of aid from Sweden. (On a per capita basis, Zimbabwe has received SEK 53 per person, which can be compared to about the double for small countries like Lesotho and Mauritius, and to SEK 4 per person in China and India.) Of the 11 different credits that have been granted to Zimbabwe since start in 1981, 10 have been com-

pleted, to a total value of SEK 538 million. None of these projects have previously been subject to independent evaluation.

The evaluation

According to the Terms of Reference, the scope and focus of the evaluation is to: (a) describe and analyze results and effects in relation to planned objectives; (b) assess financial and economic effects; (c) describe and analyze procurement procedures; (d) account for repayment performance, both externally and, in the case of an on-lending arrangement, internally; (e) account for borrowers' and contractors' compliance with respect to reporting rules set by BITS; and (f) account for goal achievements with respect to Sweden's four overall development goals (economic growth, economic and political independence, social and economic equality and democracy), as well as to gender aspects.

The evaluation was conducted by Karlis Goppers of the Swedish consultancy group DEVFIN. In the evaluation, the ten different concessionary credits – granted at different times and for different purposes – are grouped into seven different "projects":

- 1 Import/assembly of 104 Scania trucks
- 2 Import/installation of 600 teleprinters
- 3 Computerization of two transmission/generation control centres
- 4 Building of explosives factory
- 5 Modernization of rolling mill steel plant
- 6 Excavation/building of rock caverns for fuel storage
- 7 Refurbishment of three old thermal power stations

For each of the seven projects, the evaluation defines a goal hierarchy based on the logical framework analysis. BITS had not done this for any of the projects, but in most cases the essential elements followed from the texts of the relevant documents. Where possible, the evaluation identifies an intended target group for the project. The evaluation then assesses implementation, activities, results, effects and impact against planned targets. Lastly, the evaluation assesses performance in terms of the following aspects: financial, economic, environment, gender, poverty, relevance/sustainability, Sweden's overall development goals, economic growth, economic and social equality, economic and political

Concessionary Credits in Support of Economic Development in Zimbabwe: 10 Investment Projects Financed by Sweden
Karlís Goppers
Department for Infrastructure and Economic Cooperation
Sida Evaluation 96/42

independence, democracy, procurement, repayment of credit and project preparation.

The evaluator notes in his report, *Concessionary Credits in Support of Economic Development in Zimbabwe: 10 Investment Projects Financed by Sweden* (Sida Evaluation 96/42), that the evaluation should be considered in light of certain given limitations. Many different activities are assessed by a one-man evaluation mission in a limited time period. Project files provided information for only a few of the issues under scrutiny. Interviews and field visits therefore weigh heavily in the assessments. About 25 different project sites or other locations were visited, but, due to time constraints, much of the needed information was not readily available. Many of the conclusions drawn in the evaluation are therefore extrapolated from general knowledge and assumptions, raising risks for omissions or errors.

Findings

Overall, the evaluator finds the outcome of the 10 investment credits very successful, despite some concerns regarding economic viability. The performance pattern may be summarized as follows:

Each of the seven projects seems to have been implemented successfully and efficiently. Today all projects, without exception, are yielding the output and effects intended – a remarkably high performance record. BITS used an approach known as “contract financing”, whereby the projects selected for financing are already well prepared, with the contracting parties (i.e., the Swedish contractor and the Zimbabwean investor/importer) fully responsible for design and implementation. The risk of things going wrong is therefore lower than in conventional aid projects. Nevertheless, it seems clear that BITS’ generally professional project preparation contributed to the successful implementation and management of the projects.

By contrast, the financial and economic profitability of the projects appear mediocre. Available cost and price data were of insufficient quality to draw safe conclusions, but based on general reasoning and various assumptions, financial profitability is rated as acceptable in four of the seven projects, clearly questionable in one and impossible to judge in two.

Economic viability rates even poorer. For the two largest projects (involving the fuel storage facility and the thermal power plants), as well as for the rolling mill project, economic viability is highly questionable. For the truck import project, viability is difficult to gauge due to conflicting price information.

The evaluation is therefore critical of the handling of the economic analysis in project preparation. The focus is rather on financial aspects than on economic viability. Ostensibly the credit users were independent parastatal companies with their own profit and loss statements. But in reality they were also – at least from time to time – receivers of hidden subsidies. This meant that the outcome of financial calculations gave misleading indications of the projects’ economic profitability for the country. Also, as the Government introduced tariff exemptions, new subsidies or taxes (causing subsidy levels to fluctuate), the financial rate of return tended to become a function of more or less arbitrary policy

decisions. This yielded conflicting economic results that were not reconciled by the donor before decisions to grant credits were taken.

This led to ambiguities that were not satisfactorily resolved in project accounts. In the two major projects, contention between opposing schools of thought left the issue of how to assess viability open. BITS should either have tried to reconcile the two sides or taken position in the disputes and given the reasons for its choice. In most of the projects, the decision to finance weighed political against economic objectives. In two or three cases it is unclear whether BITS awarded grants out of political considerations, despite an expected negative rate of return, or whether the agency in fact believed that economic viability was sufficiently assured.

With regard to environmental impact, half of the projects for which this aspect is deemed relevant are performing well, and half are not. Gender is seen as a relevant issue in only three of the projects, and in all three performance is poor. The poverty aspect is seen as important in only one project.

Relevance and sustainability rate very well for all projects save the three where economic viability is seriously questioned. The four original Swedish development goals rate well in about half of the projects and not so well in the other half. The procurement process was found to be smooth and problem-free in all but one of the projects, but even here the end result was satisfactory to all parties. And finally, all of the projects have so far been on schedule with repayment of credit.

Recommendations

In future projects, more attention should be given to the economic calculations. The challenge is for aid managers to determine the type and extent of analysis needed for a given project. An important point here is that more is not necessarily better. In its assessment of several of the projects, the evaluation criticizes the donor not for conducting too little analysis but for having failed to present a clear picture of the project’s financial and economic profitability.

Lessons learned

Time and again, the evaluation shows that a quantitative analysis can give a false sense of security if the results are not qualified with regard to the assumptions made. Therefore, in deciding on credits, what is needed is not always an extensive and systematic quantitative analysis but rather a presentation of the underlying assumptions regarding cost items and parameters. Such a presentation need not be either elaborate or quantitative.

In practical terms, this means that donors should assess the needs for various types of analysis before such analyses are contracted from outside consultants. Also, before deciding on credits, they should ascertain whether or not the available economic and financial information is clear and unambiguous. When a credit decision is made, the donor should then state explicitly in the relevant documents what set of economic assumptions the decision is based on. This is especially important for projects where political and security considerations come into play. ■

Environment and land management cooperation in Southern Africa

Background

In November 1981, Lesotho was given the responsibility by the Southern African Development Coordination Conference (SADCC) to coordinate regional activities relating to Soil and Water Conservation and Land Utilization (SWCLU). In 1985, a Coordination Unit (CU) was established up in Maseru.

The programme funnelled support to rural households in SADC member countries that depend on local natural resources for food, income, energy and shelter. As a regional scheme, the task of the SWCLU sector was to improve the ability of member countries to provide needed services in land management and conservation to these households, through national and local programmes involving both public agencies and NGOs.

In 1990, the SWCLU sector's mandate was expanded to assume overall responsibility for environmental coordination. Renamed the Environment and Land Management Sector (ELMS), since 1992 the programme includes environmental monitoring, assessment and reporting. The new focus is on institution building and sustainable land management and production.

Sida has as the only bilateral donor supported SWCLU/ELMS since 1984. Between 1984 and 1995, support amounts to MSEK 105. The current agreement covers the period 1996-97 and involves budgeted support to a value of MSEK 25. A major cost component is technical assistance. Swedforest International AB has provided these consultancy services to the programme during the whole project life.

The Evaluation

The programme was evaluated by Sida in 1987 and 1990. A third Sida evaluation was ordered in 1996. According to the Terms of Reference, its purpose was to assess results of the programme in the SADC region in the period 1991-95. The evaluation was also to assess impact of the whole SWCLU/ELMS programme for the period 1985-95. Sida has indicated that it will not continue core funding of ELMS beyond 1997, but will use the evaluation as a basis for discussion with ELMS on possible funding of specific programmes or activities in the future.

The evaluation was to focus on, but not necessarily be limited to, the following aspects: (a) evolution and relevance of the programme; (b) effectiveness with regard to achievement of objectives, implementation and output; (c) effects on selected target groups in member

countries; (d) impact in member countries with regard to sustainable development, public awareness and participation, and regional integration/cooperation on environmental/natural resources management; (e) the role and support of the Lesotho Government; (f) effectiveness and efficiency of Sida-funded technical assistance; (g) programme and Sida support cost-efficiency; (h) sustainability of programme results; and (i) member countries' current and future demand on the services of the CU.

The evaluation was conducted by Mr J. Erikson, Dr M. Douglas and Ms Juliana Chileshe of the Swedish consultancy group Terra Nova. The team studied relevant documents in Sida, SADC and SWCLU/ELMS files. In September 1996, the team interviewed key officials in Lesotho, Botswana, Malawi and Zimbabwe. Discussions were also held with beneficiaries of ELMS training programmes in Botswana and Malawi. The evaluation report, *Environment & Land Management Sector Activities, ELMS, 1991-1995: Southern African Development Community, SADC* (Sida Evaluation 97/4) incorporates comments and corrections by CU officials.

Findings

Overall, the output and efficiency of the ELMS has been impressive. The sector can be credited with significant achievements in areas such as promoting participatory techniques, land husbandry training, policy analysis and the building of regional training capabilities.

The evaluation nevertheless identifies weaknesses in ELMS procedures and structures that have impaired the relevance, implementation and impact of many programmes. Implementation has also been slower for environmental programmes than for land management programmes, while core functions such as information services and technical advisory services have been less than effective in meeting objectives. Also, gender considerations have not been adequately addressed in programme formulation and implementation. With regard to ultimate impact, there has been no effort to gauge the relevance of ELMS' activities to the abilities of countries to provide support to rural households.

In part these weaknesses reflect resource constraints. Although the Lesotho Government regards the stewardship of the ELMS CU a priority task, it has been unable to provide the necessary competence and manpower. To ensure effective technical and managerial performance, the CU has relied on expatriate staff in executive positions. This makes ELMS a high-cost operation. Since the overall implementation record is mixed, cost-effectiveness has been modest.

Recommendations

For the sake of cost-effectiveness, programmes and activities should be reviewed regularly. Efforts should be

Environment & Land Management Sector Activities, ELMS, 1991-1995:
Southern African Development Community, SADC
J Erikson, M Douglas, Juliana Chileshe
Department for Natural Resources and the Environment
Sida Evaluation 97/4

made to upgrade administrative competence at the CU, preferably through the recruitment of qualified regional staff. Follow-up routines, managerial procedures and technical staff capabilities need to be strengthened. Future support programme should be preceded by careful reviews of local needs along with assessments of activities and plans of other actors. External support would be put to more effective use in support of programmes or projects rather than of core functions.

Lessons Learned

Experiences with ELMS highlight the need to counter-balance the complexities of regional framework cooperation with rigorous and unambiguous instruments for identifying needs, formulating strategies and procedures, allocating available resources, and monitoring activities, output and impact. Furthermore:

- Target groups need to be specified to facilitate impact assessments, and problems ranked to reflect internal causalities and local priorities.
- Conclusions and recommendations of regional workshops must be expressed in sufficient detail to make them operational at either the national or regional level.
- Operation plans should not only specify quantified implementation targets for activities but also objectives or expected output, to allow effective monitoring and follow-up. ■

¹ The SADC, the Southern African Development Community, succeeded SADC in 1992 and aims at creating strong regional economic cooperation between 12 member states: Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

Recent Sida Evaluations:

96/26 Soil and Water Conservation Research Project at Kari, Muguga – Kenya
JR Kamugisha, E Semu.
Department for Natural Resources and the Environment

96/27 Sida Support to the Education Sector in Ethiopia 1992–1995
Jan Valdelin, Michael Vort, Ingrid Christensson, Gudrun Cederblad
Department for Democracy and Social Development

96/28 Strategic Business Alliances in Costa Rica
Mats Helander
Department for Infrastructure and Economic Cooperation

96/29 Support to the Land Reform in Lithuania
Ian Brook, Christer Ragnar
Department for Central and Eastern Europe

96/30 Support to the Land Reform in Latvia
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96/31 Support to the Road Sector in Estonia
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Johan Svenningsson
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Department for Infrastructure and Economic Cooperation

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96/39 Sri Lanka – Swedish Research Cooperation
Nimal Sanderatne, Jan S. Nilsson
Department for Research Cooperation, SAREC



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Swedish Consultancy Trust Funds with the African Development Bank

Since the late 1980s, Swedish aid organizations have placed trust funds with various multilateral financial institutions with the aim of encouraging these institutions to contract Swedish consultants. In 1989 and 1993, respectively, agreements regarding consultancy trust funds were signed by BITS and the African Development Bank.

In 1996, Sida ordered an evaluation to determine whether new modalities are needed to improve the efficiency and effectiveness of the Swedish trust funds. The evaluation was also prompted by critique directed against the Bank for not managing the funds efficiently and, allegedly, not adhering to the stipulations of the agreements.

The evaluation – *Swedish Consultancy Trust Funds with the African Development Bank: An Evaluation of their Operating Efficiency and Effect* (Sida Evaluation X/97) – describes and makes a general assessment of the relevance, impact and cost effectiveness of the Swedish-financed services and inputs through the trust funds, and assesses the efficiency of the funds as instruments for drawing on Swedish expertise in demand by the Bank.

The evaluation recommends that agreements should be formulated in a way that is understood and accepted by all concerned, and such that their implementation is possible to monitor and enforce. Within the scope of the agreements, the Bank should be given a mandate to implement trust fund targets without having to ask for Sida's authorization for each procurement. Sida's control should be exercised *ex post*, based on verification of half-yearly project reports. A simple and more easily enforceable reporting routine should be agreed upon.

Compulsory monitoring items should be kept to a minimum. However, to avoid unnecessarily blocking funds and unused balances, the Bank needs to work out simple and functioning internal monitoring routines to track funding needs as well as outstanding allocations actually resulting in signed contracts.

To facilitate the procurement of Swedish consultants, Sida should prepare and supply the Bank with updated rosters of Swedish consultants, preferably classified by relevant specialization. ■