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Book Reviews

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Book Reviews

Policy Lessons and Emerging Challenges in the Zambian Health Sector 2000-2005. *Edited by Caesar Cheelo, Manenga Ndulo, and Knut Ödegaard. KFS AB. Lund: Sweden. 2006. 249 pp.*

The book is a collection of articles on health economics and health policy based on research studies carried out between 2000 and 2005 by staff from the Department of Economics at the University of Zambia, Ministry of Health and the Swedish Institute of Health Economics. The chapters focus on various aspects of the Zambian healthcare system during the post reform era. These are health spending and costs, health care financing, and disease burden and healthcare providers in Zambia.

There are three chapters on health spending and costs. The first chapter is on the National Health Accounts for Zambia between 1999 and 2002. It tracks the financing of healthcare provision from the time funds are released to the time they are used in the various functions of healthcare provision. The chapter shows that real expenditure on healthcare was stagnant between 1999 and 2002 although nominal expenditure increased five times. Per capita expenditure was far below the amount needed for the basic healthcare package. It also reveals that the role of the donor community in financing healthcare provision was increasingly significant, while the roles of households and employers were diminishing.

The second chapter looks at the cost of the Basic Healthcare Package (BHCP) in Zambia. The BHCP is defined as a framework under which public healthcare can be delivered effectively. The cost of this package is the sum of the cost of human resources, medical supplies, and non-medical supplies. The chapter offers a good framework for determining resource requirements at each level of the public healthcare referral system for the effective provision of healthcare. The authors estimate the per capita cost of healthcare provision at all referral levels at US\$ 22.70. Other studies have however estimated that for low income countries, the cost of an essential intervention package for health care is US\$ 34. It should be pointed out that the BHCP framework is static. But some of the variables used in its construction are dynamic. These include the population and the disease burden variables.

The third chapter is a model of the cost-effectiveness of Artemether Lumefantrine as first line malaria treatment in Zambia. The study is a reaction to the global campaign by the World Health Organization (WHO) in the early 2000s to have mono-therapy malaria drugs such as Chloroquine and Sulfadoxine-pyrimethamine replaced with Artemisinin combination therapies for first line treatment. This was due to the increased resistance of the Malaria plasmodium to the mono-therapies. The chapter uses a modelling approach to assess the cost-effectiveness of adopting the proposed combination therapies. The results indicate that the combination

therapy Arthemether Lumefantrine is superior to the mono-therapies in terms of the growth in resistance and treatment failure.

There are two chapters on healthcare financing. The first is on healthcare financing in Zambia. The first chapter offers a systematic review of the performance of existing healthcare financing mechanisms and outlines a catalogue of options to mitigate financing constraints. The authors argue that though real Gross Domestic Product (GDP) increased in the early 2000s, there was no corresponding increase in allocations to healthcare. This led to increased financial constraint in the health sector. There has also been an increased strain on financial resources emanating from the introduction of the Anti-Retroviral Therapy programme. Regarding the financing options for healthcare, the following conclusions are made: cost-sharing did not substantially increase the volume of resources for healthcare; the microeconomic picture of the country did not allow for any major increase in resources from cost-sharing; and cost-sharing has and can improve quality, access, and health system functioning. The authors however caution that gains from cost-sharing in terms of quality of care, access and the functioning of the healthcare system must be weighed against the goals of equity and reduced long-term cost of access especially for the chronically ill. They suggest a differentiated pricing structure to address equity.

The second chapter looks at healthcare financing with regards to the mechanisms used to pay/reimburse the providers of healthcare. The analysis is at the level of second and third level hospitals in Zambia. The incentives to providers will differ from one payment mechanism to another. This in turn affects healthcare provision in terms of quantity and quality and determines the groups which should benefit from the healthcare provided under each payment mechanism. This obviously has an implication on equity of access to healthcare and the health outcomes for the population as a whole. The authors suggest that given the limited capacity for administration and monitoring of contracts and payment systems, simple solutions should be preferred in the case of Zambia.

The last part of the book is on the disease burden and healthcare providers in Zambia. The first chapter is on the disease burden and the availability of healthcare in Zambia. The chapter analyses the relationship between morbidity patterns and the availability of healthcare in the country. Its hypothesis is that morbidity patterns at health facilities in the country are significantly influenced by health policy, since policy is what determines the spatial availability of health services. The results of the analysis are in conformity with the hypothesis. It is therefore recommended that more health-care should be targeted to rural areas where health-seeking would be encouraged the most by greater availability of healthcare. This should be understood from the perspective that the profit-driven private sector has very little incentive to establish facilities in low income rural areas where demand for services is deficient. Public provision becomes the only way of making services available to such areas.

The second chapter looks at the functioning of the health care system in relation to HIV/AIDS. It is the result of a comparative study involving three

countries – Zambia, South Africa, and Tanzania – whose aim was to understand HIV/AIDS and health systems. The authors came up with the following observations from the study: (1) the relationships between some arms of the healthcare system were not well defined, e.g. the relationship between the National Aids Council (NAC) and Central Board of Health (CBoH) was unclear. So was the relationship between the District Health Board (DHB) and the Health Management Board (HMB). Given the poorly defined roles and relationships of these arms of the healthcare system, problems could be envisaged in the implementation of both the HIV/AIDS and other programmes in the districts; (2) different HIV/AIDS programmes have a different degree of integration with the public healthcare system. While some programmes are highly integrated, others exist as stand-alone programmes; (3) the level of coordination among donors has increased although this coordination has been challenged by large initiatives like the Global Fund and the President's Emergency Plan for AIDS Relief (PEPFAR) whose assistance is earmarked to specific diseases. The authors recommend enhanced coordination among donors and stakeholders to strengthen the response to HIV/AIDS.

The third chapter is an assessment of the impact of the HIV/AIDS epidemic on the capacity of the state to function. It aims at establishing the damage done by the pandemic to selected parts of the public sector and assesses the effectiveness of the on-going and planned responses to the threat of HIV/AIDS on public sector services. It aims at developing tools to assist government departments to plan their responses to the pandemic. The article offers a good analytical framework for assessing the impact of HIV/AIDS on the capacity of government to function. The picture painted of the impact of HIV/AIDS is however hazy. The article suggests that increased focus and expenditure on HIV/AIDS workplace programmes eats into the time and finances for the core business of respective government departments, that absenteeism and death aggravate the human resource crisis. The article however, fails to adequately address the question of attribution. How much of the absenteeism and deaths should we attribute to HIV/AIDS? The analytical framework is however good and can, with improved data, provide more accurate answers to the questions the study sets out to answer.

The third chapter is an assessment of operating efficiency in public hospitals in Zambia. It employs mathematical programming methods to identify the magnitude and nature of operating efficiency in public hospitals. Using Data Envelopment Analysis (DEA), the author estimates an average relative efficiency level of between 60% and 67%, implying that the public hospitals investigated could still produce their current level of output with reduced resource inputs of up to 33-40% if they were operating efficiently. The author further decomposes the technical inefficiency into scale inefficiency and inefficiency due to input congestion. Concerning scale efficiency, the author finds that only 4 of the 30 hospitals investigated were operating at optimal plant size while the remaining 26 were either too big or too small for their level of activity. On the issue of inefficiency

due to congestion of resource inputs, the author argues that the problem of congestion, though present, is not as bad as scale inefficiency. This article is quite informative to policy in as far as efficiency of resource use is concerned. It should, however, be understood within the context of the weakness of the DEA method employed.

The last chapter is a report of a pilot survey of private healthcare providers in Lusaka province. The survey was undertaken to provide a profile of private healthcare providers in Lusaka against the backdrop of increasing prominence of the private sector in healthcare provision. Information was collected from various types of providers ranging from private hospitals, clinics, pharmacies, and traditional health practitioners. Information was also collected from consumers of private healthcare services to give an indication of aspects of private health facilities like quality of care. The authors report that most of the hospitals and clinics surveyed had limited capacities. They were characterized by a limited range of services and limited bed capacity compared to government-run facilities. In terms of clientele, the traditional health practitioners were found to serve mostly the less educated. The traditional practitioners were also found to refer clients with challenging ailments to hospitals and clinics. Private clinics and hospitals, however, had little respect for traditional health practitioners and therefore rarely referred clients to them. In terms of the demand for services, the overall picture is that the private healthcare providers experienced a decline in the demand for their services. They needed incentives to expand their operations. The study reported in this chapter is quite informative but its findings are limited to one province and can therefore not give a picture of the situation in the entire country.

Overall, the book is timely given that the evolving health sector yearns for more information to guide the decisions of policy-makers. The book is also useful to students and researchers trying to understand the policy issues and challenges facing the health sector in a low income country.

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Services Trade and Development: The Experience of Zambia.
Edited by Aaditya Mattoo and Lucy Payton. Palgrave Macmillan and the World Bank. New York, USA. 2007. 291 pp.

Services trade has been a fairly neglected issue in economic policy in sub-Saharan Africa and in particular in Least Developed Countries (LDCs) including in Zambia. The discourse on the trade-development nexus in these countries has focused mostly on merchandise trade, where the level of integration and negotiation at the bilateral, regional and multilateral level is much more pronounced than that in services. This is an unfortunate gap as trade in services

is an essential component of the economy even in LDCs, which have fairly limited - albeit growing - services exports. Therefore this book on services and development edited by Aaditya Mattoo and Lucy Payton is a welcome and important contribution towards filling this gap.

The study focuses on Zambia, but its messages can often be related to other countries at a similar level of development, and in certain instances to most developing countries. It provides a thorough and often convincing account of the importance of services trade and the obstacles that this trade faces in the country. In many instances the book brings the rigour of academic analysis to examine specific policy issues, crafting policy proposals that certainly deserve policy-makers' attention in Zambia and beyond. By using a coherent framework of analysis, the chapters hold fairly well together. The main findings from them are ably distilled in the overview chapter which promises to be a useful tool for trade negotiators, legislators as well as government officials involved with services provision and negotiations.

The perspective of the book is holistic. This allows the authors to show the pervasiveness of the contribution of services to the Zambian economy. These are identified in four ways. Firstly as a key direct source of production and employment. It is estimated that services contribute to almost two thirds of the Gross Domestic Product (GDP) and have been responsible for 90% of the growth of the economy between 1965 and 2002. Secondly, services are a crucial input for production. Indirect costs for Zambian firms, which are mostly due to services inputs into production, account for 22% of gross value added. This is twice as much as the share of labour costs. Thirdly, services are an essential determinant of consumers' welfare. Social services, but also banking, insurance, telecommunications and transport are all services that matter for individual welfare. This includes the poor whose access to these services is often limited. Fourthly, services are an export sector with good potential for growth. Services exports grew as much as the merchandise non-traditional exports between 2002 and 2005. Much of the dynamism has come from the tourism sector.

The book focuses particularly on the role of services as an input for production and as a determinant of individuals' welfare, and to a lesser extent on its role as an export. This approach has clear implications in terms of the types of sectors chosen for the case studies. Three of them deal with sectors (telecommunications, financial services and air transport) that have an important role as input providers for production; three (telecommunications, financial services and migration) have major implications for consumers' welfare, while one (tourism, chapter 6 by Cattaneo) has an explicit focus on the role of services as export. The inclination of the book to treat services trade mainly as an input is visible in the migration chapter (by Amin and Mattoo, chapter 7), where the main policy questions revolve around how to ensure that emigration does not negatively affect domestic supply capacity in essential services (through 'brain drain') rather than on the extent to which services provision via migration could become a major export sector for Zambia.

This focus on the indirect role of services in the economy (which the World Bank itself has increasingly recognised in recent times) is in many ways justifiable, especially given the potential relevance of such a role to poverty. However this also means that the book has neglected some services sectors which are especially relevant as direct contributors to domestic production and employment, in particular construction and distribution services. In fact the overview chapter has a short treatment of the distribution sector, but again only in relation to its effect on other productive sectors. The book would have probably benefited from an analysis of the construction or the retail sector in terms for instance of the implications for production and employment of the trade regime regulating these sectors, where Zambia is currently a net importing country. As these sectors typically employ large numbers of relatively unskilled workers, the indirect implications on poverty of these types of analysis would be important.

Another related absence of sectoral treatment which is worth noting is that of any other potential services export sectors apart from tourism. The book explicitly acknowledges that it does not focus on business process outsourcing and accounting services as possible exports, as Zambia has only limited capacity in those sectors. However a book such as this would be an ideal ground for thinking forward, i.e. beyond the possible current capacity constraints that Zambia faces in the development of services exports aside from tourism. Moreover road transport services, which Zambia is already exporting (though it is a net importer), could already hold interesting potential for export growth. This is even more the case today in that the road network being created by the North-South corridor project has reinforced Zambia's position as a natural land transport hub in Southern Africa (although the project was not developed at the time of writing the book). In any instance, the development of a strong export services sector seems to be crucial for the long-term economic development of a landlocked country with high cost of moving goods around and outside the country. In this sense the absence of a fuller treatment of possible export sectors and of their constraints appears as a missed opportunity for such a book.

Looking at services trade as mainly an input for firms and individuals also affects the types of analyses and policy messages included in the book. For instance, great relevance is given to the effects of market liberalization or of continued monopoly sectors on the prices of certain services (telecommunication, financial services, air transport) as well as on the access to those services by the poorer segments of the population. These questions are carefully explored throughout the book and the findings provide a very interesting account of the ways in which the political economy of the reforms may crucially affect their outcomes (and thus the faith of the population in the reforms). In general, the reforms of the services sectors analysed did not bring about the hoped for benefits, either in terms of more affordable services or improved access. In fact, in certain instances, such as in the case of financial services, the liberalization has been followed by a drop in the credit provided to the private sector, without any improvement in access to banking services by the poor. The identification of the

key problems of the reform process is worth quoting at length (p. 2):

...the government and donor organizations behaved as if they had a complete faith in the power of markets. They moved aggressively, but unevenly, on the elimination of barriers to entry, sluggishly on the development of the regulation to deal with market failure, and only notionally on the implementation of access-widening policies. The result is that access has been undermined by the persistence of barriers to competition in telecommunications and transport, the weakness and inappropriateness of regulation in banking and accounting, and the absence of meaningful access policies in virtually all sectors.

A first implication of this account is that sequencing of reforms matters. For instance, it usually makes sense to open up sectors like telecommunications and banking to competition once an effective regulator is in place. The book is quite good at providing suggestions on the type of sequencing that may work best in specific sectors. For instance, Arnold, Guernazi and Mattoo in their analysis of the telecommunications sector in chapter 3 suggest that, on the basis of international experience, stimulating some competition before privatizing the telecom monopoly is usually a better way to increase the number of mainlines. A second implication is that the regulatory system needs to be strengthened in all the sectors analysed in order for the liberalisation to yield the expected benefits. Compelling cases in this respect include air transport (chapter 5 by Schlumberg) and telecommunications where the authors include a useful cost estimate of the technical assistance for the regulator, and to some extent financial services (chapter 4 by de Luna Martinez). A third implication is that as the market by itself is not likely to serve the poorer segment of the population the government needs to intervene and use its coercive power and/or the right incentives to induce the service providers to guarantee as wide access to the services as possible for the population. The book again provides useful suggestions, often based on the international experience.

The view of services mainly as the backbone of the economy influences also the other policy context which the volume considers, i.e. that of international negotiations. The messages for Zambian (and other LDCs') trade negotiators would resonate with those who consider that LDCs would get most benefits from own liberalisation in international services trade negotiations. The book proposes essentially a three pronged strategy for Zambia: first, enhance the commitment to reform at the multilateral and Economic Partnership Agreement (EPA) level, which would allow the country to bind the reforms in key sectors, as well as to reassure potential services investors of the stability of the investments in Zambia. However there is no convincing evidence on the extent to which GATS commitments can effectively work as a device to attract investments and to limit the margins of manoeuvre of the government. Possibly a more relevant implication of such a strategy is that it can tie these reforms with requests for additional aid for services trade funding.

Second, deepen the integration in services at the regional level, in both SADC and COMESA. Such enhanced integration would allow service providers to exploit those economies of scale typical of the provision of such services as telecommunications and transport and could create a common market for professional services.

Third, cooperate on migration (mode 4) within the EPA or at a bilateral level. According to Amin and Mattoo (authors of chapter 7 on migration) the rationale for this strategy lies in the possibility of developing a temporary migration scheme, essentially only at the bilateral level. Such schemes need to hinge on the assurance of the temporary nature of the migration, which necessitates a close cooperation between the home and the host countries. However, this bilateral approach on temporary migration underplays the possibility that LDCs may have to exploit the GATS provision for special and differential treatment. Such a provision may allow for a special mode 4 quota open only for LDCs, possibly for unskilled and semi-skilled workers. This option would typically be at the multilateral rather than at the bilateral level. More fundamentally the idea assumed in the book that temporary migration schemes (as opposed to permanent migration) would be ideal for fighting the 'brain drain' that Zambia experiences in various services sectors, particularly social services, is still contentious. In fact growing evidence suggests that permanent skilled emigration is not only a drain on the skills' base of the home country but it can also act as a stimulus for human capital accumulation in the country by raising the expected value of tertiary or vocational education. The key seems to be how to facilitate the expansion of the education supply in response to the increased demand for education likely to emerge as a consequence of increased skilled emigration. The book acknowledges the importance of this challenge in tackling skills shortages, but it fails to highlight the potential role of private institutions in such an expansion, as for instance the cases of the Philippines and India in health professionals. Acknowledging the potential importance of such institutions would also bear consequences for government's policies on trade in education services.

Despite a few shortcomings, this book does a commendable job in highlighting the role of services trade in a challenging developing context such as Zambia. It demonstrates the complexities of choices before the policy-makers and provides relevant analytical insights for the academic, and for practitioners involved in services trade.

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Africa's Finances: The Contribution of Remittances. *Edited by Raj Bardouille, Muna Ndulo and Margaret Grieco. Cambridge Scholars Publishing. Newcastle Upon Tyne. 2008. 338pp.*

The book consists of fifteen chapters. The chapters focus on migrant remittances and the role of the diaspora in Africa's finances and development. It is a rich compilation on the subject on which very little coordinated research has been done especially that which specifically addresses the African context. The focus of the chapters can be broken down into the following five main areas: firstly, remittances from the diaspora, their growing importance and possible strategies to capture them and enhance their flow; secondly, the utilisation of remittances and their impact on Africa's development process. This aspect looks at the sectoral allocation of remittances and some lessons drawn from country experiences. Thirdly, migrant remittances and post conflict experiences; fourthly, non financial transfers are discussed. This aspect looks at social transfers and their significance in the development process. The fifth area looks at engaging the diaspora in the development of home countries, the role of home country authorities, and the role of host country authorities.

The authors give due acknowledgement to the upsurge in migration in recent years and the growing attention this has received from various quarters. There has been a significant rise in migrants to an estimated level of 191 million as of 2005, which was double the figure in 1980, according to the United Nations Population Division. This increase in migration levels has been accompanied by a marked rise in migrant remittances. This study shows that the trends and patterns for Africa are not dissimilar to those recorded at global level. The number of African migrants is estimated at 17.1 million in 2003 (about 9% of the global figure). The articles have highlighted a significant change in the pattern of migration from Africa in terms of demographic profiles and skills levels, and used these to explain the trends in remittance flows.

Regional comparisons of remittance inflows reveal that Sub-Saharan Africa (SSA) trails far behind other regions, with Latin America, East Asia and the Pacific and South Asia receiving the most in 2007. It is important to note, however, that the inflows into SSA have risen sharply since 2002. Moreover, these constitute a critical external source of finance for many African countries. A schedule summarizing remittances as a percentage of GDP shows that these range from 0.3% for Libya to 34.2 % for Cape Verde.

The authors note that the level of remittances in recent years has far outstripped that of official development assistance (ODA). That aid flows have been overtaken by inflows from migrants is a very significant development in any analysis of development financing and its sustainability. Furthermore, it is pointed out that remittance inflows are particularly attractive to developing countries in that they tend to be less volatile than FDI portfolio flows. The experience of Africa and other developing regions during the recent global financial crises has a few valuable lessons in this regard.

While the chapters give useful prominence to the rising profile of remittances,

perhaps insufficient attention has been paid to the problem of data capture in Africa to provide reliable information on the size and scope of remittances. In fairness to the authors, they do note that available statistics for Africa grossly understate the volume of inflows. This is because of the extensive use of informal channels of transfer, due partly to the high costs of official channels and sometimes to unfavourable policy environments in home countries. Perhaps the authors could have addressed the issues around this constraint a little more. The book does refer to the need for substantive reform in financial sectors, but it does not provide specific examples of experiences from other countries to inform reform initiatives in Africa. The reference to the need for mainstreaming remittances is most welcome, but again possible policy frameworks could be explored to benefit countries in Africa which have not put in place any such measures.

Some chapters in the book analyse the utilization of remittances and try to link this to their possible impact on development in recipient countries. While it is noted that the bulk of remittances are used for consumption (about 80%), their general impact on development, social welfare and poverty reduction cannot be underrated. Of particular significance is the impact of migrant remittances on post conflict countries. For these countries it is observed that the remittances serve as a critical lifeline, mitigating the ravaging consequences of prolonged conflict. They also provide stable sources of finance in areas of often unpredictable donor flows.

While studies of migration and remittances in recent times have tended to concentrate on financial remittances, this volume also gives prominence to non financial transfers. These so-called Social Transfers can be categorised in terms of knowledge and technological transfers, human capital, networking links, trade and investment facilitation. The chapters document initiatives from Africa and elsewhere, highlighting the great potential in this area. The need for recipient countries to develop proactive policies cannot be over emphasized. There is an interesting discussion of the potential of ethnic networks.

One of the chapters argues that there is need to revisit the fundamental notion of development as it is currently accepted. It is proposed that the concept of development should be reconsidered in a "mobile world". Fascinating references are made to notions of "sedentary" and "paternalistic" development, although the author stops short of articulating their own notion of development. Perhaps this is still significant as it serves to shake the academic world out of its comfort zone of considering migration and remittances in the context of the received doctrine. One would like to see more debate in this area.

All in all there is no doubt that the authors have done a commendable job of analysing and documenting the trends of migrant remittances and their potential impact, and how they can be harnessed to enhance development. They have further examined the role of non financial transfers, an area that hitherto has received little attention. The roles of host country and home country authorities have been highlighted in the process of enhancing remittances and engaging the diaspora. These are areas needing special attention from many African countries which could benefit from the experiences of those that have made some headway.

It is encouraging that a few countries in SSA have made some progress in terms of mainstreaming remittances and harnessing the great potential of the diaspora. But for many others there is still a lot to be done and this volume should serve as a valuable reference.

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