

## INTRODUCTION

ZAMBIA HAS A POPULATION OF 12 MILLION PEOPLE. Its gross national income (GNI) is USD 1 000 per person (in purchasing power parity terms). The most recent poverty survey (conducted in 2006) estimated that 64% of the population lived below the dollar-per-day international poverty line, with a clear divide between rural (81%) and urban (34%) areas. A further 87% percent lived below the two-dollars-per-day line. The country is on track to meet two of the eight Millennium Development Goals (MDGs) – MDG 2 on achieving universal primary education and MDG 3 on promoting gender equality and empowering women. If further changes are made, it may also achieve MDG 4 on reducing child mortality.

In 2006, total net official development assistance (ODA) amounted to USD 1 425 million, with the United States, the European Commission and the United Kingdom being the top three donors. Sixteen donors responded to the Paris Declaration monitoring survey, with their aid constituting 92% of total ODA. Aid accounts for approximately 14% of Zambia's GNI; thus, it is vital that the government and donors work together to enhance aid effectiveness.

DIMENSIONS	2007	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	Limited capacity to fully implement new plans and reforms	Identify priority areas to build capacity within key sectoral ministries
Alignment	Moderate-high	Absence of national strategy on capacity building impedes co-ordination of assistance; difficulties in verifying data on aid	Develop national strategy on capacity building; increase co-ordination of technical assistance, focusing on improving capacity to support reforms in country systems; implement development database
Harmonisation	Moderate	Implementing the division of labour and increasing shift toward programme-based approaches (PBAs)	Donors to increase funds in support of PBAs; GRZ to accelerate development of fundable PBA frameworks
Managing for results	Moderate	Monitoring and evaluation systems remain incomplete	Establish robust monitoring and evaluation system across all sectors
Mutual accountability	Low	No operational system for mutual assessment on aid effectiveness	Establish independent monitoring group

## OVERVIEW

### Box 55.1:

### Challenges and priority actions

**INDICATOR 1**

Do countries have operational development strategies?

**OWNERSHIP**

**OWNERSHIP IS CRITICAL TO ACHIEVING DEVELOPMENT RESULTS** and is central to the Paris Declaration on Aid Effectiveness. Aid is most effective when it supports a country-owned approach to development; aid is less effective when countries feel that aid policies and approaches are driven by donors that provide assistance. In the context of the Paris Declaration, ownership specifically concerns a country's ability to carry out two, inter-linked activities: exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country.

Ownership has many dimensions. Indicator 1 – assessed as part of the World Bank's review on *Results-Based National Development Strategies: Assessments and Challenges Ahead* – provides an entry point to the issue. The World Bank assesses the operational value of a country's development strategy and policy against three criteria, all of which are essential features of any serious effort to harness domestic and external resources for development purposes: the existence of an authoritative, country-wide development policy which clearly identifies priorities and is well costed.

The World Bank rates the operational value of a country's development strategy against a five-point scale running from A (highest score) to E (lowest score). The Paris Declaration 2010 target is to raise, to at least 75%, the proportion of partner countries having operational development strategies – *i.e.* meriting a rating of A or B.

In the 2006 Baseline Survey, Zambia received a rating of C in a scale running from E (weak) to A (strong), together with 62% of participating countries. This survey noted that a long-term vision and medium-term development plan were being developed, along with a series of sectoral strategies, but had not yet been implemented. In the 2008 Survey, Zambia received a rating of B, thereby reaching its Paris Declaration 2010 target of a B or A rating.

In early 2007, the government of Zambia launched its second Poverty Reduction Strategy Paper (PRSP), known as the Fifth National Development Plan (FNDP), which sets out a medium-term development strategy for 2006-10. The FNDP is guided by a long-term vision laid out in the National Vision 2030. The FNDP builds on the achievements of the first PRSP, primarily in the areas of improving macroeconomic performance and public expenditure management, but places greater emphasis on achieving results and specifying mechanisms for monitoring and evaluation. However, these mechanisms are in an early stage and need to be strengthened, particularly for expenditure tracking and financial management. Linkages between sectors could be furthered strengthened to better address cross-cutting issues included in the FNDP such as HIV/AIDS, the environment and gender. The main challenges to fully implementing the FNDP are a shortfall in projected resources and continued limitations in capacity to absorb resources and implement programmes as planned.

The FNDP also introduces a medium-term expenditure framework (MTEF) with detailed allocations by sector, which the World Bank recognised as a "significant milestone" in public resource management. The MTEF encourages donors to provide medium-term, predictable assistance through direct budget support or sector-wide approaches (SWAs).

The success of the MTEF has been variable, with annual budgets only partially adhering to the framework, particularly in agriculture and decentralisation. Other improvements in the budget process include greater timeliness in budget execution and increased transparency in budget reporting. However, the full benefits of this progress in budget reform and process may be hindered by weak capacity in finance, planning and budgeting, as well as by weak financial management systems within line ministries.

Sector advisory groups (SAGs), established during the preparation of the first PRSP, are becoming an important forum for co-operation at a sectoral level. They comprise representatives from government, donors, civil society and other stakeholders. In some areas, the SAGs are playing an increasingly active role in monitoring and reviewing progress toward FNDD targets. They also provide a forum for discussions on policy and budget planning. Success of the SAGs has so far been mixed: some meet frequently while others have not met at all. Most SAGs do not yet fulfil their monitoring and evaluation role as foreseen in their generic terms of reference. Nonetheless, if they become more active – and meet more frequently and consistently – they have the potential to provide a solid platform for monitoring.

A new Aid Policy and Strategy provides the final element of a national framework for poverty reduction and sustainable economic development. The strategy provides a co-ordinated approach to requesting and managing external aid in line with the Paris Declaration. To align these various elements, the government and donors have agreed on a Joint Assistance Strategy for Zambia (JASZ). This represents the donors' joint response to the FNDD, Vision 2030 and Aid Policy. The JASZ should further strengthen national ownership by linking commitments under the Paris Declaration and the Aid Strategy to the FNDD, encouraging donors to focus on certain sectors, and ensuring even coverage of all priority sectors. As the full potential of all these new initiatives becomes clear, Zambia may be on track to further strengthen its ownership over development by 2010 and receive a top rating for Indicator 1. ■

## ALIGNMENT

**FOR AID TO BE EFFECTIVE**, it must be aligned with national development strategies, institutions and procedures. The Paris Declaration envisions donors basing their support fully on country partner aims and objectives. Indicators 2 through 8 examine several dimensions of aid to assess the degree to which partner countries and donors achieve alignment.

Overall, Zambia has made significant progress in the area of alignment. The number of donors providing budget support increased over the last several years, leading to greater use of country systems, increased co-ordination between donors and better alignment with national priorities. With the recent growth of programme-based approaches (PBAs) and the willingness of many donors to fund such programmes (including more technical assistance), these efforts should bear fruit.

**INDICATOR 2a**

How reliable are country public financial management systems?

**BUILDING RELIABLE COUNTRY SYSTEMS**

Indicator 2 covers two aspects of country systems: public financial management (PFM) and procurement. In each case, the focus is on the degree to which these systems adhere to broadly accepted good practices – or to which there is in place a reform programme to promote improved practices. If countries have reliable systems, donors will be encouraged to use such systems for the delivery and management of aid. This helps to align aid more closely with national development strategies and enhances aid effectiveness.

Indicator 2a of the Paris Declaration assesses the degree to which partner countries either have public financial management (PFM) systems that are in line with broadly accepted good practices or have credible reform programmes in place to establish reliable PFM systems. The assessment is based on the World Bank's Country Policy and Institutional Analysis (CPIA) score for the quality of PFM systems, which uses a scale running from 1 (very weak) to 6 (very strong) with half-point increments. To score highly, a country needs to meet all three of the following criteria: a comprehensive and credible budget linked to policy priorities; effective financial management systems to ensure that the budget is implemented as intended in a controlled and predictable way; and, timely and accurate accounting and fiscal reporting, including timely and audited public accounts. The 2010 target is that each country will move up at least one measure (*i.e.* 0.5 points) on the CPIA scale for measuring the quality of PFM systems.

In 2005, Zambia received a rating of 3.0 on a six-point scale, slightly below the average of 3.2 for all countries rated in the World Bank's Country Policy and Institutional Assessment. In the 2008 Survey, Zambia received a 3.5, thereby achieving the 2010 target of increasing its rating by half a point.

In 2005, the government began significant reforms in public financial management (PMF) under the Public Expenditure Management and Financial Accountability (PEMFA) programme, which is part of a broader Public Services Reform Programme. PEMFA is a five-year program funded by a consortium of 11 donors that covers budget planning, execution and control, and transparency and accountability. Under PEMFA, the government is also instituting an integrated financial management system.

These reforms go some way toward addressing the main area of weakness in Zambia's PFM system: budget execution. They have started to show results, for example, in earlier preparation of tenders to speed budget execution and improved cash management. An awkward budget cycle, which requires provisional approvals of budgetary releases for the first quarter of the year, is one main cause of slow budget execution. This may be addressed during the course of a constitutional review, which is now in progress. The government also plans to create a single treasury account in the near future as a further reform in this area.

Addressing capacity constraints within spending agencies is a crucial next step in improving budget execution. Although the credibility and reliability of funding provisions from the Ministry of Finance have improved, funds often remain unspent. Capacity enhancement, matched with adequate funding levels, will have to reach the provincial and district level to improve the ability of sub-national government to absorb funds.

At the time of the 2006 Baseline Survey, no mechanism was in place to systematically assess and quantify the quality of procurement systems in partner countries. Thus, it was impossible to set country-level targets on progress towards Indicator 2b.

In the context of the 2008 Survey, the quality of a country's procurement system is assessed through the Methodology for the Assessment of National Procurement Systems, which was developed by the Joint Venture on Procurement. The methodology includes two components: the baseline indicators compare the country's systems to internationally-accepted good practice; and a new set of indicators assess overall performance of the system and compliance with national legislation and standards. The results of the procurement system self-assessment are expressed as grades on a four-point scale running from A (the highest) to D (the lowest).

In 2007, Zambia received a C rating for its procurement systems, indicating that progress is being made but that there are still some weaknesses. As no rating was given in 2005, no target is set for 2010.

A new Public Procurement Reform Act, which is currently under review, seeks to strengthen the legislative and regulatory framework of the national procurement system. Main initiatives include creating a new procurement oversight agency, decentralising responsibility for procurement to the line ministries, and establishing an independent procurement appeals tribunal. A 2007 assessment by OECD's Development Assistance Committee (OECD-DAC) also identified other weaknesses. For example, the current procurement law does not state that open competitive bidding is the default procurement method.

## ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Comprehensive and transparent reporting on aid, and how it is used, is an important means of ensuring that donors align aid flows with national development priorities. The degree to which development assistance to the government sector is fully and accurately reflected in the budget provides a useful indication of the degree to which serious effort is made to connect aid programmes with country policies and processes. It also allows partner country authorities to present accurate and comprehensive budget reports to their parliaments and citizens.

Indicator 3 is a proxy for alignment. It measures the percentage of aid disbursed by donors to the government sector that is included in the annual budgets for the same fiscal year. The indicator is a joint measure of two components: the degree to which donors report aid flows comprehensively to partner countries; and the degree to which partner countries accurately record aid.

The final figure highlights any discrepancy between the government's budget estimates and actual disbursements by donors. The discrepancy (or gap) can be in either direction: budget estimates can be higher or lower than disbursements by donors. In order to have a single measure of discrepancy under 100%, the ratio is inverted when budget estimates are higher than donor disbursements. The 2010 target is to halve the proportion of aid flows to the government sector that is not currently reported on government budget(s), ultimately arriving at a point where at least 85% of aid is reported on the budget.

### INDICATOR 2b

How reliable are country procurement systems?

### INDICATOR 3

According to the 2006 Baseline Survey, 52% of aid was recorded on budget for Zambia. The 2008 Survey shows significant progress over the intervening period: 74% of aid disbursed in 2007 was on budget. If this rate of progress continues over the next two years, Zambia should easily meet the Paris Declaration 2010 target of 85% of aid recorded on budget.

Challenges to improving alignment between disbursements and government budget estimates revolve around inefficient and inconsistent data capture, and communication between donors and the government. For example, late and unreliable communication of data by both line ministries and donors, and miscommunications over data requirements between the Ministry of Finance and donors, decrease the overall quality of data collected on predicted aid disbursements.

**TABLE 55.1:**  
Are government budget estimates comprehensive and realistic?

	Government budget estimates of aid flows for 2007 (USD m) a	Aid disbursed by donors for government sector in 2007 (USD m) b	2005	2007*
			(for reference)	c = a/b    c = b/a
African Dev. Bank	66	49	21%	74%
Canada	0	13	--	0%
Denmark	18	33	12%	54%
European Commission	55	55	38%	99%
Finland	5	17	24%	26%
Germany	7	28	68%	26%
Global Fund	49	27	--	55%
Ireland	0	23	23%	1%
Japan	1	22	10%	6%
Netherlands	16	44	17%	37%
Norway	28	46	4%	62%
Sweden	26	69	2%	38%
United Kingdom	65	67	--	97%
United Nations	5	25	76%	19%
United States	0	9	--	4%
World Bank	103	79	62%	77%
Average donor ratio	--	--	30%	42%
<b>Total</b>	<b>445</b>	<b>606</b>	<b>52%</b>	<b>74%</b>

\* Ratio is c=a/b except where government budget estimates are greater than disbursements (c=b/a).

Despite problems with data collection, notable progress on alignment has been made at the policy level as donors show their support for the FNDDP as the strategic framework for development. In response to the plan, donors agreed in 2007 on the JASZ to harmonise and align assistance with the Aid Policy and with national priorities, as mentioned above. The government and external partners have agreed on a division of labour that assigns donors a lead, active or background role in each sector. This exercise aims to distribute donors evenly across sectors, although this goal has not yet been achieved. The question of how to manage the transition of some donors out of overcrowded sectors and into underserved ones is an issue currently under discussion.

## CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Capacity constraints significantly undermine the ability of partner countries to capture, co-ordinate and utilise aid flows more effectively. Under the Paris Declaration, donors committed to providing technical co-operation in a manner that is co-ordinated with partner country strategies and programmes. This approach aims to strengthen capacities while also responding to the needs of partner countries. Likewise, there is greater recognition that successful capacity building is endogenous – *i.e.* is led by the partner country. To this end, the partner country defines clear objectives to ensure that existing capacities are used effectively and that external support is harmonised within this framework.

## INDICATOR 4

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	2005 (for reference) c = a / b	2007
African Development Bank	0	0	--	100%
Canada	0	0	--	48%
Denmark	10	16	100%	63%
European Commission	5	5	24%	90%
Finland	8	9	76%	86%
Germany	4	9	34%	44%
Global Fund	0	0	--	--
Ireland	2	2	100%	100%
Japan	5	9	50%	52%
Netherlands	1	1	74%	100%
Norway	4	6	50%	75%
Sweden	6	18	43%	34%
United Kingdom	6	6	78%	100%
United Nations	6	13	51%	45%
United States	48	213	19%	23%
World Bank	5	10	--	46%
<b>Total</b>	<b>109</b>	<b>317</b>	<b>32%</b>	<b>34%</b>

TABLE 55.2:  
How much technical  
co-operation is co-ordinated  
with country programmes?

Indicator 4 focuses on the extent to which donor technical co-operation – an important input into capacity development – is moving towards this country-led model. It measures the degree of alignment between donor technical co-operation and the partner country's capacity development needs and strategies. The Paris Declaration 2010 target is that 50% of technical co-operation flows are implemented through co-ordinated programmes that are consistent with national development strategies.

The data for Zambia show only a 2% improvement on Indicator 4 between 2005 and 2007, from 32% to 34%. This minimal progress may partly reflect a more stringent definition for co-ordinated technical assistance introduced in the second survey. Indeed, the country report notes disagreement between donors as to what assistance qualifies as “co-ordinated”. Furthermore, although the proportion of co-ordinated technical assistance increased only slightly between the two surveys, the volume of co-ordinated technical co-operation doubled between 2005 and 2007, along with a similar increase in total assistance. This is the result of recent co-operation initiatives that are now coming to fruition, such as national sector strategies under the FNNDP and the SAGs, which provide a forum for policy and planning discussions.

To promote further progress on Indicator 4, the government needs to develop a coherent national strategy for capacity development with which donors can align their assistance. This national strategy should be matched by comprehensive capacity development strategies and programmes at the sectoral level. At the same time, the government also faces institutional capacity constraints to implementing sectoral programmes, which should be partially addressed by the Public Service Reform Programme. Other encouraging efforts under way include a donor working group on capacity development, joint capacity needs assessments for some sectors, and joint capacity development programmes for selected institutions. With so many initiatives under way, Zambia should be able to significantly close the gap between its current rating for Indicator 4 and reach its Paris Declaration 2010 target of 50% of aid being aligned with government priorities.

### USING COUNTRY SYSTEMS

#### INDICATOR 5

**TABLE 55.3:**  
How much aid for  
the government sector  
uses country systems?

Donor use of a partner country's established institutions and systems increases aid effectiveness by strengthening the partner's long-term capacity to develop, implement and account for its policies – to both its citizens and its parliament. The Paris Declaration encourages donors to increase their use of country systems that are of sufficient quality, and to work with partner countries to strengthen systems that are currently weak. In this respect, Indicator 5 is directly linked to Indicator 2 on the quality of PFM and procurement systems, and measures the use of both.

	Aid disbursed by donors for government sector (USD m) a	Public financial management (PFM)					Procurement		
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	2005 (for reference)	2007	Procurement systems (USD m) e	2005 (for reference)	2007
		avg (b,c,d) / a					e / a		
African Development Bank	49	30	30	30	0%	61%	30	0%	61%
Canada	13	0	13	13	100%	65%	13	100%	100%
Denmark	33	19	23	30	28%	73%	29	49%	87%
European Commission	55	42	42	42	64%	78%	40	65%	74%
Finland	17	14	14	15	46%	82%	15	90%	84%
Germany	28	9	9	12	0%	35%	25	43%	90%
Global Fund	27	1	27	0	67%	34%	7	100%	25%
Ireland	23	23	23	16	73%	91%	23	81%	100%
Japan	22	0	0	0	0%	0%	0	0%	0%
Netherlands	44	11	11	39	50%	47%	41	79%	94%
Norway	46	22	21	43	64%	63%	44	100%	96%
Sweden	69	17	54	54	25%	60%	53	53%	76%
United Kingdom	67	61	61	61	88%	92%	62	88%	93%
United Nations	25	0	0	6	2%	8%	0	25%	0%
United States	9	2	2	2	3%	22%	2	0%	22%
World Bank	79	28	28	79	20%	57%	47	20%	60%
<b>Total</b>	<b>606</b>	<b>279</b>	<b>357</b>	<b>443</b>	<b>34%</b>	<b>59%</b>	<b>430</b>	<b>44%</b>	<b>71%</b>

Indicator 5a measures the extent to which donors use partner country PFM systems when providing funding to the government sector. It measures the volume of aid that uses partner country PFM systems (budget execution, financial reporting, and auditing) as a percent of total aid disbursed to the government sector. The 2010 target is relative to Indicator 2a on the quality of PFM systems.

Indicator 5b measures the volume of aid, as a percent of total aid disbursed to the government sector, that uses partner country procurement systems. The 2010 target is relative to Indicator 2b; thus, targets are indicated only for those countries that established scores for Indicator 2b in the context of the 2006 Baseline Survey.

Considerable progress was made between 2005 and 2007 on use of country systems in Zambia. The amount of aid using PFM systems rose from 34% to 59% between the two survey rounds. The largest amount of aid used national auditing systems; budget execution mechanisms were used the least. Eleven donors used all three systems for delivering their assistance, accounting for about 40% of ODA to the government sector. This trend is the result of three new donors joining the budget support group in 2007, as well as increased disbursements from other donors already using the PFM systems in 2005.

Since Zambia's baseline rating for Indicator 2a on quality of PFM systems was below 3.5, no 2010 target was set for Indicator 5a. Now that the rating has improved to 3.5, a target could be set based on a one-third reduction in the amount of aid not channelled through PFM systems. This would yield a target of 56%, which Zambia has already exceeded.

Usage of procurement systems likewise increased significantly between 2005 and 2007, from 44% to 71%. Two donors relied entirely on country procurement systems. This improvement can be linked to donor confidence in the upcoming reform of the legislative framework for procurement under the PEMFA programme. A new Public Procurement Reform Act, discussed under Indicator 2b, has been submitted to the cabinet for approval and should further strengthen procurement systems and, thus, increase their use for delivering aid. Since Zambia's procurement system was not rated in the 2006 Baseline Survey, round, no 2010 target was set. Still, progress is strong and the trend should continue as further reforms increase the quality of the procurement system.

## AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

When providing development assistance, some donors establish specific project implementation units (PIUs), *i.e.* dedicated management units designed to support development projects or programmes. A PIU is said to be "parallel" when it is created at the behest of the donor and operates outside existing country institutional and administrative structures.

In the short term, parallel PIUs can play a useful role in establishing good practice and promoting effective project management. However, in the long run, PIUs often tend to undermine national capacity building efforts, distort salaries and weaken accountability for development.

To make aid more effective, the Paris Declaration encourages donors to "avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes." Indicator 6 is a count of the number of parallel PIUs being used in partner countries. The 2010 target is to reduce by two-thirds the stock of parallel PIUs in each partner country.

## INDICATOR 6

TABLE 55.4:  
How many PIUs are parallel  
to country structures?

	2005 (for reference)	2007 (units)
African Dev. Bank	6	6
Canada	0	1
Denmark	1	0
European Commission	3	1
Finland	2	1
Germany	0	0
Global Fund	0	0
Ireland	0	0
Japan	0	0
Netherlands	0	0
Norway	0	0
Sweden	1	2
United Kingdom	4	0
United Nations	3	8
United States	1	13
World Bank	3	3
<b>Total</b>	<b>24</b>	<b>34</b>

In the 2006 Baseline Survey, donors reported 24 parallel PIUs; this number rose to 34 in the 2008 Survey. This increase is accounted for by a definitional change of PIU between the two surveys, resulting in 12 existing units being reclassified as parallel PIUs. Other donors reduced the number of parallel PIUs, suggesting that Zambia should make progress towards its 2010 target of eight parallel PIUs before the next survey. Establishing a dialogue between the government and donors to clearly identify parallel PIUs and examine their necessity would be a first step in toward their potential phase-out or integration into government ministries.

#### PROVIDING MORE PREDICTABLE AID

#### INDICATOR 7

For many countries, development assistance constitutes a vital source of revenue and resources. Being able to predict aid disbursements – in terms of both how much aid will be delivered and when – is an important factor in the ability of countries to manage public finances and undertake realistic planning for development. It is particularly crucial to enabling partner countries to implement medium- to long-term development plans and to optimise the allocation of resources within and across sectors. In this regard, the Paris Declaration calls on donors to provide reliable, indicative commitments of aid over a multi-year framework, and to disburse aid in a timely and predictable fashion according to agreed schedules.

Indicator 7 examines in-year predictability of aid to the government sector, measuring the proportion of planned disbursements (as reported by donors) that are recorded by governments in the national accounting system as actually disbursed. Indicator 7 assesses predictability from two angles. The first angle is the combined ability of donors and government to disburse aid on schedule. The second is the ability of donors and government to record comprehensively disbursements made by donors to the government sector.

Indicator 7 is designed to encourage progress in relation to both angles, with the aim of gradually closing the predictability gap – by one-half – by 2010. The ultimate goal is to improve not only the predictability of actual disbursements, but also the accuracy of how disbursements are recorded in government systems – an important feature of ownership, accountability and transparency.

Zambia made impressive progress on in-year predictability of aid between 2005 and 2007, climbing from 50% in the 2006 Baseline Survey to 85% in 2008 Survey. With a global Paris Declaration 2010 target of closing the predictability gap by one-half, Zambia has already exceeded its target of 75%.

The improvement in in-year predictability of aid is primarily attributable to better notification of aid disbursements by donors to the government and an improved ability to accurately record aid disbursements at a centralised level. Still, Table 5 reveals considerable room for improvement, both in timely disbursement and information capture. Donors only disbursed around two-thirds of scheduled aid in 2007, with half of donors disbursing more and half disbursing less than planned. It should be noted, however, that most donors feel that the data provided by the government on Indicator 7 did not correctly reflect what they had reported as projected disbursements in 2006.

**TABLE 55.5:**  
Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in 2007 (USD m) a	Aid scheduled by donors for disbursement in 2007 (USD m) b	Aid disbursed by donors for government sector in 2007 (USD m) for reference only	2005	2007*	
				(for reference)	c = a / b	c = b / a
African Development Bank	4	79	49	34%	5%	
Canada	13	13	13	0%		97%
Denmark	87	29	33	92%		33%
European Commission	61	46	55	72%		75%
Finland	14	13	17	68%		91%
Germany	25	33	28	86%	76%	
Global Fund	0	27	27	--	0%	
Ireland	15	23	23	70%	66%	
Japan	11	22	22	82%	50%	
Netherlands	56	40	44	14%		71%
Norway	47	39	46	57%		83%
Sweden	48	64	69	61%	75%	
United Kingdom	71	68	67	73%		96%
United Nations	8	17	25	41%	47%	
United States	267	264	9	3%		99%
World Bank	39	123	79	41%	31%	
Average donor ratio	--	--	--	53%	62%	
<b>Total</b>	<b>767</b>	<b>901</b>	<b>606</b>	<b>50%</b>	<b>85%</b>	

\* Ratio is c=a/b except where disbursements recorded by government are greater than aid scheduled for disbursement (c=b/a).

Zambia's country report notes a number of remaining challenges in this area. These include the lack of a mutual accountability mechanism allowing the government to hold donors to their commitments and the lack of specialised personnel within line ministries to mobilise external resources. Another issue is that of managing changes in funding as donors seek to transfer from certain sectors into others under the JASZ. The country report also calls for the swift implementation of the Zambia Development Assistance Database to provide a common basis for data collection and verification across ministries.

As total ODA to Zambia continues to increase, it is important to address the ability to effectively plan for and manage aid. The government and donors can work together to improve the transparency and predictability of aid flows, increase the use of PBAs and budget support, enhance capacity within the government to track budgets, and improve intra-ministerial co-ordination and communication on donor aid.

**INDICATOR 8**

How much aid is untied?

**UNTYING AID**

Aid is said to be “tied” when it is provided on the condition that the recipient country will use it to purchase goods and services from suppliers based in the donor country. Experience shows that aid with such conditions attached increases the costs of goods and services provided to partner countries; it also increases the administrative burdens on both donors and partners. By contrast, untied aid helps build a country’s capacity to provide goods and services.

Country figures for untying aid are based on voluntary self-reporting by donors that are members of the OECD-DAC. The 2010 target is to continue progress towards untying aid over time.

According to data covering OECD-DAC donors to Zambia, 99% of aid was untied in 2005, and 100% of aid was untied in 2006. The country report notes, however, that this calculation of tied aid does not encompass expenditure on technical co-operation. In its Aid Policy, the government expressed a preference for pooling technical co-operation. The country report notes the government’s desire for a discussion around the procurement of technical assistance. ■

**HARMONISATION**

**DECADES OF DEVELOPMENT EXPERIENCE** show that poor co-ordination of aid increases the cost for both donors and partner countries, and significantly reduces the value-added of aid. Harmonisation of aid delivery procedures and adoption of common arrangements help reduce duplication of effort and lower the steep transaction costs of managing aid. The Paris Declaration focuses on two dimensions of aid as a proxy for assessing overall harmonisation: the use of common arrangements within programme-based approaches (PBAs) and the extent to which donors and partner countries conduct joint missions and share analysis.

Zambia shows good progress on Indicators 9 and 10, particularly in greater co-ordination between donors in carrying out missions and country analysis.

**USING COMMON ARRANGEMENTS****INDICATOR 9**

Aid effectiveness is enhanced when donors use common arrangements to manage and deliver aid in support of partner country priorities. A sound mechanism for aid co-ordination can be described as one that builds on shared objectives and that reconciles, in a constructive manner, the various interests of stakeholders.

Indicator 9 assesses the degree to which donors work together by measuring the proportion of total ODA disbursed within PBAs. In practice, there are many different modalities for implementing PBAs, which operate at various levels. At one level, the partner country is responsible for defining clear, country-owned programmes (*e.g.* sector policy) and establishing a single budget framework that captures all resources (both domestic and external).

At the second level, donors are responsible for taking steps to use local systems for programme design and implementation, financial management, monitoring and evaluation. Finally, partner countries and donors are jointly responsible for donor co-ordination and harmonisation of donor procedures. The 2010 target is that 66% of aid flows are provided in the context of PBAs.

The amount of aid delivered to Zambia through PBAs remained unchanged from 47% between the 2006 Baseline Survey and 2008 Survey. A more stringent definition introduced for PBA in the 2008 Survey may have hindered visible progress on Indicator 9. As Table 6 shows, the majority of donors increased their usage of PBAs between 2005 and 2007, and reported increased confidence in the effectiveness of this approach. Donors provided support through PBAs in a wide variety of sectors including health, HIV/AIDS, education, governance, private sector development, transport and water. SWAps in health and education are exemplary; donors in these sectors have agreed to harmonise procurement, timing of disbursements, reporting, and monitoring and evaluation. Encouragingly, three new donors recently began providing budget support, bringing to nine the total number of donors involved in the Poverty Reduction Budget Support group.

TABLE 55.6:  
How much aid is  
programme based?

	Programme based approaches (PBAs)			Total aid disbursed (USD m) d	2005 (for reference)	2007  e = c / d
	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c = a + b			
African Development Bank	30	2	32	67	100%	47%
Canada	0	13	13	21	28%	62%
Denmark	0	26	26	41	51%	64%
European Commission	39	6	45	57	64%	79%
Finland	7	8	15	18	77%	79%
Germany	7	3	10	30	5%	34%
Global Fund	0	27	27	42	100%	64%
Ireland	0	20	20	29	54%	67%
Japan	0	1	1	23	65%	6%
Netherlands	11	31	42	49	73%	85%
Norway	18	23	42	69	51%	60%
Sweden	14	38	52	73	45%	71%
United Kingdom	56	8	64	74	87%	86%
United Nations	0	12	12	32	51%	38%
United States	0	2	2	213	5%	1%
World Bank	0	28	28	79	20%	35%
<b>Total</b>	<b>182</b>	<b>248</b>	<b>430</b>	<b>919</b>	<b>47%</b>	<b>47%</b>

This is the government's preferred means of aid delivery, since it uses country systems and thus reduces demand on the government to meet separate financial and reporting requirements. Given the changes in survey guidance and the overall trend in favour of PBAs, it seems likely that Zambia can make significant progress towards its Paris Declaration 2010 target of 66% of aid provided in support of PBAs.

## CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

One of the most frequent complaints of partner countries is that donors make too many demands in relation to their limited resources: country authorities spend too much time meeting with donor officials and responding to their many requests. The Paris Declaration recognises that donors have a responsibility to ensure that, to the greatest extent possible, the missions and country report they commission are undertaken jointly – *i.e.* that the burden of such work is shared.

Indicator 10 measures the extent to which donors are merging their missions (Indicator 10a) and country report (Indicator 10b) at the country level – either with country partner authorities or amongst the donor community (or both). It calculates the proportion of missions to the country undertaken jointly (*i.e.* by more than one donor) and the share of country-analysis exercises undertaken on a joint or co-ordinated basis. The 2010 target is that 40% of donor missions to the field are conducted jointly and that 66% of country country report is carried out jointly.

### INDICATOR 10a

In 2005, 15% of donor missions to Zambia were co-ordinated; in 2007, this proportion rose to 16%, representing a slight progress towards the Paris Declaration 2010 target of 40%. More encouragingly, the overall number of missions decreased from 155 to 113. This is an encouraging sign particularly as it followed an increase in the total amount of ODA over the same period. Almost every donor increased their use of joint missions, and agreed to a three-month “mission-free period” in 2007. In reality, it has been quite challenging to verify compliance to the mission-free periods.

Through the FNDP, donors can more easily align their support to national sector strategies and programmes. The SAGs also potentially provide an excellent forum for discussing and organising joint missions. The frequency of SAG meetings remains inconsistent across sectors, and as those lagging behind improve, this should support a more effective co-ordination of missions. The JASZ further facilitates co-ordination with its clear designation of lead, active and background donors in each sector.

TABLE 55.7:  
How many donor missions  
are co-ordinated?

	Co-ordinated donor missions*	Total donor missions	2005	2007
	(missions) a	(missions) b	(for reference)	c = a / b
African Development Bank	4	7	14%	57%
Canada	0	3	0%	0%
Denmark	4	7	17%	57%
European Commission	6	8	33%	75%
Finland	1	1	20%	100%
Germany	7	14	0%	50%
Global Fund	2	4	0%	50%
Ireland	2	2	75%	100%
Japan	1	27	0%	4%
Netherlands	10	10	75%	100%
Norway	10	21	67%	48%
Sweden	6	11	0%	55%
United Kingdom	4	10	11%	40%
United Nations	7	20	14%	35%
United States	6	8	67%	75%
World Bank	11	22	34%	50%
<b>Total</b>	<b>18</b>	<b>113</b>	<b>15%</b>	<b>16%</b>

\* The total of co-ordinated missions has been adjusted to avoid double-counting. A discount factor of 35% is applied.

Country analytical work encompasses the analysis and advice necessary to strengthen policy dialogue, and to develop and implement country strategies in support of sound development assistance. It typically includes country or sector studies and strategies, country evaluations, discussion papers, etc. The Paris Declaration recognises that donors have a responsibility in ensuring that the analytical work they commission is undertaken jointly, as much as possible. Doing country analytical work jointly has a number of benefits. It helps curb transaction costs for partner authorities, avoid unnecessary duplicative work and foster common understanding between donors. Donors need also to draw on partner countries' own analytical work and, where appropriate, work with government and other donors. Indicator 10b measures the proportion of country analytical work that is undertaken jointly.

## INDICATOR 10b

	Co-ordinated donor analytical work* (analyses) a	Total donor analytical work (analyses) b	2005 (for reference)	2007  c = a / b
African Development Bank	0	0	100%	--
Canada	0	0	--	--
Denmark	15	16	100%	94%
European Commission	12	12	100%	100%
Finland	8	8	100%	100%
Germany	5	6	0%	83%
Global Fund	1	5	--	20%
Ireland	7	8	67%	88%
Japan	0	9	50%	0%
Netherlands	18	19	100%	95%
Norway	15	15	100%	100%
Sweden	14	15	33%	93%
United Kingdom	9	10	80%	90%
United Nations	17	30	21%	57%
United States	12	12	67%	100%
World Bank	1	6	46%	17%
<b>Total</b>	<b>32</b>	<b>69</b>	<b>46%</b>	<b>46%</b>

TABLE 55.8:  
How much country analysis  
is co-ordinated?

\* The total of co-ordinated country report has been adjusted to avoid double-counting. A discount factor of 25% is applied.

Donor co-ordination in country analytical work remained the same, from 46% in 2005 to 46% in 2007, falling short of the Paris Declaration 2010 target of 66%. The number of analytical exercises carried out however decreased from 77 to 69. The country report notes confusion over the definition of “joint analytical work”, as well as “joint mission”, and questions the real extent of improvement on these indicators. ■

## MANAGING FOR RESULTS

### INDICATOR 11

Do countries have results-based monitoring frameworks?

THE PARIS DECLARATION CALLS ON donors and partner countries to make a joint commitment to managing for development results – *i.e.* to manage resources according to desired results. This implies defining desired results and measuring progress toward them, as well as using information on results to improve decision making and performance. It also implies strengthening capacity to undertake such management and helping to increase the demand for a focus on results (*i.e.* adopt a results-based monitoring framework).

Indicator 11 utilises data collected as part of the World Bank’s review on *Results-Based National Development Strategies: Assessments and Challenges Ahead*. The review focuses on three particular aspects of a robust results-based monitoring framework: the quality of the information generated; stakeholder access to the information; and the extent to which such information is utilised within a country-level monitoring and evaluation system.

The assessments are expressed in scores running from A (high) to E (low), with B representing a “largely developed results-based monitoring framework.” The 2010 target is to reduce by one-third the proportion of countries lacking transparent, results-based monitoring frameworks (*i.e.* reduce by one-third the number of countries not attaining at least a B rating).

Zambia received a D rating in the 2006 Baseline Survey on a scale running from E (weak) to A (strong), indicating that it did not have an adequate results-oriented reporting and assessment system. The main obstacles included problems in effective data collection and inefficient co-ordination between the Central Statistical Office and sectoral ministries. In addition, although a country level monitoring and evaluation system was under development, it was not yet operational.

In the 2008 Survey, Zambia improved to a C rating. The FNDP focuses on agreed targets and results and incorporates a system to monitor outcomes and impact, including key performance indicators for each sector. The SAGs are best placed to monitor progress, and should be able to fulfil this function if their effectiveness becomes more consistent across sectors. Zambia now has in place a performance assessment framework, developed for the budget support group, which is based on the key performance indicators for core priority sectors and has provided a valuable opportunity to refine and discuss the indicators. To make further progress, a viable monitoring and evaluation framework is needed for other sectors such as the environment, and water and sanitation. Moreover, many indicators require further refinement and necessary information systems still need to be developed in some cases.

To improve linkages between results assessment and planning, the government began developing a National Economic Management Cycle (NEMC) in 2007. This integrates and sequences national decision-making processes with results-based assessments, thereby allowing assessment findings to feed into decisions in a timely way. The NEMC has been discussed with donors and is now awaiting official approval by the cabinet.

The government also made an effort to improve national statistics by launching the development of a National Statistics Development Strategy in 2007. A roadmap for this initiative has been completed, and the full strategy document is expected by August 2008. In addition, the Central Statistics Office drafted a new five-year plan for 2008-12. While these efforts are promising, they focus mainly on the Central Statistics Office and do not include other agencies involved in statistical collection and analysis. To further improve the system, funding for statistical work needs to increase and the monitoring and evaluation system needs to become more institutionalised. ■

## MUTUAL ACCOUNTABILITY

THE PARIS DECLARATION RECOGNISES that for aid to be truly effective, stronger and more balanced accountability mechanisms are required at all levels. In particular, aid is more effective when both donors and partner country governments are accountable – to their respective publics and to each other – for the use of resources and management to achieve development results. The Paris Declaration calls for donors and partner countries to jointly assess (through existing country-level mechanisms) mutual progress in implementing agreed commitments on aid effectiveness, including commitments made under the Paris Declaration.

Indicator 12 is concerned with the specific question of whether there is a country-level mechanism for mutual assessment of progress on the partnership commitments arising from the Rome or Paris Declarations, or from local harmonisation and alignment plans. The 2010 target is for all partner countries to have in place such mechanisms.

Zambia is in the process of developing a system of mutual assessment under the JASZ. The JASZ envisages an independent monitoring group (IMG) that will assess progress on aid effectiveness against the Paris Declaration targets and the use of a matrix (developed in-country) as part of the Wider Harmonisation in Practice Agreement of 2004. A working group on mutual accountability, including representatives from government and donors, was set up at the end of 2007 to draft terms of reference for the IMG. These terms of reference indicate that the IMG will be responsible for leading the work on monitoring the Paris Declaration and will also serve as a focal point for other evaluations related to harmonisation. Plans for 2008 foresee an operational IMG and an evaluation of the harmonisation process in time for the Accra High Level Forum. In addition, indicators on monitoring donor behaviour were introduced in 2007 as part of the performance assessment framework. ■

### INDICATOR 12

Do countries have reviews of mutual accountability?

## PROGRESS SINCE 2005 AND PRIORITIES FOR 2010

ZAMBIA MADE WIDESPREAD AND SIGNIFICANT PROGRESS between 2005 and 2007 in meeting its Paris Declaration 2010 targets. It has taken greater ownership over the development process by developing a five-year plan that has provided a useful platform for alignment and co-ordination of development assistance and by developing a better monitoring and evaluation system. Although reforms to public financial management systems are still being implemented, increased donors usage of these systems to deliver aid suggests growing confidence in these systems. As more donors provide budget support, greater co-ordination, predictability and alignment will naturally follow.

Progress was weaker in some other areas. Monitoring and evaluation systems need to be strengthened. The government and donors need to engage in a more structured dialogue on capacity development, and sectors need to promote greater engagement in PBAs. This would, in turn, increase co-ordination of technical assistance, reduce the number of parallel PIUs, and streamline donor missions and analytical work. Strengthening the less active SAGs would also support greater co-ordination, alignment, and monitoring and evaluation. Completing a mutual assessment of progress on aid effectiveness is another crucial step. This will be facilitated by the successful establishment of an IMG, which should in turn strengthen government ownership over its national development. ■

### SUMMARY

TABLE 55.9

INDICATORS		2005 REFERENCE	2007	2010 TARGET
1	Operational development strategies	C	B	B or A
2a	Reliable public financial management (PFM) systems	3.0	3.5	3.5
2b	Reliable Procurement systems	Not available	C	Not applicable
3	Aid flows are aligned on national priorities	52%	74%	85%
4	Strengthen capacity by co-ordinated support	32%	34%	50%
5a	Use of country PFM systems	34%	59%	No target
5b	Use of country procurement systems	44%	71%	Not applicable
6	Strengthen capacity by avoiding parallel PIUs	24	34	8
7	Aid is more predictable	50%	85%	75%
8	Aid is untied	99%	100%	More than 99%
9	Use of common arrangements or procedures	47%	47%	66%
10a	Joint missions	15%	16%	40%
10b	Joint country analytical work	46%	46%	66%
11	Results-based monitoring frameworks	D	C	B or A
12	Mutual accountability	No	No	Yes

## CONTRIBUTORS

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## ACRONYMS

AER	Aid Effectiveness Review (World Bank)
DAC	Development Assistance Committee (OECD)
FNDP	Fifth National Development Plan
GNI	gross national income
IMG	Independent Monitoring Group
JASZ	Joint Assistance Strategy for Zambia
MTEF	medium-term expenditure framework
NEMC	National Economic Management Cycle
ODA	official development assistance
PBA	programme-based approach
PEMFA	Public Expenditure Management and Financial Accountability
PFM	public financial management
PIU	project implementation unit
PRSP	Poverty Reduction Strategy Paper
SAG	sector advisory groups
SWAp	sector-wide approach

