

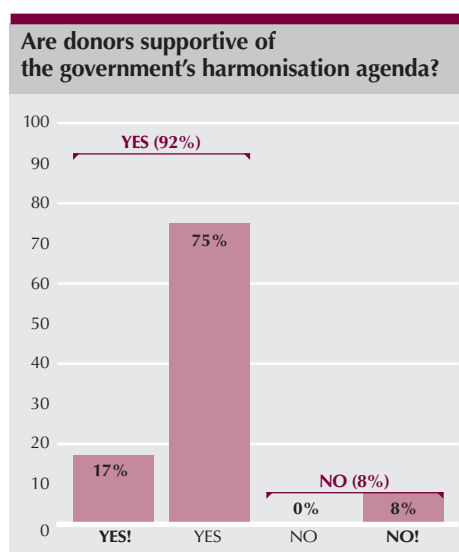
The survey sought to measure objective evidence of progress against 13 key indicators on harmonisation and alignment (see Foreword). A four-point scaling system was used for all of the “Yes/No” questions:

1. “Yes without reservations” represented here as: **YES!**
2. “Yes with reservations”: represented here as: YES
3. “No with reservations” represented here as: NO
4. “No without reservations” represented here as: **NO!**

Specific technical criteria were suggested to guide responses (See Annexes). Respondents were also invited to provide a brief explanation when they expressed reservations (Categories 2 and 3 above). The qualitative information they provided has informed this chapter.

Zambia’s poverty-reduction strategy paper (PRSP) has been generally accepted as a framework for the provision of donor assistance, although it is recognised that its action plans could be clarified. Government ownership of the harmonisation process is coming into place in Zambia, thanks to the spring 2004 Harmonisation Memorandum of Understanding (MoU) and an aid policy document which is under development. The intention is to have this latter document, including its aid management assessment, ready by March 2005. The government also expects greater usage of budget support now that the newly approved poverty reduction and growth facility is in place (PRGF). The lack of committed government resources and capacity to follow up these issues, added to potentially competing and conflicting priorities, may slow progress, however. Clear technical leadership within the government also remains to be established. Greater participation, improved communication and simplification have all been highlighted as factors that will be essential for greater harmonisation in Zambia. Progress towards harmonisation in the health and education sectors in Zambia is noticeable.

FIGURE 15.1
INDICATOR 1



OWNERSHIP

A CLEAR AGENDA ON HARMONISATION

In 2004, the Zambian government agreed a MoU with approximately 70-80% of the donor community to address “co-ordination and harmonisation of government and donor practices for aid effectiveness in Zambia”. An important activity under the harmonisation framework is the development by March 2005 of an aid policy document, which will outline Zambia’s own harmonisation requirements.

92% of donors indicate that they are currently supporting the government’s agenda (see Figure 15.1 – Indicator 1).

**TABLE 15.1
INDICATOR 2**

Is government co-ordinating aid?		
Is there a formalised process for dialogue?	YES!	
Is government proactive?		NO
Is government in the driving seat?		NO
Do donors' rules support harmonisation?		NO
58%		
% of donors who take part in co-ordination		

**TABLE 15.2
INDICATOR 3**

Capacity development		
► Have weaknesses been identified?		
In public financial management	YES!	
In budget planning and execution	YES!	
In co-ordination of aid	YES!	
► Are weaknesses being addressed?		
In public financial management	YES	
In budget planning and execution	YES	
In co-ordination of aid	YES	
► Is the level of support appropriate?		
In public financial management		NO
In budget planning and execution		NO
In co-ordination of aid	YES	

FORMAL GOVERNMENT-LED FRAMEWORK FOR DIALOGUE AND CO-ORDINATION

The government view is that Zambia's donors are, in principle, supportive of its agenda. To date, Denmark, Finland, Germany, Ireland, Japan, Netherlands, Norway, Sweden, United Kingdom, United Nations and the World Bank have signed the MoU on harmonisation of donor practices and Canada was due to sign in November 2004. However, not all donors are prepared to support the MoU: one bilateral donor notes that the MoU is "not compatible with existing rules and regulations of the agency".

Donor co-ordination is not yet fully in place, although it has recently been improved with regard to the PRSP, as the PRSP sector advisory groups have been revived (see Table 15.1 – Indicator 2).

The harmonisation agenda, despite being anchored at the highest level with the Ministry of Finance, suffers weak co-ordination due to a

lack of committed resources to follow up regularly. There have been follow-up meetings since the signing of the MoU, but clear technical leadership and a fully developed national co-ordination structure within government are yet to be established. At present, donor co-ordination varies by sector, being strongest in the education and health sectors, where it takes place on a regular and structured basis. There are a number of other initiatives (e.g. the public expenditure management and accountability review [PEMFAR] and the public sector capacity building programme [PSCAP]) where the government convenes regular meetings that are attended by a number of donors.

The government notes that while it has the intention to use the MoU, and the guidelines contained therein to challenge donors, it has not yet used these tools actively. It reports that to date, peer pressure among donors themselves has been the most important means for influencing their behaviour.

CAPACITY DEVELOPMENT

Capacity weaknesses have been identified in public financial management and budget formulation, execution, reporting and review (see Table 15.2. – Indicator 3). A joint support programme, based on the PEMFAR analysis, was designed and due to be appraised at the end of June 2004. It was expected that it would lead towards joint donor support for financial management reform.

According to the Zambia 2004 PRSP progress report, the PEMFAR is "aimed at improving fiscal discipline, effectiveness in resource allocation and realisation of value for money in the execution of expenditures."

Development of a medium-term expenditure framework (MTEF) has commenced, but will be refined as part of PEMFAR. The government notes that, until this initiative comes on stream, support for capacity building is inadequate in these areas.

Capacity weaknesses have also been identified in aid co-ordination; the new aid policy, which is being developed jointly, is expected to address these.

ALIGNMENT

RELIANCE ON PARTNERS' NATIONAL DEVELOPMENT STRATEGIES

Donors rely on Zambia's PRSP for the provision of donor assistance, although it is recognised that its action plans could be clarified (see Figure 15.2 – Indicator 4). An indicator framework is in place, though it needs to be put to better use.

One bilateral donor notes:

“Going forward, one of the major challenges will be to improve the link between the priorities in the PRSP and allocations in the MTEF and the annual government budgets.”

The first PRSP progress report, covering the period from January 2002 to June 2003, was released in the second quarter of 2004. The annual progress review (APR) process is still not well developed, though steps have been taken by the government to improve PRSP reporting by reviving the sector advisory groups and hosting an annual poverty-reduction conference. The second PRSP Progress Report (June 2003-June 2004) has also been presented.

One bilateral donor notes:

It should be kept in mind that it is not that easy to switch from one sector to another from one year to another. Such decisions would probably best be made in connection to strategic reviews of the current total development co-operation assistance being provided, drawing upon experience from APRs or similar, and in close consultations with all (or as many as possible) donors. Efforts are underway in Zambia to work out a clearer and more efficient division of labour between donors, based on priorities expressed in the PRSP and funding flows heading to priority sectors.

Do donors rely on the PRS when programming official development assistance?

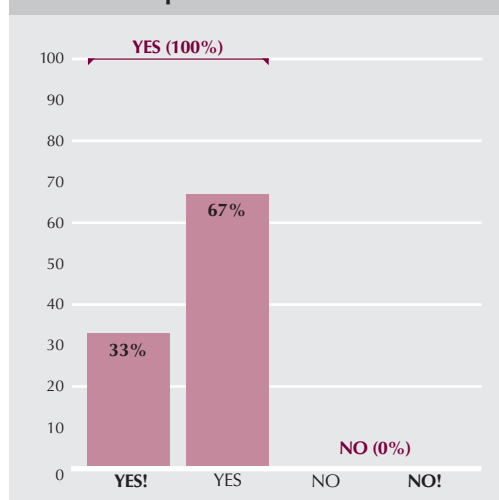


FIGURE 15.2
INDICATOR 4

The PRSP was planned to cover the period 2002-04. It is expected it will be extended by one year until the new national development plan covering 2006 to (most likely) 2010, is released sometime in early 2006.

BUDGET SUPPORT

Various forms of pooled funding support are provided to Zambia, although the only donor currently providing budget support is the European Commission (see Table 15.3 – Indicator 5).

The World Bank is currently in the process of finalising its budget support arrangements.

The United Kingdom reports that it is working closely with the ministries of finance and national planning and other development partners to move towards full direct budget support.

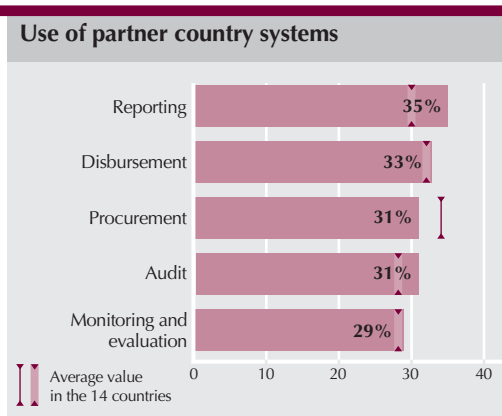
The government hopes that more donors will use the budget support modality now that it is placed on the PRGF¹.

1. An IMF announcement in June 2004 stated: “The Executive Board of the International Monetary Fund has approved a three-year arrangement under the PRGF for Zambia in an amount equivalent to SDR 220.095 million (about USD 320.41 million) to support the government’s economic programme into June 2007. The first disbursement of SDR 82.536 million (about USD 120.15 million) under the arrangement will become available immediately.”

TABLE 15.3
INDICATOR 5

Is budget support predictable and aligned?				
Are budget support donors making:	YES!	YES	NO	NO!
► multi-annual commitments?	European Commission		Ireland Japan United Kingdom	
► timely commitments?	European Commission	Ireland	United Kingdom United Nations	
► timely disbursements?	European Commission		United Kingdom	

FIGURE 15.3
INDICATOR 6



PROJECT SUPPORT

In comparison with other countries surveyed, Zambian government systems are used to an average extent (see Figure 15.3 – Indicator 6).

Under the Harmonisation MoU, donors commit themselves to an increased use of the Zambian Auditor General for external audits. Such an increase has been seen in both the health and the education sector SWAps.

SECTOR SUPPORT

Progress towards harmonisation differs considerably by sector (see Table 15.4 – Indicator 8).

Some donors provide sector support as part of sector-wide approaches (SWAps), rather than full budget support. Examples include:

- European Commission support for pooled funding in the education, health and road transportation sectors.

- UK support to the health and education SWAps.

- Irish multi-annual support to the health and education SWAps.

Donor support provided as part of SWAps makes use of procurement, disbursement, reporting, monitoring and evaluation arrangements mutually agreed between the government and participating donors. These can include new systems that did not exist or were underdeveloped before, notably in reporting.

Health sector and education sector

The health sector and the education sector both have well developed SWAps, a clear government sector policy, a MTEF, good donor co-ordination mechanisms and government performance monitoring systems (PMSs). Both are well supported by donors (90% support the health sector and 82% the education sector) and progress towards harmonisation in both sectors is good.

Water sector

A unified sector policy is yet to be fully developed in the water sector. Assistance is being provided (e.g. by Denmark) to finalise a full sector policy. Discussions on the development of a SWAp have started, as have efforts to build capacity in government PMSs. Despite these efforts, progress towards harmonisation in the sector remains slow.

Alignment with sector programmes					
► Are sector systems in place?	Health	Education	Water	Transport	Agriculture
Is government leading in the sector?	YES	YES	NO	YES	N/A
Does a clear sector policy exist?	YES!	YES!	NO!	YES!	NO!
Is a sector medium-term expenditure framework (MTEF) in place?	YES!	YES!	NO!	YES!	NO!
Is there sector co-ordination?	YES!	YES!	NO!	YES!	NO!
Is a sector monitoring system in place?	YES!	YES!	NO!	YES!	NO!
Are systems being harmonised?	YES!	YES!	NO!	NO	NO!
► Are donors supporting the sector systems?					
Are the systems aligned with government policies?	YES!	YES!	YES	YES!	YES
Are funds integrated into the MTEF?	NO	NO	NO!	NO	NO!
Are donors using the government monitoring system?	YES!	YES!	NO	YES	NO

TABLE 15.4
INDICATOR 8

Transport sector

The government has a clear strategic plan (called the ROADSIP) which 100% of donors active in the sector are following. This is supported by a MTEF, formal donor co-ordination processes and a PMS. A pooled funding mechanism also exists in the sector. Despite this progress, however, the government reports that “donor interventions are mainly of the project type, administered in parallel systems.”

Rural development

The draft national agriculture policy is still to be approved by the Cabinet. In the absence of such a strategy, agricultural policy comes from the PRSP. Given that the sector is private sector driven, its nature is noticeably different from the social sectors. An agricultural consultative forum has been established to facilitate a tripartite policy dialogue between the government, private sector and donors.

Other sectors

Donor support is also provided for the government decentralisation policy, the National AIDS Council, democratic and economic governance, energy, private sector and urban development.

HARMONISATION

The report “Harmonisation of Donor Practices for Aid Effectiveness in Zambia”, commissioned by seven bilateral donors, states:

Harmonisation between donors and with the government means to agree on a general policy framework as well as sector and sub-sector policies. This requires moving towards “like-mindedness”, not only among the likeminded donors, but also “like-mindedness” with the government in terms of the overall goals/objective of the partnership; and with respect to the planned programmes/projects.

[...]

The consultations during this study have led to the overall conclusion that there is an urgent need for Zambia and its co-operating partners to harmonise policy and public sector management systems and procedures in a way that would result in more effective aid management. It has become clear that the discussion of harmonisation among donors themselves in the form of joint working arrangements, including delegated co-operation, may reduce their transaction costs. However, the reduction of transaction costs within the Zambian government

system is equally as important, hence, the need to adopt a more inclusive approach to harmonisation in order for government to feel part of the process rather than an invited participant to a donor-driven initiative. This effectively calls for a change in the donor-partner relationship since the process regarding how the harmonisation initiative is handled becomes as important as the product of this collective effort.

In exploring the way forward for increased harmonisation, the three guiding principles of compatibility with the partner; simplicity; and achievability should be highlighted. This is likely to require that donors consider the pace at which harmonisation can take place, including the pace at which the government operates, government capacity, and ways to broaden the harmonisation group (including greater participation by civil society).

The “Aid Harmonization & Alignment” Web site (www.aidharmonisation.org) sets out the government’s approach to taking the lead on harmonisation:

- The overall approach will be guided by the following principles to which both government and donors subscribe:
- (a) Leadership, co-ordination and guidance by the government.

- (b) A commitment to civil service reform.
- (c) Public financial management reform.
- (d) A commitment to using the PRSP as a basis for strategic planning and monitoring.
- (e) A commitment to the adoption of SWAps and the possible move toward direct budget support.

The development of the Harmonisation MoU should provide the framework for further participation in this process.

STREAMLINING CONDITIONALITY

The only sectors in which streamlining of conditionalities has occurred are health and education, the two sectors with pooled funding for SWAps (see Table 15.4 – Indicator 7).

DELEGATED CO-OPERATION

Indicator 9 shows that 17% of donors in Zambia report to be party to an agreement to perform tasks on behalf of other donors. A further 33% qualified their responses (see Table 15.5). For example:

- Norway looks after the infrastructure component of support to the National AIDS Council on behalf of the UK Department for International Development (DFID) and other donors;
- In support of parliamentary reform, and the PEMFAR reform programme, Ireland has a reciprocal delegated co-operation agreement with the Netherlands;
- Norwegian support to the agricultural sector is channelled through the Netherlands. On the other hand, Norway plays the active role in the joint Norwegian/Dutch support to the Office of the Auditor-General;
- Several donors have established silent partnerships in the non-governmental organisation (NGO) sector.

TABLE 15.4
INDICATOR 7

Are donors streamlining conditionality?		
Direct budget support		NO!
Health sector	YES!	
Education sector	YES!	
Water sector		NO!
Transport/road sector		NO!
Rural development agriculture		NO!

TABLE 15.6
INDICATOR 9

Who is delegating co-operation?			
YES!	YES	NO	NO!
Germany Netherlands	Ireland Norway United Kingdom United Nations	Sweden	Denmark Finland Japan United States European Commission

DONOR FIELD MISSIONS

Approximately 130 missions took place in Zambia in 2003 (not including the World Bank or the International Monetary Fund). Around 10% of these missions were undertaken jointly (see Figure 15.4 – Indicator 10).

STREAMLINING DIAGNOSTIC REVIEWS

Three types of review, a CFAA, a PER and a CPAR were conducted in the period 2001-03. Of these, only the PER was conducted jointly by more than one agency (Indicator 11 – Table not presented).

DISCLOSING INFORMATION

33% of donors claim to notify government on indicative disbursements they plan to release over at least a three-year period (Indicator 12a – Table not presented).

Donors report that the format for projections requested by the government does not specify a breakdown by aid modality, nor requests details of any conditions attached to the disbursement.

Several donors note that, while they do not provide three-year indicative envelopes on expected aid flows, they do share any available information when requested by the government. However, to date the government has not regularly asked for any information regarding planned disbursements. The one exception concerns a request for information on the budget framework 2005-07, for which it provided a format for the answer.

Some 17% of donors claim to provide comprehensive and regular information about in-country disbursements (Indicator 12b – Table not presented).

Donors report that, though they provide such information when requested, the government system for soliciting it is not yet fully functional. When information is asked, it tends to be in the health and education sectors, where financial planning is better organised than in other sectors.

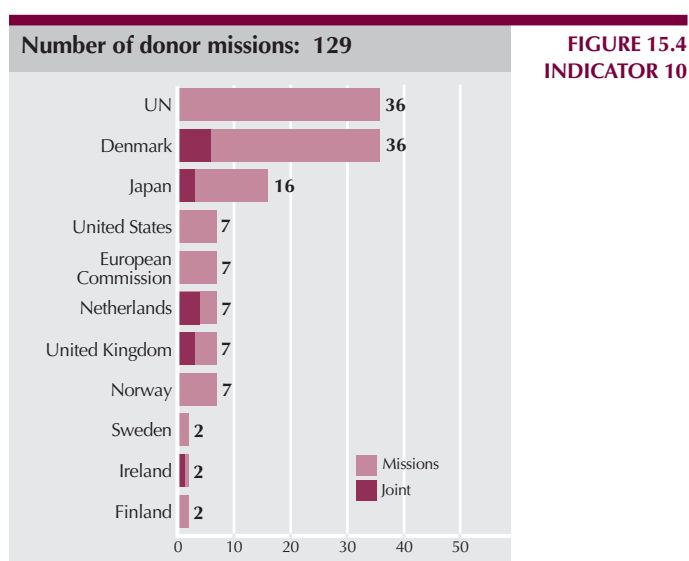


FIGURE 15.4
INDICATOR 10

Who is sharing country analytic work?

YES!	YES	NO	NO!
European Commission USAID	Denmark Japan Norway United Kingdom United Nations	Finland Netherlands Sweden	Ireland

TABLE 15.6
INDICATOR 13

Several donors submit disbursement information to the government, though not in a government format. One donor reports that no real guidance on the preferred format has so far accompanied the occasional requests for information.

Only 18% of donors regularly share information on their country analytic work on the country analytic Web site (see Table 15.6 – Indicator 13).

Others share information on their own agency Web sites; or with interested stakeholders; or make it available upon request. The harmonisation group seeks to prepare joint briefings for donor headquarters on key development issues in Zambia.

ACRONYMS

ADB	Asian Development Bank
APR	Annual progress review
CCBP	Comprehensive Capacity-Building Programme (Vietnam)
CFAA	Country financial accountability assessment
CG	Consultative group
CPAR	Country procurement assessment review
CPRGS	Comprehensive Poverty Reduction and Growth Strategy (Vietnam)
EACFM	<i>Ex ante</i> assessment of country financial management (European Commission)
IMF	International Monetary Fund
JBIC	Japan Bank for International Cooperation
JPR	Joint portfolio review
LMDG	Like Minded Donor Group (Vietnam)
MPI	Ministry of Planning and Investment (Vietnam)
MTEF	Medium-term expenditure framework
NGO	Non-governmental organisation
ODA	Official development assistance
PAR	Public administration reform
PER	Public expenditure review
PRS	Poverty-reduction strategy
PRSC	Poverty-reduction support credit
PRSP	Poverty-reduction strategy paper
SEDP	Socio-Economic Development Plan (Vietnam)
UN	United Nations